ECONOMIC DEVELOPMENT / GLOBAL DYNAMICS / DEVELOPMENT

Economic Development Tax Credit Accountability

This act requires that economic development tax incentives undergo regular and rigorous evaluations including details on the scope, quality and frequency of those reviews and how evaluations should be linked to budget decisions.

Submitted as:
Rhode Island
SB 734
Status: Signed into law on July 11, 2013.

Suggested State Legislation

(Title, enacting clause, etc.)

Section 1. [Short Title.] Economic Development Tax Incentives Evaluation Act.

Section 2. [Legislative findings and purpose.]

Section 3. [Definitions.]
(a) As used in this section, the term "economic development tax incentive" shall include:
   (1) Those tax credits, deductions, exemptions, exclusions, and other preferential tax benefits associated with [insert citation], and;
   (2) Any future incentives enacted after the effective date of this section for the purpose of recruitment or retention of businesses in the state.
(b) In determining whether a future tax incentive is enacted for "the purpose of recruitment or retention of businesses," the office of revenue analysis shall consider legislative intent, including legislative statements of purpose and goals, and may also consider whether the tax incentive is promoted as a business incentive by the state’s economic development agency or other relevant state agency.

Section 4. [Economic development tax incentive evaluations, schedule.]
(a) In accordance with the following schedule, the tax expenditure report produced by the [chief of the office of revenue analysis] pursuant to [insert citation], shall include an additional analysis component, consistent with section 5 and produced in consultation with the [director of the economic development corporation], the [director of the office of management and budget], and the [director of the department of labor and training]:
   (1) Analyses of economic development tax incentives as listed in Section 3(a)(1) shall be completed at least once between [insert date], and no less than once every three (3) years thereafter;
   (2) Analyses of any economic development tax incentives created after [effective date] shall be completed within five (5) years of taking effect, and no less than once every three (3) years thereafter;
(b) No later than the tenth (10th) of January each year, beginning in [insert date], the [office of revenue analysis] will submit to the chairs of the senate and house finance committees a three year plan for evaluating economic development tax incentives.

Section 5. [Economic development tax incentive evaluations, analysis.]

(a) The additional analysis as required by section 4 shall include, but not be limited to:

1. A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
2. The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive’s enabling statute or legislation;
3. The number of taxpayers granted the tax incentive during the previous twelve (12) month period;
4. The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
5. An assessment and five (5) year projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
6. An estimate of the economic impact of the tax incentive including, but not limited to:
   (i) A cost-benefit comparison of the revenue foregone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
   (ii) An estimate of the number of jobs that were the direct result of the incentive; and
   (iii) A statement by the director of the economic development corporation as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible;
7. The estimated cost to the state to administer the tax incentive, if such information is available;
8. An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
9. In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;
10. Whether the effectiveness of the tax incentive could be determined more definitively if the general assembly were to clarify or modify the tax incentive’s goals and intended purpose;
11. A recommendation as to whether the tax incentive should be continued, modified or terminated, the basis for such recommendation, and the expected impact of such recommendation on the state’s economy;
12. The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

(b) All departments, offices, boards, and agencies of the state shall cooperate with the chief of the office of revenue analysis and shall provide to the office of revenue analysis any records, information (documentary and otherwise), data, and data analysis as may be necessary to complete the report required pursuant to this section.
Section 6. [Consideration by the governor.]
The governor's budget submission as required under [insert citation] shall identify each economic development tax incentive for which an evaluation was completed in accordance with this chapter in the period since the governor's previous budget submission. For each evaluated tax incentive, the governor's budget submission shall include a recommendation as to whether the tax incentive should be continued, modified, or terminated.

Section 7. [Severability.] Insert severability clause.

Section 8. [Repealer.] Insert repealer clause.

Section 9. [Effective Date.] Insert effective date.