

Corporate Welfare in Governor Shapiro's FY 2026–27 Budget Proposal

SUMMARY

- High taxes and burdensome regulations continue to drive outmigration. Rather than improving the state's tax and regulatory environment, Gov. Josh Shapiro's Fiscal Year (FY) 2026–27 budget proposal seeks to increase spending on corporate welfare programs by \$41 million.
- Under Shapiro's proposal, the state would spend \$1.7 billion on corporate welfare programs. Overall, his budget spends \$3.2 billion more than last year, increasing the [structural deficit](#) to just under \$7 billion, setting up Pennsylvania families for tax hikes.¹
- Corporate welfare consists of targeted tax credit, subsidy, grant, and loan programs. Offering poor or no return on investment for taxpayers, these programs allow bureaucrats and politicians to pick winners and losers based on an applicant's political connections.
- Rather than doubling down on these ineffective handouts, lawmakers should prioritize tax and regulatory relief. For example, cutting all corporate welfare spending would provide enough cost savings to reduce the personal income tax (PIT) rate to 2.82 percent, about \$530 in annual savings per family of four.

HIGH TAX AND REGULATORY BURDEN

- U.S. Bureau of Labor Statistics data put Pennsylvania's job growth at [3.2 percent](#) from January 2023 to December 2025—a full percentage point or more below fast-growing states like South Carolina, Idaho, North Carolina, Utah, and Florida—a clear sign of anemic, or “stuck in neutral,” economic growth.
- This slow growth is reinforced by a labor force participation rate that remains [1.1 percentage points](#) below pre-pandemic levels, indicating that fewer Pennsylvanians are engaged in the workforce.² While the employment rate stood at [4.3 percent](#) in January 2026, this relatively low figure masks deeper structural stagnation rather than signaling a strong labor market.³
- Several studies offer insight into where Pennsylvania's economy lags:
 - According to the [Tax Foundation](#), Pennsylvania ranks 28th in per-capita state and local tax burden, with 10.6 percent of the average Pennsylvanian's income going toward paying state and local taxes.⁴
 - Another Tax Foundation [study](#) ranks Pennsylvania 36th in tax competitiveness, 34th in corporate tax competitiveness, and 38th in income tax competitiveness.⁵
 - The American Legislative Exchange Council's (ALEC) 2026 [Rich States, Poor States Index](#) findings place Pennsylvania 43rd in economic performance and 34th in economic outlook, showing little difference from the 2025 numbers (i.e., 44th and 36th, respectively). Meanwhile,

THE ECONOMICS OF CORPORATE WELFARE

Corporate welfare consists of targeted tax credit, subsidy, grant, and loan programs. The Funding for corporate welfare relies on tax dollars or general bonds, which eventually become a cost to taxpayers. The [Council for Community and Economic Research](#) reports that the commonwealth has 79 of these welfare activities, also known as “incentive programs.”⁹

Corporate welfare allows the government to take risks with taxpayer funds and results in businesses subsidizing their competitors, sacrificing long-term economic growth. Often, the “winners” are large, [multinational corporations](#) that can afford to lobby the government.

- Shapiro’s proposed 2026–27 budget allocates \$60 million to the Research and Development Tax Credits Program, which has about 1,000 recipients. According to a recent tax credit [report](#), among the recipients are multinational corporations such as Amazon (\$2.3 million), Apple Inc. (\$224,200), Boeing Co. (\$1.2 million), Pfizer Inc. (\$3.7 million), and META/Facebook (\$2.1 million).
- The Computer Data Center Tax Credit is a key feature of the Computer Data Center Equipment Program as a tax exemption for data center equipment purchases. A [report](#) on the Computer Data Center Tax Credit listed beneficiaries, including multinational corporations such as Amazon Data Services, Inc., Oracle America Inc., and SEI Investments Company.

Multiple studies reveal that corporate welfare subsidy programs have little influence on businesses’ location decisions and fail to deliver broad long-term benefits or investment.

