

2012 -- H 7724

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LC01514
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO TAXATION - TAX PREFERENCES

Introduced By: Representatives Tanzi, Valencia, Marcello, Savage, and Ehrhardt

Date Introduced: February 16, 2012

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
2 adding thereto the following chapter:

3 CHAPTER 68

4 TAX PREFERENCES

5 **44-68-1. Declaration of intent.** – Whereas, existing law imposes various taxes and
6 allows specific credits, deductions, exclusions, and exemptions in computing those taxes; and

7 Whereas, there is neither systematic nor comprehensive review of these credits,
8 deductions, exclusion, and exemptions; and

9 Whereas, it is the intent of the general assembly to develop an efficient tax infrastructure
10 utilizing tax credits which encourage investments; now, therefore

11 The general assembly determines that it is in the best interest of the citizens of the state to
12 provide for a periodic review of these credits, deductions, exclusion, and exemptions.

13 **44-68-2 Findings.**– The general assembly finds and declares:

14 (1) That government at all levels enacts tax preferences to promote equity among
15 taxpayers and enhance economic growth in a way that is inexpensive to administer and provides
16 direct benefits to taxpayers.

17 (2) That national and state public finance experts recommend that tax preferences be
18 evaluated alongside direct spending programs, as both are public initiatives meant to accomplish
19 specified goals.

1 (3) That revenue losses attributable to tax preferences constitute a significant amount of
2 states spending, exceeding over one billion, five hundred million dollars (\$1,500,000,000)
3 annually.

4 (4) That many current tax preferences contain neither sunset provisions, nor goals and
5 objectives to measure the performance of the tax preference.

6 (5) That many current tax preferences neither require taxpayers to submit data
7 demonstrating the tax preferences' effectiveness, nor for state agencies to collect and send data to
8 the general assembly to evaluate the tax preference.

9 (6) The general assembly should apply the same level of review and performance
10 measure that it applies to spending programs to tax preference programs, including tax credits.

11 **44-68-3 Tax preference requirements.-** Notwithstanding any other law to the contrary,
12 any bill enacted on or after January 1, 2012, that would authorize a preference against any tax
13 imposed by this title shall contain all of the following:

14 (1) Specific goals, purposes and objectives that the tax preference will achieve; and

15 (2) Detailed performance indicators for the general assembly to use when measuring
16 whether the tax preference meets the goals, purposes and objectives stated in the bill; and

17 (3) Data collection requirements to enable the general assembly to determine whether the
18 tax preference is meeting, failing to meet or exceeding those specific goals, purposes and
19 objectives. The requirements shall include the specific data and baseline measurements to be
20 collected and remitted in each year the preference is effective for the general assembly to measure
21 the change in performance indicators, and the specific taxpayers, state agencies or other entities
22 required to collect and the remit data; and

23 (4) A requirement that the tax preference shall be repealed on the first day of January
24 next following the fifth anniversary of its effective date.

25 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would require any bill authorizing a tax preference enacted after January 1, 2012
2 to contain specific goals and objectives and provide for detailed performance indicators to allow
3 the general assembly to measure whether the tax preference has met its goal, purpose and
4 objective. This act would further provide that the tax preference would be repealed on the first
5 January next following the fifth anniversary of its effective date.

6 This act would take effect upon passage.

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