

AMAZON HQ2: FISCAL IMPACT ANALYSIS

REMI-C2ER WEBINAR
AUGUST 21, 2018

Finding the Win-Win-Win



- Amazon planning to build a 2nd corporate HQ
 - Up to 50,000 new management employees
- Need a Win for the City/State; Win for Amazon; Win for Taxpayers, Workers, Residents
 - Amazon likely to expect coordination on taxes, infrastructure, workforce development
- Simulation to determine economic, fiscal effects
 - Hector presented Chicago economic impacts
 - Focus here on fiscal impacts
 - Informs what incentive package to offer

Simulation



- 50,000 new management employees
 - ▣ NAICS 55: Management of companies and enterprises—for executive/management
 - ▣ 10 year time analysis period
 - Ramp up to full capacity over first 5 years

Results: Employment & Population



| Category | Units | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------------|------------------|-------|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|
| Total Employment | Thousands (Jobs) | 0.000 | +28.376 | +59.135 | +90.589 | +121.370 | +151.403 | +152.834 | +150.513 | +146.543 | +142.177 | +138.218 |
| Exogenous Industry Sales Employment | Thousands (Jobs) | 0.000 | +9.991 | +19.951 | +29.869 | +39.736 | +49.551 | +49.457 | +49.382 | +49.324 | +49.279 | +49.244 |
| Population | Thousands | 0.000 | +6.872 | +19.427 | +37.240 | +59.868 | +86.198 | +108.497 | +127.335 | +142.883 | +155.617 | +165.946 |