- One study published in the [Journal of Economic Perspective](#) found no “strong evidence that firm-specific tax incentives increased broader economic growth at the state and local levels” and “the evidence on spillovers and productivity effects of incentives appears mixed.”¹⁰
- A Mercatus Center [report](#) finds targeted economic development subsidies do not “create widespread economic growth” but create “anti-competitive effects,” which “discourage more economic activities than will be encouraged by the subsidies themselves.”¹¹

CORPORATE WELFARE’S TRACK RECORD OF FAILURE

- A [review](#) of tax credits by the Pennsylvania Independent Fiscal Office (IFO) in 2023 found that most return less than 25 cents per dollar spent.¹² Notably, there was a completely unused \$2.6 billion tax credit package passed in 2022.
- Corporate welfare programs, like the [Redevelopment Assistance Capital Program \(RACP\)](#) and the [Pennsylvania Strategic Investments to Enhance Sites Program \(PA SITES\)](#), present a unique set of challenges. These programs receive their funding from state borrowing through general obligation bonds.
 - RACP is among the largest corporate welfare programs in the state. Taxpayers are on the hook for billions in debt (and hundreds of millions in interest payments each year) for these handouts to politically selected projects.
 - In the case of RACP, the governor has the [final say in funding awards](#). This allows the governor to pick winners and losers based on an applicant’s political savviness rather than strictly merit, alongside possible program use for insider pandering.

- For example, millions in RACP funds went to build Citizens Bank Park and PNC Park, yet [research](#) finds that “sports venues have limited economic and social benefits, which do not justify the significant public subsidies that they typically receive.”
- RACP’s most recent [awards](#) went to building pickleball courts, athletic complexes, pools, a railway museum, and a minor league baseball field.

CASE STUDY: 50 YEARS OF FAILURE

No site better demonstrates the state’s proven track record of corporate welfare failure than the Volkswagen/Sony site in New Stanton.

- Fifty years ago, the Volkswagen Corporation was looking for a place to build a [new plant](#) within the United States. It was the biggest, most sought-after deal for that decade. Pennsylvania won the bid after assembling a corporate welfare package, equivalent to half a billion dollars today.
- The plant located in New Stanton shut down in less than a decade after demand for energy-efficient vehicles collapsed.¹³ To salvage state corporate welfare spending on the plant and infrastructure, Pennsylvania gave \$40 million to Sony to reappropriate the plant.
- [Sony](#) threatened to leave, and Pennsylvania gave another \$1 million in grants. Two years later, Sony closed the plant. To find a way to reuse the plant, the commonwealth spent tens of millions of dollars to build an industrial park there, which included another \$17 million to [Aquion](#). The plant endured another closure after Aquion moved to China.
- Pennsylvania provided corporate welfare four separate times for the same location, each ending in a plant closure.

SOLUTIONS

- To be competitive, lawmakers must tackle the state’s burdensome tax and regulatory environment. If Pennsylvania eliminated all corporate welfare spending, it could use the cost savings to reduce the PIT rate to 2.82 percent, which equates to annual savings of \$530 per family of four. This would also benefit the [82 percent](#) of Pennsylvania businesses, which, according to the governor’s proposed budget for 2025–26, pay the PIT.
- If the commonwealth eliminated all corporate welfare spending, businesses would enjoy an instant reduction to 5.75 percent in the state’s [Corporate Net Income Tax \(CNIT\)](#). [Research](#) suggests that even a one-percentage-point reduction in the CNIT will put \$223 back in the average worker’s annual wages and encourage 18,000 people to move to Pennsylvania.
- Last year, the Senate Finance Committee passed [Senate Bill \(SB\) 207](#) to reduce the CNIT to 4 percent by 2026. This would instantly make Pennsylvania more competitive, putting the Keystone State in a tie for the third-lowest CNIT rate in the nation.¹⁴ Meanwhile, Shapiro has abandoned plans to accelerate the current phasedown of the CNIT to 4.99 percent by 2031,¹⁵ delaying Pennsylvania’s ability to be more competitive nationwide.

