

Trends in Business Attraction Incentives

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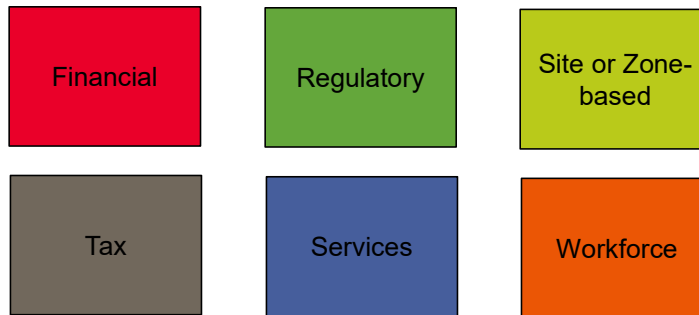
What are business incentives?

Programs designed to influence business investment behaviors

Taxpayer financed programs that support individual businesses

Services, programs, or financial offerings intended to alter, reward or subsidize an action or behavior

Incentive categories



Why do we use incentives?

To achieve our community's economic development goals

- Jobs
- Worker training
- Business development
- Investment
- Downtown revitalization
- Brownfield redevelopment
- Quality of life and quality of place
- Strengthen tax base

Incentives are not just about winning a deal. Smart incentive use is always connected to a larger economic development strategy.

Incentive use is a process, not a transaction

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Rigorous analytics to reduce risk

Data	Analysis
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at all 4 stages of the incentives process

Recipient	Deal	Compliance	Effectiveness
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and to communicate and improve incentive outcomes

Transparency	Accountability
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5

Site selection and incentives

Identify options – strategic corporate objectives

Evaluate and eliminate locations – operational needs

Final site selection

Source: Smart Incentives, JLL

Site selection is not just about incentives.

Factors such as workforce, infrastructure, site/facility availability, and cost of doing business drive investment decisions.

But incentives still matter and play a role at each stage of the site selection process

Incentives are used to **maximize opportunity** and **minimize risk**.

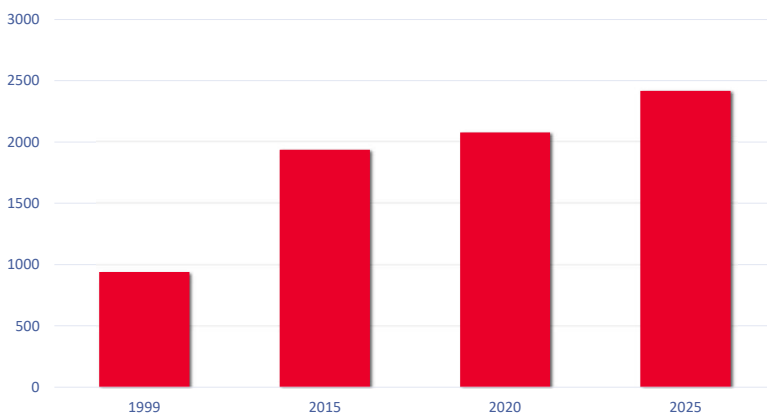
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6

State Trends

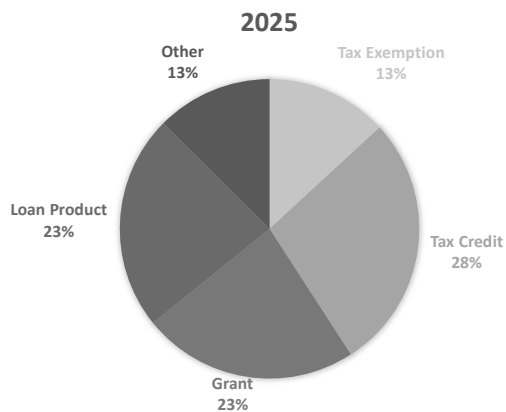
WHAT ARE STATES OFFERING AND HOW ARE INCENTIVES CHANGING?

