

State Tax Expenditure Reporting

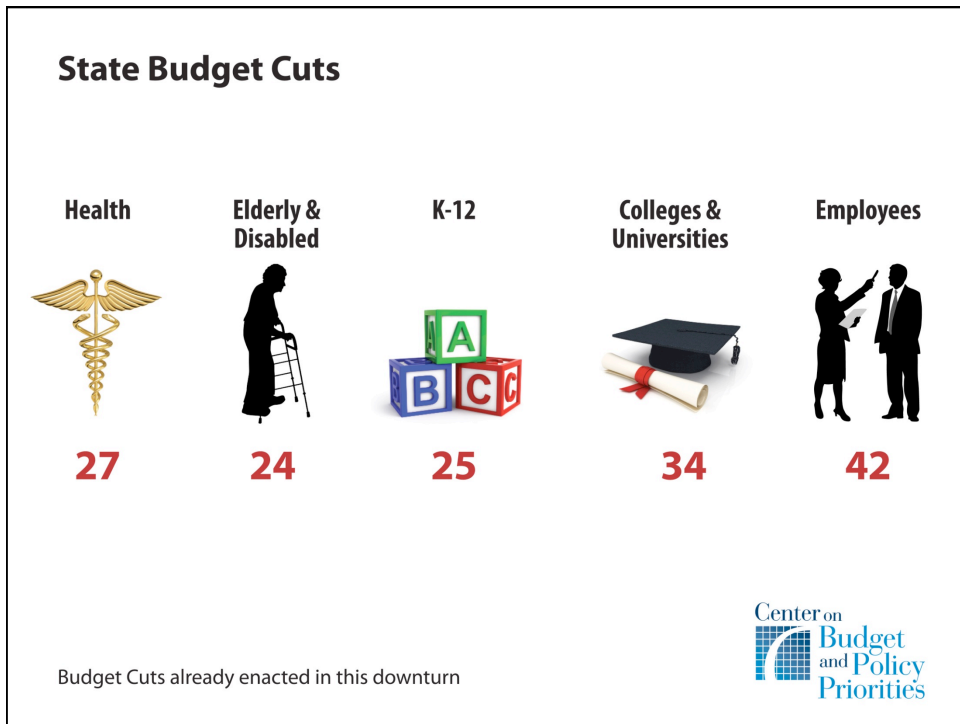
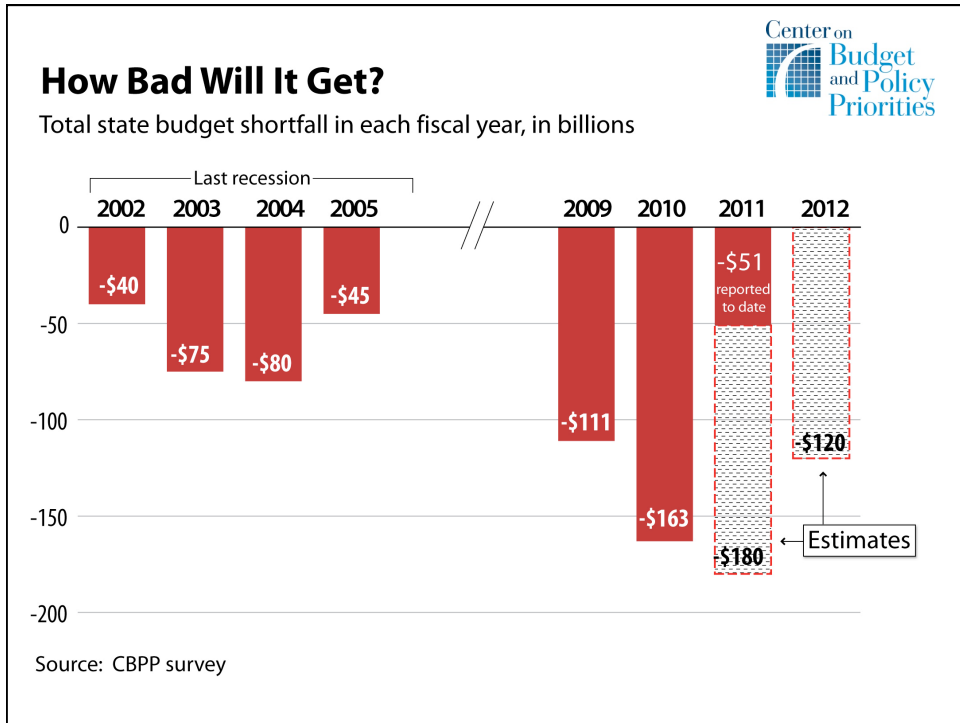
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State Tax Expenditure Reporting

- Why does it **matter**?
- How **is** it being done?
- How **should** it be done?





