



**Testimony in SUPPORT of Phasing Out Corporate Incentives: H-5380**

**House Committee on State Government and Elections**

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The Economic Progress Institute **supports Representative Place's H-5380** which would make Rhode Island part of a future inter-state compact prohibiting the use of tax incentives targeted at specific companies to lure them from one state to another.

Too often, when states use such incentives to attract specific companies, they are simply *moving* jobs rather than *creating* new jobs and economic activity. In the worst of these cases, a company can move its operations just over a state border and back and forth, even employing the same workers in the same local economy. The most striking example of this took place for years in Kansas City, through which the Kansas-Missouri border runs. Until a truce was signed in 2019, millions of dollars were lost to companies shifting from one side of the same metropolitan area to the other!

In such cases, little changes except that dueling states lose increasing amounts of revenue to the companies taking advantage of the competition. This can too easily turn into a race to the bottom, with state or local governments giving up more in tax revenue than they produce in new economic activity.

If states join together in this compact, the economic incentives and losses due to such poaching would end, and Rhode Island would benefit.