Number of state incentive programs



Source: Council for Economic Research (C2ER) State Incentives Database

Incentives by program type



Current economic development concerns

People & Place	Projects	Process
<ul style="list-style-type: none">• Workforce• Supporting rural development	<ul style="list-style-type: none">• Attracting major manufacturing projects• Data centers	<ul style="list-style-type: none">• Improving transparency and accountability• Addressing community considerations

Current Incentive Priorities

Responding to tight labor markets and talent shortages

Encouraging investment that is not tied to significant new job creation

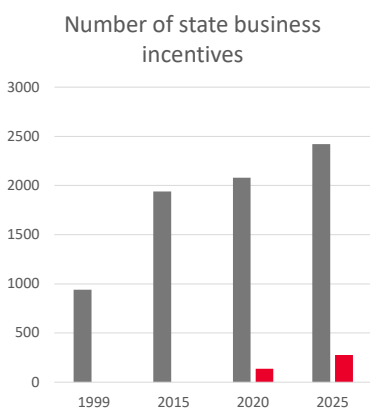
Facilitating rural development

Improving transparency and accountability

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11

Workforce incentive trends



2020: 137 workforce & training programs

2025: 277 workforce & training programs

- 88 are tax incentives

- Majority are for training and pipeline programs for companies creating new jobs

- Approximately 10% seek to address individual barriers to employment

- About 15% support incumbent worker training or upskilling

Source: Council for Economic Research (C2ER) State Incentives Database

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12

Workforce and talent programming

Technician Training
 Reskilling Workers
 Higher Education Partnerships
 K-12 Outreach
 Industry Partnerships
 Talent Pipeline



JobsOhio Workforce Grant



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13

Investment vs jobs

Many incentivized companies are not meeting their job commitments under existing state programs.

- Performance varies, but over time the actual cost of business attraction tax credits seems to be around 30-40% of projected cost.
- One reason is that businesses are not meeting the contractual milestones for job creation required to take the credit.

How to calculate the value to the state of an investment without new jobs? Without personal income tax?

What determines a quality investment?

- Sustainable development / mitigate environmental impact
- Strategic industries / industrial diversification
- Worker safety or upskilling or retention
- Priority technologies – cybersecurity, AI, robotics
- Community impact

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14

Tax credits to promote industrial investment

AZ Qualified Facility Investment Program

- Refundable tax credit for firms investing a minimum of \$250,000 to establish or expand a qualified facility; new quality jobs should be created but there is no minimum job figure. Credit may be calculated as 10% of the qualifying investment.

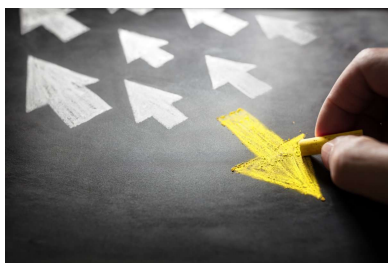
CT Machinery and Equipment Expenditure Tax Credit

- 5% or 10% tax credit based on incremental increase in expenditures for machinery and equipment for CT facilities; credit percentage depends on number of CT employees.

ND Automation Tax Credit

- 15% tax credit for purchase or lease of machinery or equipment to automate a manufacturing process in ND. Automation must improve job quality or increase output, with reporting to the State Tax Commission.

Rural development goals



Slow the Outmigration of Skilled Talent



Create an Environment that Attracts People to Rural America



Help Local Businesses and Entrepreneurs Compete

Source: Center for Regional Economic Competitiveness

Improved accountability

Better project compliance and reporting

State and local governments have improved their ability to track incentivized projects, monitor performance, and share results with internal and external stakeholders.

