Trade-offs
Four Principles to Ensure Tax Incentives Deliver a Strong Return on Investment

1. All tax incentives will be reviewed regularly according to a strategic schedule.

2. Evaluations will draw clear conclusions based on measurable goals.

3. Rigorous evaluation will determine the benefits and costs.

4. Evidence from evaluations will inform policy choices.
All tax incentives will be reviewed according to a strategic schedule.

- Ensure evaluations are ready in time for budget and policy decisions.
- Consider grouping tax expenditures with similar goals together.
- Allow for flexibility.
 Evaluations will draw clear conclusions based on measurable goals.

- Conclusions provide lawmakers with choices that they can consider and act upon.
- Analysts can draw conclusions about ways an incentive might be improved.
- To arrive at clear conclusions, evaluators must ask questions about what the tax incentive is trying to achieve.
Rigorous evaluation will determine the benefits and costs.

- To what extent did the incentive affect the choices businesses made?
- Were existing businesses affected by the incentives?
- Did the benefits outweigh the negative effects of the tax increases or spending cuts needed to offset it?
Evaluations will inform policy choices.

- Oregon’s sunset approach.
- Rhode Island requires recommendations in the Governor’s budget.
- Legislative hearings, e.g. Washington and Mississippi.
Growing momentum in 2013 and 2014

Took steps toward...
- Effective evaluation
- Clearer goals

States that took steps:
- OR (Oregon)
- WA (Washington)
- NE (Nebraska)
- IN (Indiana)
- MS (Mississippi)
- GA (Georgia)
- FL (Florida)
- NH (New Hampshire)
- RI (Rhode Island)
- VT (Vermont)

States with clearer goals:
- WA (Washington)
- NE (Nebraska)
- IN (Indiana)
- MS (Mississippi)
- GA (Georgia)
- FL (Florida)
- NH (New Hampshire)
- RI (Rhode Island)
- VT (Vermont)