

THE STATE OF STATE TAX INCENTIVES AND SUBSIDIES TO LOCAL BUSINESS

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State of Vermont Senate Chamber, Senate Committee on Finance

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Chair Ancel, Chair Cummings, members of the House Committee on Ways and Means, and Members of the Senate Committee on Finance:

Thank you for inviting me to testify on the state of state tax incentives and subsidies to business. This is an important issue that I have been researching for the bulk of my academic career, since approximately 1992. I did this work at the University of Missouri–St. Louis, where I am now professor emeritus of political science. My work has always had an explicitly comparative component, comparing what people see in the United States with the different policies used in the European Union and in Canada.

In all, I have written two books on competition for investment among governments. *Competing for Capital: Europe and North America in a Global Era*, published by Georgetown University Press in 2000, presents, among other things, the first national estimate of state and local subsidies to business in the United States. This has been widely cited in the national media. The second book on the topic, *Investment Incentives and the Global Competition for Investment*, published by Palgrave Macmillan UK in 2011, updated the theoretical discussion, the national subsidy estimate, and examined a wide variety of case studies in the United States, Canada, the European Union, and select developing countries. It was one of the first studies to show that the subsidies provided by European Union member states were far lower than those of US state and local governments for similar projects, sometimes even for the same company!

In addition, I have published a number of academic articles on various aspects of subsidies to business in academic journals in the United States and Canada, including two on tax increment financing, and have written several op-eds on the subject in major newspapers. I have also been cited by the *Wall Street Journal*, *Tax Notes*, *Business Week*, *Governing*, the *New York Times*, and a host of smaller publications for my expertise over the years.

Most recently, under the auspices of the Mercatus Center at George Mason University, I have published my most comprehensive report of state incentives to attract business, which includes reports of each state's transparency, or lack thereof, in its use of economic development subsidies and each state's use

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of policy tools to penalize companies that fail to fulfil their promises with regard to subsidized job creation and investment. These data were generated by the nonprofit subsidy watchdog Good Jobs First, where I became a fellow last summer, after the bulk of my Mercatus report was complete.

I look forward to presenting my research to you next week; the Mercatus Center's Equity Initiative and I plan to spend a significant portion of my allotted time on questions and answers. I look forward to meeting you soon.

Sincerely,

Kenneth P. Thomas
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