## Do Tax Breaks Help or Hurt a State’s Finances? New Study Digs Deep.

**What’s likely the most comprehensive research of its kind doesn’t bode well for tax incentives.**

The debate over tax incentives usually centers on whether they lead to job creation and other economic benefits. But governments must also pay attention to their own bottom lines. This begs the question: How do all the financial incentives that states offer actually influence fiscal health?

New research seeks to answer that question. Using data from the W.E. Upjohn Institute for Employment Research, researchers at North Carolina State University tallied all incentives offered by 32 states from 1990 to 2015, effectively covering 90 percent of incentives nationally. What they found doesn’t portray incentives in a positive light. Most of the programs they looked at — investment tax credits, property tax abatements, and tax credits for research and development — were linked with worse overall fiscal health for the jurisdiction that enacted them.

“It’s not that incentives are bad or that we shouldn’t use incentives,” says Bruce McDonald, an NC State associate professor who led the research team. “But if a state or local government is going to provide an incentive, there needs to be some kind of clarity on what the realistic expectations are for what they might get back.”

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