
Outline of Presentation

1. Fundamentals



1. Fundamentals

Why tax in the first place?

- Raising revenue for government expenditure

GDP

Incentives?

of the tax base

th in GDP, leads to expansion

Did they work as intended?

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1. Fundamentals

Principles of optimal taxation

- Efficiency

State all three principles

-principle: by lowering the tax cost to selected group of taxpayers to further stimulation by market forces.

-principle: by treating taxpayers not by their economic significance as makers.

-principle: by adding discretionary tax system.

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1. Fundamentals

Justification for tax incentives (in the order of
to low):

- failure
- new/mobile activities without
- from the existing tax base
- generation economies
- winners and losers
- and sustain bad governance

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1. Fundamentals

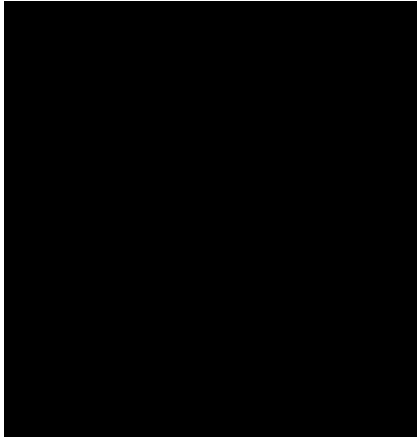
*Regardless, by excluding bad governance, tax incentives
can be justified only if they bring net benefit to society
as a whole. This is where cost-benefit analysis is
required.*

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2. Conceptual Framework

Assessing TIP Impact by Stage

- **IMPACT** – cost and benefit as measured by economic investment, jobs, GDP, and their revenue consequences.



2. Conceptual Framework Sensitivity Analysis

What is Sensitivity analysis?

Involves varying an economic scenario by
parameters.

h Rate

r

package (backwards vs. forwards)

ensity to consume

t Margin

3. Review of Existing Studies

Overview

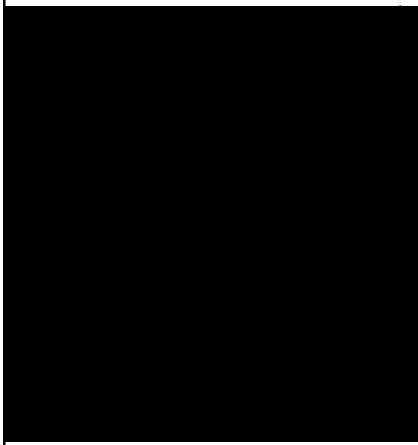
• Many studies are devoted to identifying and measuring the effectiveness of tax incentive

• Some studies do not appear to be a full-fledged cost-benefit

3. Review of Existing Studies

The Massachusetts Study

- Purpose of the Study: *Estimate the impact of the film on the state economy*



Economic Model

uses four major modeling techniques, including I-O accounts and

Overall Economic Impact (through multiplier linkages and behavior reactions to tax incentives)



3. Review of Existing Studies

The Massachusetts Study

- 5) **The wages and salaries that were paid to residents and non-residents;**
Spending that was paid to in-state and out-of-state businesses;
Jobs generated by film
Estimated the tax incentives, for both residents; and
The amount of spending that Massachusetts as a result of the film tax

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3. Review of Existing Studies

The Massachusetts Study

Intriguing point -

multiplier impact

incentives has a **negative**
the economy and government

Total film tax credits issued, net of taxes paid by the out-of-state film producers, is subtracted from the initial direct impact so as to be a negative factor for estimating the multiplier impact on the economy.

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3. Review of Existing Studies

The Massachusetts Study

Quantitative Finding (2011)

(1) Total credits issued: \$44M (= 25% x \$176M)

g: \$176M

subtracting from total spending of \$176M the

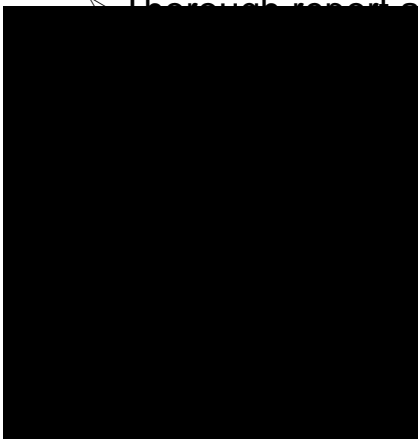
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3. Review of Existing Studies

The Massachusetts Study

My evaluation Grade: A+ because of --

→ Thorough reports and deliberation of the direct



ency loss (through its
ndant” film production),

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3. Review of Existing Studies

The Nevada Study

➤ The Tesla Investment and Operational Plan:

Investment: \$1.0 billion in first 3 years
Total investment: \$3.95 billion over 2015-2018
Production capacity: up to 6,500 by 2018
Energy consumption to generate utility
for the community.

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3. Review of Existing Studies

The Nevada Study

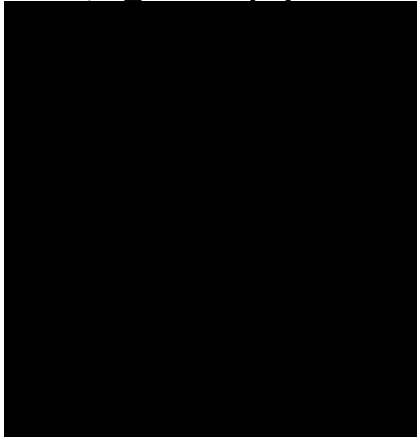
➤ Nature of the study:

significant positive economic
impact on Nevada

software (including IMPLAN
that are supposed to Capture
the impact of tax incentives)

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Quantitative Findings



jobs & annual income \$370m
Impact: 6,400 - 16,200 jobs & annual
\$53m*
- 22,700 jobs with annual incom

3. Review of Existing Studies

The Nevada Study

My Main Criticism (cont'd)

...resulting from applying the
...which captures both in- and out-
...act) and assumed by the
...estimate.

...nt assumed that the supply chain
...ately fully materialized within
...st the reality of modern supply
...esla's building its battery-
...Nevada rather than its home

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3. Review of Existing Studies

The Nevada Study

My Main Criticism (cont'd)

3. Overlooked the **additional cost** that government
...date the substantial population
...an and the government estimate
... and population increase

...sed its estimated population
...estimating the property and
...out offsetting its revenue
...ed spending to accommodate
...sion.

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