

Subsidy Truce Compact

Summary

In order to facilitate lower tax and regulatory barriers to benefit the general population and create a more favorable economic climate for all businesses, this Compact prohibits party states from giving subsidies to private enterprises for the purpose of selectively supporting a specific industry or company, or to entice a specific industry or company to relocate an existing facility from one party state to another party state or open a new facility.

Model Legislation

{Title, enacting clause, etc.}

The state of {insert state} agrees to the following compact:

Article I. {Findings and Declaration of Policy.}

- (A) The party states understand that subsidizing some businesses at the expense of others is, over the long term, ineffective at best and harmful to an economy at worst.
- (B) These policies are often enacted for the purpose of luring a company to relocate a headquarters or a part of a corporate operation to a state. Yet these actions often preclude a more healthy competition between states in which tax and regulatory barriers are lowered to benefit the general population and create a more favorable economic climate for all businesses.
- (C) Therefore, the party states agree that their state government, or any political subdivision, shall not provide a subsidy to a private enterprise for the purpose of selectively supporting a specific industry or company, or to entice a specific industry or company to relocate a facility from one party state to another party state or open a new facility.

Article II. {Definitions.}

As used in this compact, unless the context clearly indicates otherwise:

- (A) “Party state” means a state that has enacted a statute agreeing to this compact.
- (B) “Political subdivision” means governmental branches, departments, agencies, counties, municipalities, special districts, as well as other governmental entities and quasi-governmental entities created by authorization of law.
- (C) A “subsidy” is an economic benefit, direct or indirect, granted by the city with the primary purpose or substantial effect of encouraging or maintaining particular or specific classes of ventures in which private persons have a substantial financial or ownership interest. The economic benefits to private enterprise from the following shall not be considered a subsidy:

47 (1) Benefits from the government’s performance of essential government functions:
48 specifically, benefits from:

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- 50 (a) The party state’s or political subdivision’s provision and maintenance of
- 51 public infrastructure for general public benefit and for actual public use;
- 52 (b) The party state’s or political subdivision’s performance of functions without
- 53 which the city would cease to exist as a governmental body;
- 54 (c) The retention of private enterprise to perform functions of the type without
- 55 which the party state or the political subdivision would cease to exist as a
- 56 government body; and,
- 57 (d) The procurement of supplies and services from private enterprise for the party
- 58 state’s or political subdivision’s ordinary business operations.
- 59

60 (2) Benefits from lower taxes and less regulation; specifically, benefits from:

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- 62 (a) The general and uniform relaxation or repeal of regulations;
- 63 (b) The general and uniform reduction or repeal of taxes, assessments, or fees;
- 64 (c) The relaxation or repeal of special regulations which, if not relaxed or
- 65 repealed, would otherwise subject specific individuals, entities, or classes of
- 66 individuals or entities to regulatory burdens in excess of those imposed
- 67 generally and uniformly; and,
- 68 (d) The reduction or repeal of special taxes, assessments, or fees which, if not
- 69 reduced or repealed, would otherwise subject specific individuals, entities, or
- 70 classes of individuals or entities to taxation, assessments, or fees in excess of
- 71 those imposed generally and uniformly.
- 72

73 (D) A “facility” includes, but is not limited to, a headquarters, warehouse, outlet, affiliate, or
74 production facility of a company.

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76 **Article III. {Terms.}**

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78 Notwithstanding any state law to the contrary:

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80 When at least two party states agree to the compact, the party state governments, or any
81 political subdivision, shall not give a subsidy to a private enterprise for the purpose of
82 selectively supporting a specific industry or company, or to entice a specific industry or
83 company to relocate an existing facility from one party state to another party state or
84 open a new facility.

85
86 **Article IV. {Enforcement.}**

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88 Notwithstanding any state law to the contrary:

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90 (A) The chief law enforcement officer of each party state shall enforce this compact.

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92 (B) A taxpaying resident of any party state has standing in the courts of any party state to require
93 the chief law enforcement officer of any party state to enforce this compact.
94

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96 **Article V. {Compact Administrator and Interchange of Information.}**
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98 (A) The governor of each party state or the governor's designee is the compact administrator.
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100 (B) The compact administrator of each party state shall maintain an accurate list of all party
101 states.
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103 (C) The compact administrator of each party state shall furnish to the compact administrator of
104 each other party state any information or documents that are reasonably necessary to
105 facilitate the administration of this compact.
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107 **Article VI. {Entry into Effect and Withdrawal.}**
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109 (A) This compact is effective when at least two states enact a statute agreeing to it and written
110 notice of such enactment is received by each other's governor. Once the compact is
111 effective, a state becomes a party to the compact and bound by its terms when it enacts a
112 statute agreeing to the compact and written notice of such enactment is received by the
113 governor of each other party state.
114

115 (B) Any party state may withdraw from this compact after agreeing to it by enacting a joint
116 resolution declaring such withdrawal and delivering written notice of the withdrawal to each
117 other party state. A withdrawal does not affect the validity or applicability of the compact to
118 states remaining party to the compact.
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120 **Article VII. {Construction and Severability.}**
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122 (A) This compact shall be liberally construed so as to effectuate its purposes.
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124 (B) If any phrase, clause, sentence or provision of this compact, or the applicability of any
125 phrase, clause, sentence or provision of this compact to any government, agency, person or
126 circumstance, is declared in a final judgment by a court of competent jurisdiction to be
127 contrary to the constitution of the united states or is otherwise held invalid, the validity of the
128 remainder of this compact and the applicability of the remainder of this compact to any
129 government, agency, person or circumstance shall not be affected.
130

131 (C) If this compact is held to be contrary to the constitution of any party state, the compact shall
132 remain in full force and effect as to the remaining party states and in full force and effect as
133 to the affected party state as to all severable matters.