Best Practices Checklist

- ✓ Accessibility
- ✓ Scope
- ✓ Detail
- ✓ Analysis

Tax Expenditure Reports Nonexistent or Seriously Lacking



Scope

■ Number of states meeting each criterion

Covers All Taxes



Includes Cost of Excluding Services from Sales Tax Base



Includes Cost of Federal Conformity



95.	<p>Oklahoma Educational Television Authority Citation: 70 O.S. §23-116 Description: Income earned by the Oklahoma Educational Television Authority and income derived from bonds issued by the Authority. Estimate: N/A Data Source: Reliability:</p>
96.	<p>Oklahoma Student Loan Authority Bonds Citation: 70 O.S. §695.3 Description: Bonds and the income from bonds issued by the Oklahoma Student Loan Authority. Estimate: N/A Data Source: Reliability:</p>
97.	<p>Independent School Districts - Stadium, Sports Arena, & Recreation Facilities Construction Revenue Bonds Citation: 70 O.S. §821.4 Description: Any bond issued pursuant to 70 O.S. §821 et seq. Estimate: N/A Data Source: Reliability:</p>
98.	<p>Board of Regents of Specific Institutions of Higher Learning Authorized to Issue Tax Exempt Bonds Citation: 70 O.S. §4002 Description: Bonds issued by various boards of regents of institutes of higher learning. Estimate: N/A Data Source: Reliability:</p>
99.	<p>Oklahoma Tuition Trust Citation: 70 O.S. §6014 Description: The property and income of the Oklahoma Tuition Trust is exempt from taxation. Purchasers of advance tuition payments administered by the Oklahoma Tuition Trust are allowed to deduct those payments from taxable income in the year the purchase was made. Estimate: N/A Data Source: Reliability:</p>

Tax Preference Item	5	Reliability
<u>Business Corporation Tax</u>		
1 Exclusion for financial institution	\$0	5
2 Exclusion for public service corporation	\$0	5
3 Exclusion for insurance companies	\$0	5
4 Exclusion for nonprofit	\$0	5
5 Exclusion for fraternal benefit societies	\$0	5
6 Exclusion for special chartered corporations	\$0	5
7 Exclusion for common ownership corporations	\$0	2
8 Special provisions for security companies	\$0	5
9 Special provisions for investment companies	\$0	5
10 Exclusion for 1120S	\$0	5
11 Consolidation provisions	\$0	5
12 Interest on federal obligations	\$0	5
13 Net operating loss deductions	\$36,700,000	2
14 Treatment as a DISC	\$0	5
15 Treatment as a FSC	\$0	5
16 Rapid amortization of air / water facility	\$0	5
17 Accelerated amortization deduction for certain manufacturers	\$0	5
18 Exclusion - dividends of banks	\$0	5
19 Exclusion - dividends of corporations	\$0	5
20 Exclusion - interest from utilities	\$0	5
21 Apportionment of net income	\$0	5
22 Special apportionment of USFDA facilities	\$0	5
23 Allocation / apportionment of brokerage services	\$0	5
24 Exclusion for international investment services	\$0	5
25 Passive investment treatment	\$0	1
TOTAL BUSINESS CORPORATION TAX = 25	\$36,700,000	

Rationale: Clarification and Expediency. PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 98-262 clarified the recapture provision.

19. Human capital investment credit: The credit is available for expenses related to: (1) job training; (2) work education; (3) donations or contributions to higher education institutions for the advancement of technology, including physical plant improvements; (4) day care facilities for children of employees; (5) childcare subsidies to employees; or (6) donations and contributions to the Individual Development Account Reserve Fund²⁰. The credit is 5% of qualified expenditures. Unused credits may be carried forward 5 years. CGS Sec. 12-217x

Rationale: Incentive and Expediency. PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 00-192 created the Individual Development Account Reserve Fund and made contributions to the Fund eligible for the human capital investment tax credit effective with the 2001 income year.

