

Please share the following information with Senator Jones and the Maryland Business Tax Reform Commission about which states are collecting data on state tax incentives. Practices at the state level have been evolving rapidly over the past several years and, at last count, 41 states were engaged in some form of tax incentive data collection, or what is commonly referred to as “tax expenditure reporting.” These state tax expenditure reports vary considerably in quality and thoroughness.

The Center on Budget and Policy Priorities (CBPP) recently identified Oregon, Minnesota, and Connecticut as producing some of the best tax expenditure reports in the country. See appendices 2, 3, and 4 of the following paper for the criteria they used in determining what constitutes a good report: <http://www.cbpp.org/files/4-9-09sfp.pdf>

Three other states that have done a relatively good job collecting information on the tax incentives that they offer are Massachusetts, New York, and West Virginia.

Unfortunately, very few states seek to analyze whether or not the tax incentives they offer are effective. Only California, Delaware, Nevada, Oregon, Rhode Island, and Washington State have taken effective steps to review the performance of their tax incentives. The other states mentioned above (Minnesota, Connecticut, Massachusetts, New York, and West Virginia) are only “good” in the sense that they collect data on the various kinds of incentives they are offering and how much tax revenue they are forgoing as a consequence of the incentives.

In terms of performance review, Washington State is the leader. See: <http://www.citizen taxpref.wa.gov/>

Rhode Island has also taken some steps to both disclose business tax breaks and evaluate their effectiveness. See: http://www.povertyinstitute.org/matriarch/documents/FY2009%20Tax_Incentive_Disclosure_and_AccountabilityFINAL.pdf

Washington state, and other state-level efforts at evaluating tax expenditure performance, are reviewed in the following report put out by Citizens for Tax Justice (starting on page 18): <http://www.ctj.org/pdf/judgingstep1109.pdf>

As the report indicates, aside from Washington State, there’s been more talk than action in the area of performance review. For example, to see the specific legislative language attached to Connecticut’s (thus far ignored) requirement to create a “Business Tax Credit and Tax Policy Review Committee,” see: <http://www.cga.ct.gov/2009/pub/chap208.htm#Sec12-217z.htm>

You can review some of the better tax expenditure reports at the following sites:

Connecticut

<http://www.cga.ct.gov/ofa/Documents/RevItems/TaxExp/TaxExpenditureReportMarch2010.pdf>

Massachusetts

<http://www.mass.gov/bb/h1/fy10h1/dnld10/taxexpend10.pdf>

Minnesota

http://www.taxes.state.mn.us/taxes/legal_policy/other_supporting_content/2010_tax_expenditure_links.pdf

Oregon

<http://egov.oregon.gov/DOR/STATS/docs/ExpR09-11/FullReport.pdf>

West Virginia

<http://www.state.wv.us/taxrev/expenditureStudy/expenditureStudy.2009.pdf>

New York

<http://publications.budget.state.ny.us/eBudget0910/fy0910ter/TaxExpenditure09-10.pdf>

My best,

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