

Think tank: R.I. tax reporting among worst in U.S.

Posted April 9, 2009

GOVERNMENT

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PROVIDENCE – Rhode Island is among the states worst at reporting tax expenditures such as credits, deductions and exemptions, according to a study released today by a national policy group.

The Center on Budget and Policy Priorities deemed Rhode Island’s reports on these types of expenditures as “least useful” – along with Arkansas and Maryland – because the documents omit major taxes or fail to provide cost estimates and other information.

The Washington, D.C.-based group also took nine other states to task for not publishing tax expenditure reports at all.

“States typically require extensive documentation of how much direct spending they do each year ... Tax expenditures usually receive far less scrutiny,” the center’s report said. “This is a serious problem.”

The study said Rhode Island does not report all sales-and-use tax and corporate tax expenditures.

“While Rhode Island’s report lists tax expenditures for each of the state’s taxes, it leaves out cost estimates for many of them,” the study said. “The report includes cost estimates for 29 of the 72 sales tax expenditures; 27 of the 38 [personal income tax] expenditures; 3 of the 25 [corporate income tax] expenditures; and 15 of 47 expenditures arising from other taxes.”

The center said Rhode Island is guilty of the “highly misleading practice” of listing a tax expenditure’s cost as \$0 when the cost is uncertain.

“Rhode Island’s report fares worst in this regard, listing the cost of over half of its tax expenditures as \$0,” the center’s report said. “For example,

the summary figures for a list of 25 corporate tax expenditures suggest that their total cost is \$36.7 million, when in fact that is the cost of just one of these items; the other 24 are listed as having zero cost.

“By adding fairly precise figures with highly imprecise ones, the report produces a misleading sum.”

The Poverty Institute, located at Rhode Island College, said in a statement that the Center on Budget and Policy Priorities backs up the institute's belief that Rhode Island's tax expenditures report is ineffective in determining the costs to the state.

"Rhode Island faces very difficult choices to balance its budget and at the very least, policymakers and residents should know where the state's money is going in order to prioritize and decide which sacrifices to make," said Kate Brewster, Poverty Institute's executive director.

The institute said its own analysis of the state's tax expenditure report indicated that 56 percent of listed expenditures – 118 out of the 211 – could not be reliably estimated by the Division of Taxation.

The institute used today's report as an opportunity to push for local legislation already being considered that would change reporting requirements, including making the report part of the annual state budget submission.

The bill also calls for:

- Providing historical data and future projections of revenue forgone for each tax expenditure.
- Including a stated purpose for each tax expenditure and determination as to whether the item is achieving its stated purpose.
- Showing the distribution of each tax expenditure's benefit by income level or company size.
- Providing information about implicit tax expenditures: such as the total revenue forgone from excluding certain services from the sales tax base, exempting certain property from local taxation, and conforming state taxes to federal tax law.

A spokeswoman for Gov. Donald L. Carcieri said she could not immediately comment because she had not seen the Center on Budget and Policy Priorities report.