	26,624	100.0%	\$805
Total			

EVALUATION: This tax credit is effective because it assists low-income families with their child care expenses, which provides encouragement to stay in the workforce. *[Evaluated by the Employment Department.]*

1.160 DEPENDENT CARE ASSISTANCE

Oregon Statute: 315.204
 Sunset Date: 12-31-16
 Year Enacted: 1987, Modified in 2005 (HB 2951)

	Corporation	Personal	Total
2005-07 Revenue Impact:	\$1,500,000	\$400,000	\$1,900,000
2007-09 Revenue Impact:	\$1,500,000	\$400,000	\$1,900,000

DESCRIPTION: Employers providing dependent care assistance or dependent care information and referral services to their employees are allowed a credit to either personal or corporation income tax. The credit equals 50 percent of the total costs the employer paid for dependent care (but no more than \$2,500 per employee) and 50 percent of the cost of providing information and referral services. The employer may not take the credit if the employee is a dependent of the employer.

FUELS AND UTILITIES

COAL _____

Description: The purchase or use of coal is exempt from taxation.

Purpose: This exemption provides special tax treatment of coal versus alternative energy forms. Other major energy sources are exempt only when used directly by the purchaser for residential use. Encouragement of coal consumption may have been perceived as providing or preserving employment when mining was a major employer within the commonwealth.

(Dollar Amounts in Millions)

Estimates:	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$ 194.8	\$ 203.8	\$ 213.3	\$ 223.2	\$ 233.8	\$ 244.5	\$ 255.8

Beneficiaries: Approximately 120,500 households and 7,400 businesses benefit from this tax expenditure.

FIREWOOD _____

Description: The purchase or use of firewood cut into lengths for burning or wood pellets is exempt from taxation when used as fuel for cooking, or for heating water, or residential dwellings.

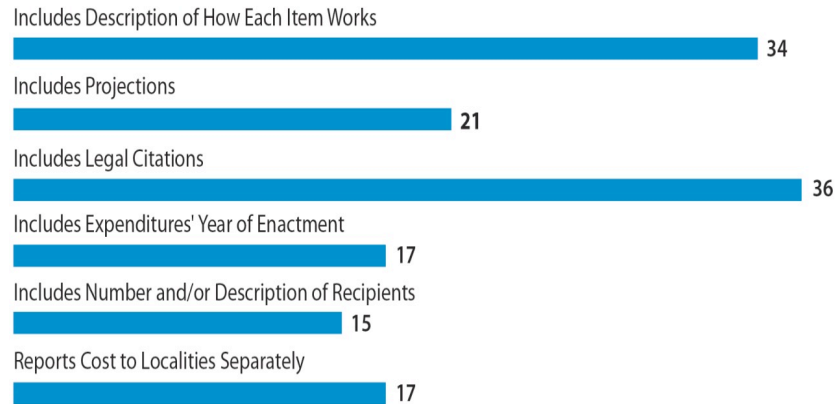
Purpose:

SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
82.29A.130(15)	Professional football stadium	135	119	Bus. incentive	Yes	61
82.29A.130(16)	Public facilities districts	123	108	Bus. incentive	Yes	61
82.29A.130(17)	Historic property	84	73	Government	Yes	62
82.29A.130(18)	Clark County amphitheater	41	36	Bus. incentive	Yes	62
82.29A.132	2nd Narrows bridge	0	0	Bus. incentive	No	63
82.29A.134	Sale/leasebacks, R. T. A.	0	0	Government	No	63
82.29A.135	Gasohol production facilities	166	145	Bus. incentive	Yes	64
82.29A.136	Developments, > 3,000 lots	355	-426	Tax base	Yes	64
82.29A.137	Super-efficient airplane facilities	0	0	Bus. incentive	Yes	65
82.29A.138	Radio repeaters	5	5	Individuals	Yes	65

Detail

■ Number of states meeting each criterion



Summary of Tax Expenditures by Program (\$ millions)