Corporate Welfare Programs in Shapiro's 2026-27 Budget Proposal

Program	Amount (thousands)	Program	Amount (thousands)
Agriculture business and workforce development	\$4,800	PA SITES Debt Service	\$35,735
Agricultural Excellence	\$3,300	Life Sciences Greenhouses	\$3,000
Agricultural Innovation and Development	\$19,000	Livestock Show	\$215
Agricultural Research	\$2,187	Machinery and Equipment Loan Fund	\$11,778
Agricultural Promotion, Education and Exports	\$303	Marketing to Attract Business	\$1,320
Alternative Fuels Funding	\$7,186	Marketing to Attract Tourists	\$19,315
America250PA	\$1,250	Municipalities Financial Recovery Revolving Fund Transfer	\$12,010
Ben Franklin Tech Development Authority Transfer (DCED)	\$17,000	Neighborhood Improvement Zone Fund (State Tax Share)	\$86,852
Business PA	\$9,320	New Choices/New Options	\$1,000
City Revitalization and Improvement Fund (State Tax Share)	\$34,200	Open Dairy Show	\$215
Commonwealth Financing Authority Debt Service*	\$40,640	Partnerships for Regional Economic Performance	\$10,880
Council on the Arts	\$1,108	Pennsylvania First	\$38,000
Food Marketing and Research	\$494	Pennsylvania Race Horse Development Fund (Disbursements)	\$183,500
Grants to the Arts	\$9,590	Redevelopment Assistance Capital Program Payments	\$325,000
Hardwoods Research and Promotion	\$725	Regional Events Security and Support	\$5,000
Industry Partnerships	\$6,313	Tourism-Accredited Zoos	\$1,000
Infrastructure and Facilities Improvement Grants	\$10,000	Transfer to the Nutrient Management Fund	\$6,200
Main Street Matters	\$20,211	Office of International Business Development	\$4,525
PA Innovation	\$43,980	Youth Shows	\$169

*Remaining balance as of January 31, 2025 Status of Appropriations
Sources: Pennsylvania Office of the Budget, "2026-27 Governor's Executive Budget", February 3, 2026.

Corporate Welfare Tax Credits in Shapiro’s 2026-27 Budget Proposal

Tax Credits	Amount (thousands)
Advance PA Tax Credit	\$10,000
Airport Land Development Zones	\$4,500
Brewer’s Tax Credit	\$5,000
Computer Data Center Equipment Exemption*	\$114,800
Film Production Tax Credit	\$100,000
Entertainment Economic Enhancement Tax Credit	\$24,000
Keystone Innovation Zone	\$15,000
Keystone Opportunity Zone	65,700
Milk Processing Tax Credit	\$15,000
Neighborhood Assistance Tax Credit	\$72,000
Pennsylvania Resource Manufacturing Tax Credit	\$65,000
Reliable Energy Tax Credit	\$100,000
Research and Development Tax Credit	\$60,000
Resource Enhancement and Protection Tax Credit	\$13,000
Semiconductor Manufacturing and Biomedical Manufacturing and Research Tax Credit	\$20,000
Tax Credits for Beginning Farmers	\$6,000

*Total of multiple components
Sources: Pennsylvania Office of the Budget, “2026-27 Governor’s Executive Budget”, February 3, 2026.

¹ Pennsylvania Independent Fiscal Office, “General Fund Revenues, Spending, and Deficits,” February 2026, https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/BB_GF_Revenue_and_Spending_Trends_02_2026.pdf.

² Federal Reserve Bank of St. Louis, “Labor Force Participation Rate for Pennsylvania,” January 29, 2026 [update], <https://fred.stlouisfed.org/series/LBSSA42>; U.S. Bureau of Labor Statistics, “Civilian Labor Force Participation Rate,” accessed February 26, 2026, <https://www.bls.gov/charts/employment-situation/civilian-labor-force-participation-rate.htm>.