Economic Summary

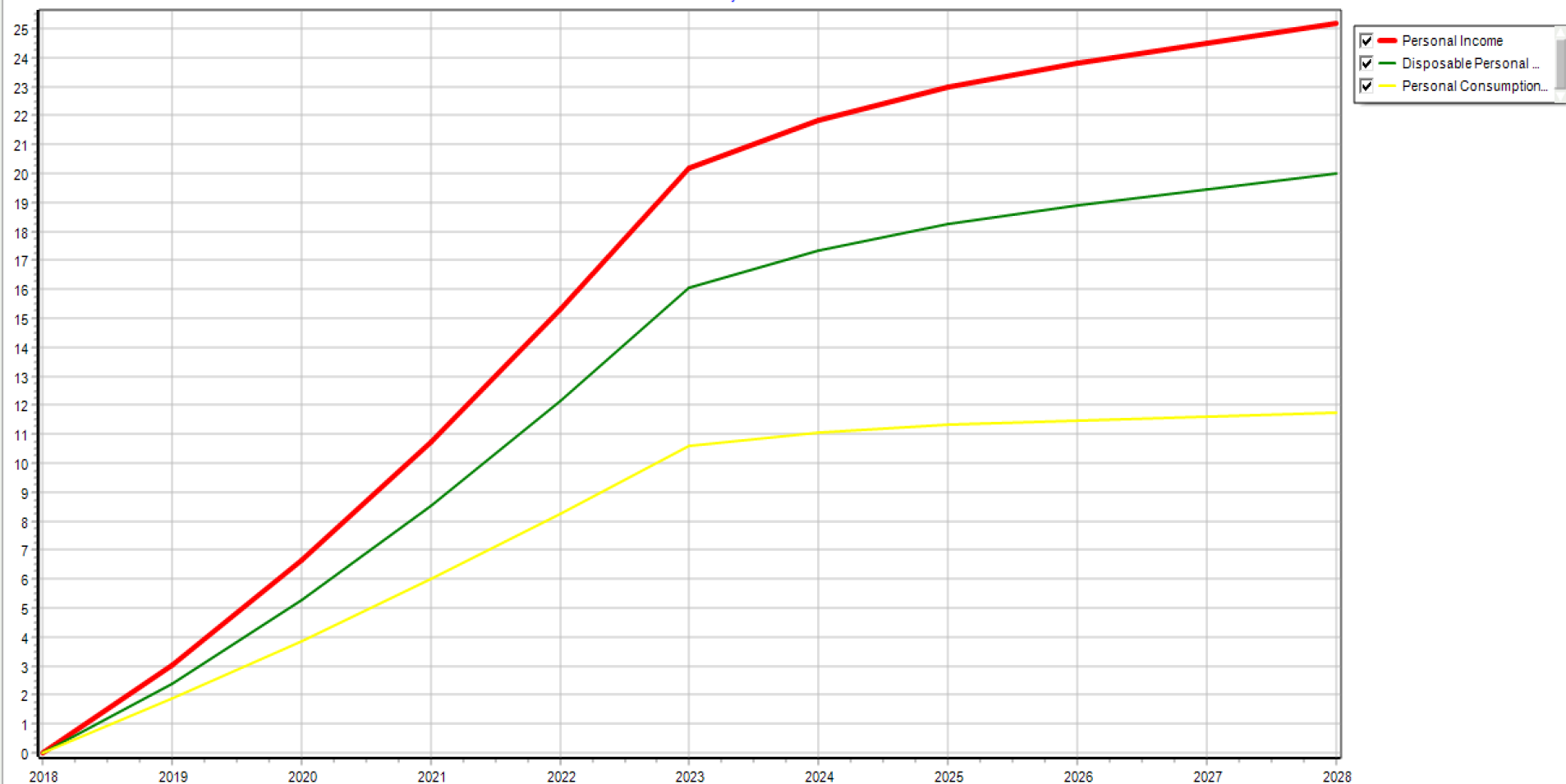


Results: Income & Consumption



| Category | Units | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-----------------------------------|-----------------------------|-------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| Personal Income | Billions of Current Dollar: | 0.000 | +3.033 | +6.639 | +10.737 | +15.301 | +20.204 | +21.814 | +22.971 | +23.796 | +24.510 | +25.183 |