	FY 08	FY 09	FY 10
Agriculture	239,479	248,197	258,218
Agricultural Development	207,920	215,636	224,654
Equine Industry Support	31,559	32,561	33,564
Business	1,582,417	1,673,772	1,728,481
Banking Support	7,140	7,580	7,900
Economic Development	105,950	109,050	111,650
Energy Development and Coal Industry Support	376,971	413,846	429,828
Existing Business Support	822,651	859,692	885,622
Job Development	147,635	155,635	161,835
Natural Resources	10,580	10,810	11,010
Transportation Industry Support	111,490	117,159	120,636
Human Resources	3,117,949	3,282,729	3,484,512
Education Support	31,000	32,700	36,200
Family Support	372,300	383,800	396,700
Health Care Support	907,289	989,139	1,075,792
Housing Development	501,300	531,100	563,100
Income Maintenance	689,160	709,490	725,220
Retirement Support	616,900	636,500	687,500
Government	381,740	392,737	408,109
Federal Government Support	10,800	10,900	10,900
Intergovernmental Transfers	12,000	12,600	13,200
Military Support	32,220	33,390	34,650
State and Local Government Support	326,720	335,847	349,359
Social Services	646,184	650,744	676,290
Charitable Organization Support	559,061	584,649	610,114
Community Development	47,891	26,563	26,644
Environmental Conservation and Historic Preservation	39,232	39,532	39,532

4. Assessment:

The intention of this provision is to encourage private sector participation in maintaining and preserving the State's historic structures. However, since no public purpose is required for participation in this program, it is possible that the benefits enjoyed from this credit could accrue to relatively few, and most likely wealthy, individuals. Credits could be issued for renovations conducted on privately owned homes located in isolated areas. In instances like this, the individuals (all state taxpayers) ultimately subsidizing the historic renovation would be unable to even view that for which their tax dollars have paid. Recent experience, however, has proven that businesses account for the majority of those qualifying to take this credit.

Additionally, it is unlikely that individuals with insufficient means to undertake renovations would be motivated by this tax incentive. As such, it is possible that this credit may act more as preservation subsidy than as a preservation incentive.

Because this preference is administered on a first-come, first-serve basis, it would also be possible for funds, which should have been allocated to the state's most important historic resources to instead, be diverted to other, potentially less worthy, properties. Moreover, this method of allocation may cause equity concerns given that there is no restriction on the amount of tax credit than can be granted to any one taxpayer. Consequently, one taxpayer could receive the entire \$5 million dollar credit allotment in any given year.

5. Inadvertent Effects:

As previously mentioned, aside from the resident curator provision there is nothing preventing one large taxpayer from receiving the remainder of the credits available in any given fiscal year. Such allocation of the credit may actually hinder preservation efforts by causing individuals who would have otherwise begun historic rehabilitation to postpone projects until the credit is once again available. Additionally, equity concerns are a likely consequence of credit monopolization.

TABLE 11

**Incidence Analysis
 Limited Sales and Use Tax
 Exclusion for Residential Construction Labor**

**FISCAL 2009
 (dollar amounts
 in millions)**

**INITIAL DISTRIBUTION OF EXCLUSION
 BY INDUSTRY**

Industry	Amount	Percent
Agriculture	\$0.0	0.0%
Mining	0.0	0.0
Utilities & Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	52.7	9.3
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	513.8	90.7
TOTAL	\$566.5	100.0%

Totals may not add due to rounding.

**FINAL INCIDENCE OF EXCLUSION
 BY HOUSEHOLD INCOME QUINTILE**

Quintile	Household Income	Amount	Percent of Exclusion	Exclusion as a Percent of Total Income
1	less than \$24,899	\$29.7	5.2%	0.1%
2	\$24,899 to \$45,271	36.0	6.3	0.1
3	\$45,271 to \$69,614	58.6	10.3	0.1
4	\$69,614 to \$109,182	89.7	15.8	0.1
5	\$109,182 and over	205.6	36.3	0.1
Residents		\$419.5	74.1%	
Exported		\$147.0	25.9%	
TOTAL		\$566.5	100.0%	

Analysis

■ Number of states meeting each criterion

Includes Program Categories for Each Expenditure



Lists Purpose or Rationale for Each Expenditure



Includes Evaluations or Recommendations for Each Expenditure



Shows Distribution of Benefit by Income Level



Read the whole thing!

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- Hardcopies by request