

Innovation Policies, Diversity, and Small High-Tech Firms: Evidence from State R&D Tax Credits and Interest in Federal Grants

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Abstract

Can state-level innovation policies boost underrepresented groups' interest in federal grants? This paper investigates the impact of state R&D tax credits on small high-tech firms' engagement with federal innovation initiatives. Utilizing state business registration records and the System for Award Management (SAM) database, I provide novel empirical evidence of state-level policy effects on firms' interest in federal grants. Through the implementation of a staggered difference-in-difference research design, I find that state R&D tax credits reduce firms' interest in federal grants, particularly among women-owned and minority-owned firms. These findings underscore the potential for targeted policy interventions to foster innovation participation and diversity, contributing to discussions on the impact of innovation policy by race and gender.

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