| Disposable Personal Income | Billions of Current Dollar: | 0.000 | +2.401 | +5.262 | +8.516 | +12.146 | +16.039 | +17.321 | +18.237 | +18.891 | +19.456 | +19.988 |
| Personal Consumption Expenditures | Billions of Fixed (2009) D | 0.000 | +1.861 | +3.868 | +6.020 | +8.257 | +10.580 | +11.043 | +11.308 | +11.474 | +11.593 | +11.735 |

Economic Summary



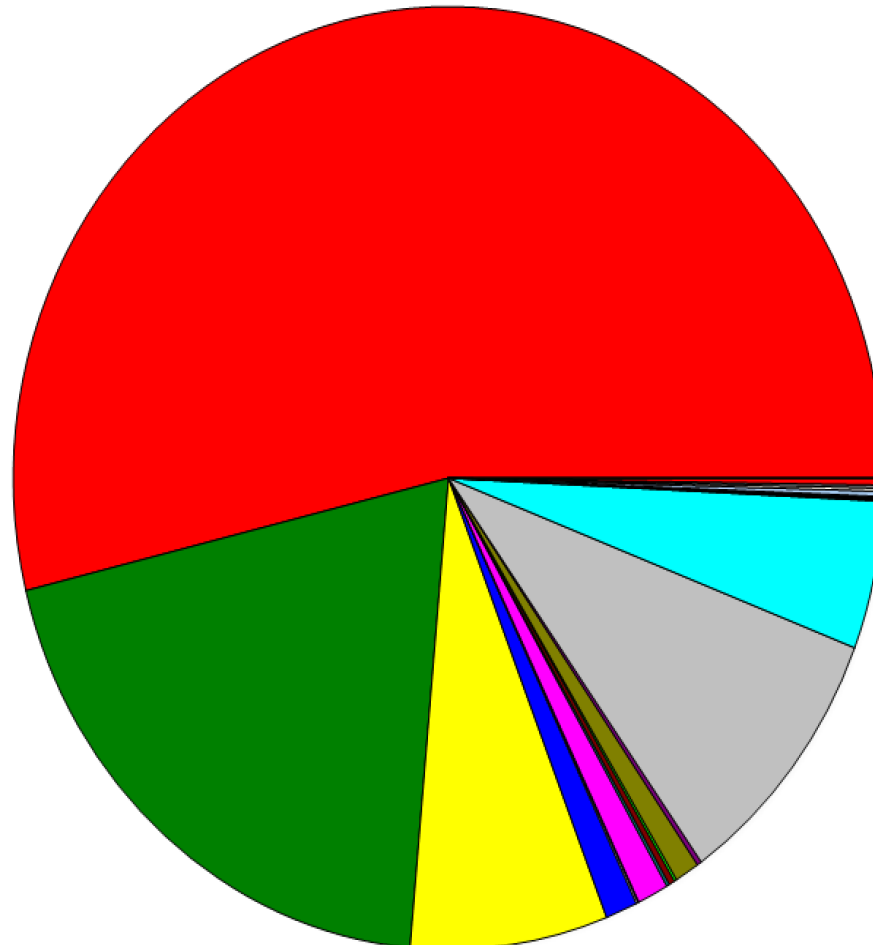
Results:

