

2009 -- S 0526

LC01828

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2009

A N A C T

RELATING TO TAXATION - TAX EXPENDITURE REPORTING

Introduced By: Senator J. Michael Lenihan

Date Introduced: February 25, 2009

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-48.1-1 of the General Laws in Chapter 44-48.1 entitled "Tax  
2 Expenditure Reporting" is hereby amended to read as follows:

3 **44-48.1-1. Tax expenditure reporting.** -- (a) On ~~or before the second Tuesday in~~  
4 ~~January of each even numbered year beginning in 2004~~ the same schedule required in section 35-  
5 3-7, the chief of the office of revenue analysis, shall deliver a tax expenditure report to the  
6 general assembly. Each report will provide the minimum information for one hundred percent  
7 (100%) of tax expenditures in effect on ~~January~~ July 1 of the ~~calendar~~ fiscal year preceding the  
8 report's publication.

9 This report shall be included as part of the budget submitted to the general assembly in  
10 accordance with section 35-3-7.

11 (b) For the purposes of this section, a "tax expenditure" is any tax credit, deduction,  
12 exemption, exclusion, credit preferential tax rate, tax abatement, and tax deferral that provides  
13 preferential treatment to selected taxpayers, whether directly through Rhode Island general laws  
14 or constitutional provisions or indirectly through adoption of other tax codes. "Tax expenditure"  
15 also means services excluded from the sales tax base, exemptions of property from local taxation  
16 by cities and towns, and the cost of conforming to federal tax laws or rules.

17 (c) The information included for each tax expenditure shall include, but shall not be  
18 limited to:

19 (1) The legal reference and explanation or description of the expenditures, including

1 information whether the expenditure is required as a result of federal or state constitutional,  
2 judicial, or statutory mandate.

3 (2) Amount of revenues forgone or an estimate, if the actual amount cannot be  
4 determined, for the calendar year immediately preceding the publication of the report. The report  
5 shall also include an estimate of revenue forgone for the ~~calendar~~ fiscal year in which the report is  
6 published ~~and the year~~ five (5) fiscal years following and four (4) fiscal years preceding the  
7 report's publication. The tax administrator shall develop an index of the reliability of each  
8 estimate using five (5) levels with level one being most reliable. Where actual tax returns are the  
9 source of the estimate, the estimate should be assigned reliability level one. Where no reliable  
10 data exists for the estimate, the estimate should be assigned reliability level five (5). The  
11 reliability level shall be reported for the estimate of the revenues forgone.

12 (3) To the extent allowable by law, identification of the beneficiaries of the exemption  
13 by number, income, class and industry.

14 (4) A comparison of the tax expenditure to the tax systems of the other New England  
15 states, with emphasis on Massachusetts and Connecticut.

16 (5) The data source(s) and analysis methodology.

17 (6) To the extent allowable by law, identification of similar taxpayers or industries that  
18 do not enjoy the exemption.

19 (7) The rationale or purpose, so that it is clear what the policy purpose is served by each  
20 tax expenditure.

21 (8) An evaluation judging if each tax expenditure is achieving the stated rationale or  
22 purpose.

23 (9) The distribution of each tax expenditure's benefit by income level or, in the case of  
24 business tax expenditures, by size of business.

25 (d) Each report shall include a section containing recommendations for improving the  
26 effectiveness of the report as a tax policy tool. This section shall identify the resources required to  
27 implement these recommendations and shall also contain an estimate of the costs associated with  
28 such recommendations.

29 (e) ~~On or before the second Tuesday in January 2004~~ Each annual report shall contain,  
30 the chief of the office of revenue ~~analysis'~~ analysis' ~~shall make available to the general assembly a~~  
31 plan to improve Rhode Island's tax expenditure reporting effort. The plan shall include  
32 measurable criteria to evaluate improvements in the reliability of tax expenditure item estimates  
33 and the identification of beneficiaries of each tax expenditure by number, income, class and  
34 industry. The plan shall also include cost estimates of additional resources necessary to

1 implement the plan, and may include any other information that the ~~tax administrator~~ chief of the  
2 office of revenue analysis deems appropriate for inclusion in said plan.

3 (f) This annual report shall be available to the public for inspection by any person, and  
4 shall be published by the tax administrator on the tax division website, and the chief of the office  
5 of revenue analysis on the department of revenue website.

