

The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for Pennsylvania's five most populous cities, counties, and school districts and the state itself, where available.

Between fiscal years 2017 and 2021, the state of Pennsylvania's five largest cities, counties, and school districts **lost over \$3.7 billion** due to economic development tax breaks. For context, that is enough to hire more than 52,000 additional teachers in a state that struggles with teacher shortages. The tables below list **only** the five most populous cities, counties, school districts, and the state itself. The true statewide total is presumably much higher. Over the five years, reported revenue losses increased by 30%, with an average annual loss of **\$745 million**.

Foregone Tax Revenue, Five Most Populous School Districts in Pennsylvania					
	2017	2018	2019	2020	2021
Philadelphia City School District	\$61,900,000	\$73,700,000	\$121,200,000	\$115,500,000	\$116,200,000
Pittsburgh Public Schools	\$22,461,750	\$21,510,853	\$22,706,446	\$22,102,994	\$22,284,296
Reading School District	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
Central Bucks School District	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
Allentown City School District	\$720,000	\$897,000	\$900,000	\$444,001	\$377,805
Annual Total	\$85,081,750	\$96,107,853	\$144,806,446	\$138,046,995	\$138,862,101
Selected School Districts Five-Year Total: \$602,905,145					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

Foregone Tax Revenue, Five Most Populous Cities, Counties, and State of Pennsylvania

	2017	2018	2019	2020	2021
City of Philadelphia	\$162,586,390	\$156,802,668	\$145,139,118	\$202,892,168	\$146,923,743
City of Pittsburgh	\$14,217,465	\$16,221,144	\$16,790,873	\$15,050,541	\$15,676,776
City of Allentown	\$2,875,000	\$2,439,000	\$3,056,900	\$3,433,900	\$3,320,200
City of Reading	\$468,000	\$490,000	\$472,000	\$419,000	N/A
City of Erie	\$2,248,230	\$1,918,613	\$1,763,435	\$89,013	\$58,874
Lancaster County	\$296,404	\$246,286	\$259,958	\$250,052	\$302,815
Allegheny County	\$5,507,521	\$5,861,770	\$4,663,994	\$4,416,955	\$4,365,424
Montgomery County	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
Bucks County	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
Chester County	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
State of Pennsylvania	\$342,000,000	\$411,000,000	\$438,600,000	\$474,700,000	\$516,600,000
Annual Total	\$530,199,010	\$594,979,481	\$610,746,278	\$701,251,629	\$687,247,832
Selected Cities, Counties, and State Five-Year Total: \$3,124,424,230					
Selected School Districts, Cities, Counties, and State Five-Year Total Foregone Revenue: \$3,722,329,375					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

During this five-year period, some jurisdictions increased the amount of foregone tax revenue from economic development tax abatements significantly. Many of these abatements are due to the Keystone Opportunity Zones (KOZ) program, which provides tax credits to tech start-ups partially or wholly located in designated innovation zones in the state. Many other abatements are due to Tax Increment Financing (TIF) agreements, which capture the increase in property taxes (and sometimes other taxes) resulting from new development and divert that revenue to subsidize the development.

Key findings:

- **Between 2017 and 2021 Philadelphia Public Schools' losses increased by 88%**, from \$61.9 million in 2017 to \$116.2 million in 2021. All of these losses were passive (meaning they were entered into by other jurisdictions) and were largely due to real estate tax exemptions on improvements to commercial and residential property, in addition to TIF and KOZ abatements.
- **During this period, the City of Philadelphia lost \$814 million to tax abatements.** More than half (56%) of these abatements were due to KOZ. Other losses were due to TIF and real estate tax exemptions on improvements to commercial and residential property.
- **The State of Pennsylvania's losses increased by 51%**, from \$342 million in 2017 to \$517 million in 2021. A third of these losses (34%) were due to the state's educational tax credit, which provides tax credits to businesses and individuals who make donations to educational institutions and scholarship organizations in the state. Another 20% of the loss was due to KOZ.

Again: these findings are only from a handful of Pennsylvania cities, counties, and school districts. The state has a total of 57 municipalities, 67 counties, and 500 school districts.

For more information about these abatements, see taxbreaktracker.goodjobsfirst.org.

For company-specific information, see subsidytracker.goodjobsfirst.org.