Commitment to evaluations

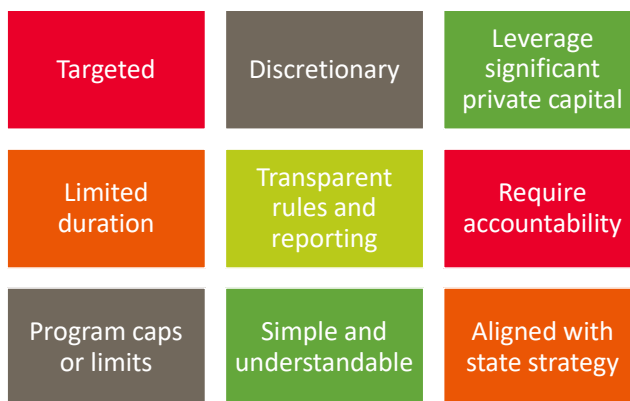
Growing numbers of state and local governments are formally assessing their incentive programs.

Increased transparency

States are taking more steps to share information with the public about projects and companies that receive incentives.

Reporting Year	Property Tax Y...	Name of Qualif...	Oregon County	Enterprise Zone...	Exemption Per...	Year(s) Exempt...	Approximate C...	Assessed Val...	Property Taxes...	New Jobs of FL	Firm's Total No...	Notes for Job...
2023	2022-2023	Forbidden Fruit Cide	Benton	Benton/Corvallis	3	2020	\$699,000	\$355,683	\$5,358	39	-	Reported in Part B o
2023	2022-2023	Forbidden Fruit Cide	Benton	Benton/Corvallis	3	2020	\$476,000	\$366,353	\$5,547	4	4	
2023	2022-2023	Forbidden Fruit Cide	Benton	Benton/Corvallis	3	2022	\$3,177,000	\$3,177,039	\$48,108	7	50	
2023	2022-2023	Locke Enterprises	Clackamas	Estacada	3	2021	\$650,000	\$457,660	\$7,241	2	2	
2023	2022-2023	Supera LLC	Clackamas	Estacada	3	2022	\$2,568,000	\$515,939	\$8,163	10	10	
2023	2022-2023	Clostrak Medical LL	Clackamas	Molalla	3	2022	\$3,313,000	\$2,961,500	\$49,407	54	87	
2023	2022-2023	Pacific Fibre Produc	Clackamas	Molalla	5	2018	\$3,147,000	\$2,685,788	\$44,807	11	-	Reported in Part B o
2023	2022-2023	Pacific Fibre Produc	Clackamas	Molalla	3	2022	\$711,000	\$176,915	\$2,951	6	24	
2023	2022-2023	Aseved Dental Lab	Clackamas	North Urban Clackar	3	2020 2021	\$128,000	\$36,327	\$779	24	40	
2023	2022-2023	BridgeWell Agribusin	Clackamas	North Urban Clackar	3	2020	\$883,000	\$483,394	\$12,476	33	69	
2023	2022-2023	CAS Wholesale Groc	Clackamas	North Urban Clackar	3	2022	\$1,446,000	\$600,850	\$10,969	-	-	Reported in Part B o
2023	2022-2023	Consolidated Meco	Clackamas	North Urban Clackar	3	2020 2021	\$5,842,000	\$6,270,402	\$114,476	10	79	
2023	2022-2023	Conveyco Mfg. Corp	Clackamas	North Urban Clackar	3	2021 2022	\$3,952,000	\$1,371,119	\$25,032	15	61	







Evaluations are showing us what makes incentive programs effective



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19

Good incentive programs include these design elements

-  Clear and measurable goals
-  Pay for performance
-  Caps on outlays
-  Limited duration
-  Targeted and discretionary, with an application process
-  Built-in reporting mechanisms

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20

Plan for transparency and accountability.

Elected officials, community groups and economic development leaders need good quality data on incentive costs and outcomes.



Four Takeaways

Incentives should be used to accomplish economic development goals – not just win a deal.

Governments use many different types of incentives, not just tax breaks.

Economic developers can put in place procedures to make good decisions when providing incentives.

These procedures can help answer questions about how well incentives are working.

About us

Smart Incentives helps governments make sound decisions throughout the incentives process

- ✓ Analyze incentive offerings and program design
- ✓ Improve incentive program management
- ✓ Strengthen project compliance procedures
- ✓ Evaluate and report on program results

Connect

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