



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

September 6, 2005

**S. 1066  
Economic Development Act of 2005**

*As introduced on May 18, 2005*

CBO estimates that implementing S. 1066 would impose no costs on the federal government and would not affect direct spending or receipts. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act. Any costs to state, local, or tribal governments would be incurred voluntarily.

S. 1066 would affirm that the Commerce Clause permits state and local governments to offer reductions in taxes to attract, retain, or expand business activities, jobs or investments within their jurisdiction. Under current law, states can offer these incentives, but some recent court decisions have challenged the constitutionality of such incentive programs; and other court cases are pending. This bill would preempt further action by the courts.

Incentives offered by state and local governments could significantly reduce tax revenues to those entities, but any such reductions would be incurred voluntarily. These incentives would generate corresponding tax savings for private-sector entities.

The CBO staff contact for this estimate is Sarah Puro. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.