

Transparency and Accountability for Economic Development Tax Incentives January 6, 2016

The Rhode Island Economic Development Tax Incentives Evaluation Act of 2013 requires state analysts to conduct cost-benefit analyses of a number of the state's economic development tax incentives. The law requires the Governor to include recommendations for continuing, modifying or terminating recently evaluated incentives in her proposed budget. Credits are evaluated every three years. The first set of evaluations was scheduled to be produced by the Office of Revenue Analysis by June 30, 2015, but has not yet been released. The chart on the back shows the tax incentives included in the law and the statutory reference.

State law also requires the Division of Taxation to prepare an annual Tax Credit and Incentive Report showing the cost of certain tax credits and the companies that received them. The most recent report was released in August, 2015. There isn't alignment between this law and the 2013 Analysis Law. Only 4 of the credits required to be analyzed under the 2013 law are included in the Tax Credit and Incentive Report. Conversely, two of the credits reported in the Tax Credit and Incentive Report and not included in the 2013 law.

In addition to the credits identified in the chart on the back, the Tax Credit and Incentive Report released in August documented the following credits and tax payers:

RI EDC Project Status (42-64-10):	3 taxpayers;	\$1,306,548 total credits
Historic Tax Credit (44-33.6):	1 tax payer;	\$1,672,895 total credits

A third source of information about the cost of economic development tax incentives is the comprehensive Tax Expenditures Report published every two years by the Department of Revenue which documents the revenue foregone for over 200 tax expenditure items.

Recommendations:

1. Ensure the Division of Taxation has sufficient staff resources to implement the Tax Incentive Evaluation Act of 2013. We need to know more than just the amount of credit and number of tax payers. For example, while we know that the loss of revenue for the Job Development Act was \$23.3m in 2015, we don't know what benefit the state derived from this expenditure.
2. Amend the 2013 Tax Incentive Evaluation law to include the RI EDC Project Status and Historic Tax Credit
3. Update the Tax Credit and Incentive Report to eliminate outdated credits and include credits that should be included in this annual report.

The chart on the back shows the tax credits required to be analyzed pursuant to the Tax Incentive Evaluation Act of 2013 and for those included in the Tax Credit and Incentive Report, the amount of the credit and number of tax payers for 2015.

Tax Incentive Evaluation Act of 2013		Tax Credit and Incentive Report	
Statute	Type of Credit	Cost in SFY 2015	Number of Taxpayers
42-64.3-6	Enterprise Zone (Business Tax)	\$278,981	3
42-64.3-7	Enterprise Zone (Resident business owner)		
42-64.5-3	Job Development Act	\$23,346,768	6
42-64.6-4	Job Training Tax Credit		
42-64.11-4	Jobs Growth Act		
44-30-1.1	PIT – Writers, composers and artists		
44-31-1	Investment Tax Credit		
44-31-1.1	Biotech investment tax Credit		
44-31-2	Specialized Investment tax credit		
44-31.2-5	Film Tax Credit	\$3,476,710	5
44-32-1	R&D: net income		
44-32-2	R&D: Property		
44-32-3	R&D: research expenses		
44-39.1-1	Renewable energy – energy tax credit		
44-43-2	Capital Investment in Small Business		
44-43-3	Wage Credit – capital investment		
44-63-2	Innovation tax Credit (Expires 12/31/16)	\$0	0
2015 Tax Incentives			
42-64.20	Rebuild RI Tax Credit		
42-64.21	RI Tax Increment Financing		
42-64.30	Anchor Institute Tax Credit		
44-48.3	Qualified Jobs Incentive Act (2015)		