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[Corporate Tax Breaks Cost U.S. Schools Billions of Lost Revenue: Report]

(Reuters) – Corporate tax subsidies, in the spotlight again after Amazon.com Inc's secretive quest to find a site for its second headquarters, are costing American public schools big money, according to a report issued on Tuesday.

In fiscal 2017, U.S. public schools lost $1.8 billion across 28 states through corporate tax incentives over which most schools themselves had little or no control.

The 10 most affected states could hire more than 28,000 new teachers if they were able to use the lost revenues, according to the report released by Good Jobs First, a left-leaning Washington think tank.

The report comes amid increased taxpayer scrutiny of such deals following Amazon's nationwide, yearlong search for its "HQ2" site.

Amazon decided last month to build two new headquarters at $5 billion each in New York City and Arlington, Virginia, saying it will hire up to 50,000 people altogether.

Though conducted mostly in secret, the search was still a public spectacle, pitting state against state in a bidding war and raising questions about transparency and the need for such subsidies for a company run by Jeff Bezos, the richest man in the world.

States and cities have long used abatements, subsidies and other tax incentives to lure companies, keep them from leaving or encourage them to expand.

Such deals are meant to boost development and investment, and proponents say the lost tax revenue is worth it because they grow local economies.

But it can be hard to know whether the benefits outweigh the burdens. And until recently it has been difficult to discern how much one entity may have lost because of another entity's tax breaks.

However, a governmental accounting rule issued in August 2015 now requires local U.S. governments to report how much money they lose on corporate tax breaks for development projects – their own, or another nearby governmental entity.

Good Jobs examined the first full year of reporting for most of the school districts, which are particularly affected because most of their revenue comes from property taxes – yet they typically have little influence over subsidies granted by the cities or counties where they are located.

"Cities say they care about economic development, but then they end up granting subsidies in a way that cuts out control by school boards, parents and others," said Good Jobs' Scott Klinger, who authored the report.

Good Jobs reviewed financial reports from fiscal 2017 for more than 5,600 of the nation's 13,500 independent school districts.

Of the five districts that lost the most, three are in Louisiana. Together, they lost more than $158 million, or at least $2,500 for each student enrolled.

More than half of the districts did not report any such losses, in many cases because the new accounting rule appeared to have been "simply ignored," the report said.

In Oregon's Washington County, Intel Corp and Genentech, the U.S. biotech arm of Swiss drugmaker Roche, have both been getting a property tax exemption on capital projects for years. Its Hillsboro School District lost nearly $97 million in fiscal 2017, more than any district in the country, the report found.

Nathan Buehler, spokesman for Oregon's economic development agency, declined to comment because he had not had "an opportunity to review the study, its findings, and the context to the data going in to it."

Intel spokesman William Moss declined to comment on the report but noted that "with nearly 20,000 employees in the Hillsboro area, Intel is an anchor of the local economy."

Genentech did not comment on the report but noted its $17 million it has donated to science education across U.S. cities in the last four years. It also said it had promised in 2006 to create 250 new jobs in Hillsboro but now has more than 450 full-time employees.

"We strongly believe in stable funding for local municipalities and tie our company's success to a well-educated and well-compensated workforce," Genentech said.

In Pennsylvania, the School District of Philadelphia, which only last year regained control from state officials after climbing out of a deep fiscal crisis, lost the second most revenue at $62 million.

While the Philadelphia district clearly "bears one of the largest burdens in the country of the upfront costs … this study only looks at one side of the ledger, so it is impossible to comment on the net impact of these incentives," spokesman H. Lee Whack Jr. said in an email.

City spokesman Mike Dunn said the study does not appear to factor in "the value of enhanced development resulting from the incentives." It had already commissioned a new study of tax credits.

"We remain committed to further discussions with our colleagues on City Council about the future of the abatement, including proposals that would see it modified," Dunn said.

The Hillsboro district did not reply to a request for comment.

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(Reporting by Hilary Russ in New York; Editing by Lisa Shumaker and Bill Berkrot)