Economic Development and Revenue Collection:
Balancing Competitive Recruitment with Transparency and Accountability

Sammie Arnold
Asst. Commissioner of Strategy and Legislative Affairs
Tennessee Department of Economic and Community Development

Stacy Gibson
Assistant Commissioner
Tennessee Department of Revenue

Loren Chumley
KPMG LLP
Principal

July 17, 2018
Agenda

1. Current Outlook and Competitive Landscape
2. Developments and Demands on Transparency and Impact
3. Accountability and Common Sense Compliance
Current Outlook and Competitive Landscape
Relocation and Expansion Fundamentals

1) It is not just about taxes
2) The globe is in play
3) Competition is likely internal as well as external
New Horizons for MegaProjects?

Possible locations for Amazon’s second headquarters

Amazon has triggered a $5 billion bidding war — here are the cities that are in competition for its new HQ
The Buzz?

Will Amazon HQ2 Process Change Economic Development Game?

Allegheny Conference head outlines secrecy behind Amazon HQ2 bid

HQ2 is making cities consider projects they've been ignoring for years — and it shows the power of Amazon

How the winning community deals with the gains and pains holds lessons for any place hosting a booming industry.

JUNE 26, 2018
How are states doing?

America’s Top States for Business 2018

Top Half SEATA States with Rank

Virginia  4
Georgia    7
North Carolina  9
Florida  10
Tennessee  13
South Carolina  30

What are states doing?

• Trends in tax incentives, structure
  – Rates, factors, data centers, R&D

• Impact of federal tax reform on ECD strategies?
Transparency and Impact
Evaluating Impact: The Tennessee Experience

• In 2013, PEW and CREC chose Tennessee and 6 other states to participate in study of business incentives policy and practice
Evaluating Impact: The Tennessee Experience

- Public Chapter 504 (2015)
  - Tenn. Code Ann. § 67-1-118
- Public Chapter 251 (2017)
  - Tenn. Code Ann. § 67-4-2109

The Economic Impact of Business Tax Credits in Tennessee
Evaluating Transparency: The Tennessee Experience

State Tax Incentive Evaluation Ratings

Copyright © 1996-2018 The Pew Charitable Trusts. All rights reserved.
GASB 77

- Establishes disclosure standards for tax abatement agreements entered into by state and local governments.
- Disclosures encompass tax abatements resulting from:
  1. agreements entered into by the reporting government; and
  2. agreements entered into by other governments that reduce the reporting government’s tax revenues
Accountability and Common Sense Compliance
The Business Perspective

Promises made, promises kept:

- Businesses likely have accountability for realizing the benefit of incentives, credits and exemptions.
- Important to establish compliance requirements early on to put controls and processes in place to realize benefits.
- Flexibility is required: businesses and industries change over time – positions and people change.
- Reasonableness and common sense approach to compliance requirements should allow businesses to realize benefits.
The Government Perspective

Promises made, promises kept:

- Government has accountability for realizing the benefit of incentives, credits and exemptions.
- Important to establish compliance requirements early on to put controls and processes in place to realize benefits.
- Data is required.
- Communication is required.
- Documentation is required.
- Everyone wants the benefits to be realized.
Questions