

2016 -- H 7558

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TAXATION -- TAX PREFERENCES

Introduced By: Representatives Tanzi, Newberry, Shekarchi, Carson, and O'Grady

Date Introduced: February 11, 2016

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 70

4 TAX PREFERENCES

5 **44-70-1. 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, exclusions, 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 tax credits, deductions, exclusion, and exemptions.

13 **44-70-2. 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 measures that it applies to spending programs to tax preference programs, including tax credits.

11           **44-70-3. Tax preference requirements.** -- Notwithstanding any other law to the  
12 contrary, any law enacted on or after January 1, 2017, that would authorize a preference against  
13 any tax 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 law; 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 remit the 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  
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1           This act would require any law authorizing a tax preference enacted after January 1, 2017  
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 all tax preferences enacted after January 1, 2016,  
5 would be repealed on the first day of January next following the fifth anniversary of its effective  
6 date.

7           This act would take effect upon passage.

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