

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 accounting standards. GASB 77 requires state and local governments (including school districts) to report tax abatements in their annual financial statements, specifying the **amount of revenue foregone** as a result of tax abatements. 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 the five most populous cities and counties (where available) in Tennessee.

Between Fiscal Years 2017 and 2021, the State of Tennessee and its five largest cities and counties **lost over \$1.4 billion** due to economic development tax breaks – \$124 million more than the state spent on transportation in 2021 (\$1.3 billion). The table below represents **only** the five most populous cities and counties, and the state itself. The statewide total is presumably much higher. The spending trend is up: over the five years revenue losses grew from \$228,847,530 to \$327,422,408— a jump of 43.1%.

Forgone Tax Revenue, Five Most Populous Cities and Counties in Tennessee					
	2017	2018	2019	2020	2021
City of Chattanooga	\$9,431,047	\$14,041,711	\$14,810,532	\$14,758,562	\$14,302,960
City of Clarksville	\$196,884	\$174,833	\$174,874	\$179,763	\$184,964
City of Knoxville	\$4,078,340	\$4,968,395	\$5,227,210	\$6,273,959	\$7,534,999
City of Memphis	\$11,665,000	\$16,743,000	\$17,531,000	\$16,909,000	\$18,776,000
City of Nashville/ Davidson County	\$4,923,900	\$6,605,724	\$8,782,711	\$9,743,729	\$15,611,952
Hamilton County	\$6,354,254	\$11,434,312	\$10,804,148	\$10,997,663	\$10,859,725
Knox County	\$4,116,975	\$5,586,103	\$5,907,808	\$6,857,479	\$8,160,570
Rutherford County	Did not disclose tax abatements				
Shelby County	\$42,461,936	\$42,134,289	\$42,626,481	\$37,202,422	\$37,278,238
State of Tennessee	\$145,552,000	\$136,091,000	\$190,667,000	\$224,140,000	\$214,713,000
Annual Total	\$228,780,337	\$237,779,367	\$296,531,764	\$327,062,577	\$327,422,408
All Jurisdictions Five-Year Total: \$1,417,576,453					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

During this five-year period some jurisdictions increased the amount of forgone tax revenue from economic development tax abatements significantly. Many of these abatements are in the form of Payment in Lieu of Taxes (PILOT) agreements, which effectively provide deep, decades-long property tax discounts to selected companies. Other abatements are in the form of 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

- From 2017 through 2021: **Knox County revenue losses ballooned by 98.2%**, including \$20.7 million in PILOT agreements and \$9.9 million in TIF agreements.
- **The City of Knoxville's losses increased by 84.8%**, including \$15.9 million in PILOT agreements and \$12.2 million in TIF agreements.
- **Hamilton County's losses grew by 70.9%**, including \$49.7 million in PILOT agreements, and \$797,200 in TIF deals.

Again: these findings are only from a handful of Tennessee cities and counties. The state has a total of 346 municipalities and 95 counties.

Note: School district data are excluded. Tennessee's school districts do not issue annual comprehensive financial reports because they are component units of cities or counties.

For more information about these abatements, see taxbreaktracker.goodjobsfirst.org.
For company-specific information, see subsidytracker.goodjobsfirst.org.