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Fiscal Research Center

Evaluating Tax Incentives

Presentation to the Joint Tax Credit
Review Committee

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Overview of approach to evaluations

SB 6 Tax Incentive Evaluations

- Four requirements
 - Net change in state revenues
 - Net change in state expenditures
 - Net change in economic activity
 - Net change in [other] public benefits

Overview of approach to evaluations

- Foregone state revenues, the “tax expenditure”
- Offsetting revenue gains from increased economic activity
- The “but-for” analysis
- Direct, indirect, and induced economic activity arising from the incentivized behavior
- Opportunity cost