Revenue Components



| Category | Units | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
|-----------------------|------------------------|--------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Personal Income Taxes | Thousands of Current D | 0.000 | +61595.760 | +196413.35 | +352844.63 | +528726.53 | +720966.29 | +853224.42 | +909424.50 | +949680.91 | +980923.70 | +1009077.0 |
| Sales & Use Tax | Thousands of Current D | 0.000 | +22605.307 | +70990.801 | +125683.24 | +186065.93 | +251744.80 | +296458.61 | +314748.62 | +329006.35 | +341320.83 | +353396.75 |
| Corporation Tax | Thousands of Current D | 0.000 | +8383.993 | +26683.065 | +47587.842 | +70552.277 | +95275.353 | +111438.00 | +116923.20 | +120431.95 | +123084.97 | +125579.06 |

Revenues - FY2019

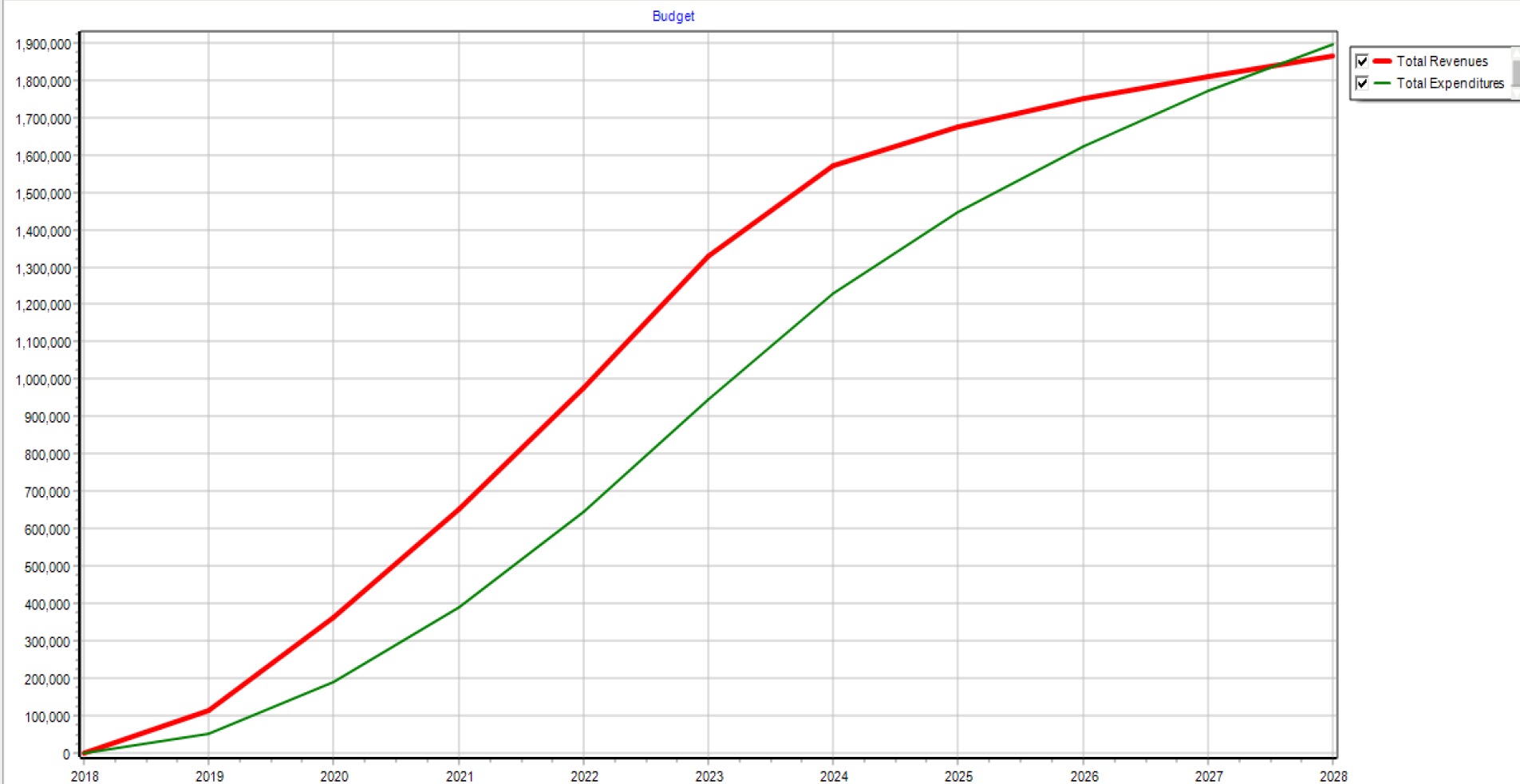


- Personal Income Taxes
- Sales & Use Tax
- Corporation Tax
- Public Service Tax
- Inheritance & Estate...
- Insurance Companies ...
- Cigarettes Tax
- Real Estate Conveyan...
- Oil Companies Tax
- Alcoholic Beverages ...
- Admissions & Dues Tax
- Health Provider Tax
- Misc. Tax
- Other Revenues
- Special Transportati...
- Mashantucket Pequot ...
- Regional Market Oper...
- Banking Fund
- Insurance Fund
- Consumer Counsel and...
- Workers' Compensatio...
- Criminal Injuries Co...
- Cost of Incentive

Results: Revenues & Expenditures



| Category | Units | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
|--------------------|------------------------|--------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total Revenues | Thousands of Current D | 0.000 | +114421.01 | +364297.79 | +653102.53 | +976030.85 | +1328277.9 | +1571188.8 | +1674339.0 | +1749215.1 | +1808793.5 | +1863281.0 |
| Total Expenditures | Thousands of Current D | 0.000 | +52389.289 | +190157.96 | +389844.37 | +644342.54 | +946576.41 | +1228870.2 | +1446184.5 | +1623073.2 | +1770087.6 | +1895756.3 |



Incentive Package



- Increase in revenues, esp.:
 - ▣ Income taxes
 - ▣ Sales taxes
- Increase in carrying costs, incl.:
 - ▣ Education spending
 - ▣ Infrastructure spending
- Over 10 years, increase in net revenue of \$1.9B
 - ▣ Provides upper bound on total incentive package

Conclusion



- Amazon HQ 2.0 widely sought after
- But what package is a win-win-win?
- Dynamic modeling with REMI Tax-PI estimates economic and fiscal impacts
- These impacts needed to inform policy decisions
 - Upper bound on financial incentives
 - Tie incentives to investment, esp. Amazon's priorities?
 - Infrastructure
 - Workforce development
 - Other stated priorities as listed in Hector's presentation