6 (g) Within ten (10) calendar days of the conclusion of any revenue estimating conference  
7 meetings called under the provisions of sections 35-16-2, 35-16-3, and 35-16-4 the estimates  
8 required in subdivision (c)(2), and contained within the version of the annual report published on  
9 the tax division and department of revenue websites shall be updated to reflect the revised  
10 estimates. The updated estimates following the November revenue estimating conference shall be  
11 used to prepare the five (5) years financial plan required by subdivision 35-3-1(a)(6).

12 SECTION 2. Section 35-3-7 of the General Laws in Chapter 35-3 entitled "State Budget"  
13 is hereby amended to read as follows:

14 **35-3-7. Submission of budget to gene ral assembly -- Contents. --** (a) On or before the  
15 third Thursday in January in each year of each January session of the general assembly, the  
16 governor shall submit to the general assembly a budget containing a complete plan of estimated  
17 revenues and proposed expenditures, with a personnel supplement detailing the number and titles  
18 of positions of each agency and the estimates of personnel costs for the next fiscal year. Provided,  
19 however, in those years that a new governor is inaugurated, the new governor shall submit the  
20 budget on or before the first Thursday in February. In the budget the governor may set forth in  
21 summary and detail:

22 (1) Estimates of the receipts of the state during the ensuing fiscal year under laws  
23 existing at the time the budget is transmitted and also under the revenue proposals, if any,  
24 contained in the budget, and comparisons with the estimated receipts of the state during the  
25 current fiscal year, as well as actual receipts of the state for the last two (2) completed fiscal  
26 years.

27 (2) Estimates of the expenditures and appropriations necessary in the governor's  
28 judgment for the support of the state government for the ensuing fiscal year, and comparisons  
29 with appropriations for expenditures during the current fiscal year, as well as actual expenditures  
30 of the state for the last two (2) complete fiscal years.

31 (3) Financial statements of the  
32 (i) Condition of the treasury at the end of the last completed fiscal year;  
33 (ii) The estimated condition of the treasury at the end of the current fiscal year; and  
34 (iii) Estimated condition of the treasury at the end of the ensuing fiscal year if the

1 financial proposals contained in the budget are adopted.

2 (4) All essential facts regarding the bonded and other indebtedness of the state.

3 (5) A report indicating those program revenues and expenditures whose funding source  
4 is proposed to be changed from state appropriations to restricted receipts, or from restricted  
5 receipts to other funding sources.

6 [\(6\) The tax expenditure report required by section 44-48.1-1.](#)

7 ~~(6)~~(7) Such other financial statements and data as in the governor's opinion are necessary  
8 or desirable.

9 (b) Any other provision of the general laws to the contrary notwithstanding, the proposed  
10 appropriations submitted by the governor to the general assembly for the next ensuing fiscal year  
11 should not be more than five and one-half percent (5.5%) in excess of total state appropriations,  
12 excluding any estimated supplemental appropriations, enacted by the general assembly for the  
13 fiscal year previous to that for which the proposed appropriations are being submitted; provided,  
14 that the increased state share provisions required to achieve fifty percent (50%) state financing of  
15 local school operations as provided for in P.L. 1985, ch. 182, shall be excluded from the  
16 definition of total appropriations.

17 (c) Notwithstanding the provisions of subsection 35-3-7(a), the governor shall submit to  
18 the general assembly a budget for the fiscal year ending June 30, 2006 not later than the fourth  
19 (4th) Thursday in January 2005.

20 (d) Notwithstanding the provisions of subsection 35-3-7(a), the governor shall submit to  
21 the general assembly a supplemental budget for the fiscal year ending June 30, 2006 and/or a  
22 budget for the fiscal year ending June 30, 2007 not later than Thursday, January 26, 2006.

23 (e) Notwithstanding the provisions of subsection 35-3-7(a), the governor shall submit to  
24 the general assembly a supplemental budget for the fiscal year ending June 30, 2007 and/or a  
25 budget for the fiscal year ending June 30, 2008 not later than Wednesday, January 31, 2007.

26 SECTION 3. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TAXATION - TAX EXPENDITURE REPORTING

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1           This act would provide the general assembly with more detailed information concerning  
2 tax abatements and other tax related business inducements.

3           This act would take effect upon passage.

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