³ U.S. Bureau of Labor Statistics, “Economy at a Glance: Pennsylvania,” accessed February 26, 2026, https://www.bls.gov/eag/eag.pa.htm#eag_pa.f.2.

⁴ Tax Foundation, “Facts and Figures 2025: How Does Your State Compare? – Table 2. State-Local Tax Burdens per Capita and as a Percentage of Income,” March 25, 2025, https://taxfoundation.org/wp-content/uploads/2025/05/TaxFoundation_FactsFigures2025-v2.pdf.

⁵ Andrey Yushov, Jared Walczak, and Katherine Loughead, “2026 State Tax Competitive Index,” Tax Foundation, October 30, 2025, <https://taxfoundation.org/research/all/state/2025-state-tax-competitiveness-index/>.

⁶ Arthur B. Laffer, Stephen Moore, and Jonathan Williams, “Rich States, Poor States: ALEC-Laffer State Economic Competitive Index, 19th Edition” (American Legislative Exchange Council, April 15, 2026), 4–5, 43, https://www.richstatespoorstates.org/app/uploads/2026/04/ALEC_RSPTS-2026-1.pdf; see also American Legislative Exchange Council, Rich States, Poor States: Publications, accessed April 20, 2026, <https://www.richstatespoorstates.org/publication/>.

⁷ Pennsylvania Office of the Budget, “2026–27 Governor’s Executive Budget,” February 3, 2026, <https://www.pa.gov/agencies/budget/publications-and-reports/commonwealth-budget>.

⁸ Pennsylvania Office of the Governor, “At York Hydropower Plant, Governor Shapiro Launches Legislative Push for “Lightning Plan” to Build More Energy Projects, Speed Up Permitting, Lower Costs, and Create Jobs for Pennsylvanians,” press release, March 11, 2025, <https://www.pa.gov/governor/newsroom/2025-press-releases/governor-shapiro-launches-legislative-push-for--lightning-plan--.html>; Rep. John Inglis III, House Bill 500, Pennsylvania General Assembly, Regular Session 2025–26, <https://www.palegis.us/legislation/bills/2025/hb500>.

⁹ The Council for Community and Economic Research, “State Business Incentives Database,” accessed February 27, 2026, <https://www.c2er.org/state-business-incentives-database/>.

¹⁰ Cailin Slattery and Owen Zidar, “Evaluating State and Local Business Tax Incentives,” *Journal of Economic Perspectives* 34, No. 2 (Spring 2020), 90–118, <https://www.aeaweb.org/articles?id=10.1257/jep.34.2.90>.

¹¹ Matthew D. Mitchell et al., “The Economics of a Targeted Economic Development Subsidy” (Mercatus Center, George Mason University, November 19, 2019), 36, <https://www.mercatus.org/research/research-papers/economics-targeted-economic-development-subsidy>.

¹² Stacey Knavel et al., “Summary of Tax Credit Reviews, 2019 to 2023 Evaluation Period” (Pennsylvania Independent Fiscal Office, October 2023), http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Summary_Tax_Credit_Reviews_Oct_2023.pdf.

¹³ Christopher Briem, “What History Teaches About Pennsylvania’s AI Chase,” *RealClear Pennsylvania*, January 26, 2026, https://www.realclearpennsylvania.com/articles/2026/01/26/what_history_teaches_about_pennsylvanias_ai_chase_1161008.html.

¹⁴ Sen. Greg Rothman et al., Senate Bill 207, Pennsylvania General Assembly, Regular Session 2025–26, <https://www.palegis.us/legislation/bills/2025/sb207>.

¹⁵ Pennsylvania Department of Revenue, “Corporate Net Income Tax,” accessed April 23, 2026, <https://www.pa.gov/agencies/revenue/resources/tax-types-and-information/corporation-taxes/corporate-net-income-tax>.