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## R.I. gave \$40M in tax breaks; job gain unclear

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PROVIDENCE The state gave nearly \$40 million in tax breaks to Rhode Island businesses during the last fiscal year, according to a report released Monday by the state Division of Taxation, but did not detail whether those companies achieved the goals of the incentives.

Rhode Island distributes millions of dollars each year to businesses as tax credits and other financial incentives to spur hiring and business expansion.

Recipients range from corporate giants such as CVS Caremark Corp., which claimed a total of \$16.7 million, to family-run businesses such as Jamestown Distributors in Bristol, which claimed \$10,000.

But the report for the 2010 fiscal year, which ended June 30, does not verify whether the businesses are living up to their promises. Nor did a report released in 2009, which showed the state had given away \$82.3 million in tax breaks during the previous two years.

Neither report included the independent analysis of the effectiveness of the tax breaks required by state law.

The law requires the state to publish a related report each year generally intended to show whether the businesses that claimed the breaks followed through on the promises they made to gain the incentives.

David M. Sullivan, Rhode Island's tax administrator, said state agencies do collect the necessary information and do audit operations of companies receiving the tax breaks. But, he said, federal law prevents them from making the jobs information public.

Gary S. Sasse, the state's onetime director at the Office of Revenue Analysis, noted the problems in a June 2009 letter to General Assembly leaders.

"The lack of accurate and reliable available data made it impossible to produce a meaningful report with the requisite degree of integrity that is necessary before the Department of Revenue makes a report available to the public," he wrote when the state released its previous report.

The General Assembly has since failed to amend the state law so that information can be released, Sullivan said.

The dollar amount of the tax credits claimed by a few companies has been reduced after audits by his office, Sullivan said. He declined to state the names of those companies or the amount of the reductions.

The lack of detail troubles the head of The Poverty Institute, Kate Brewster. Located at Rhode Island College, the institute analyzes tax and budget policies on behalf of low-income people.

“In difficult times like this, it is imperative that we are getting the biggest bang for our collective bucks,” said Brewster, the institute’s executive director. “By depleting our resources on untested tax credits and incentives we are missing opportunities to invest in proven economic development strategies like education and infrastructure.”

A review released Aug. 11 by a University of Massachusetts professor asserts that such tax credits and business subsidies are less effective at spurring job growth than spending on public works projects and public education programs.

Economist Jeffrey Thompson, of the Political Economy Research Institute at the University of Massachusetts-Amherst, says his study of the use of business incentives among the six New England states indicates the tax breaks have little demonstrable effect.

“The tax-cuts-and-business-subsidies approach to economic development ... will do little to create jobs in the short run, and is not the most effective approach to generating growth over the long term,” he states.

In contrast, Thompson asserts that every dollar spent on public infrastructure projects benefits businesses and households by up to \$1.37.

The study also indicates that, over a long time span, investing state money in education helps attract businesses, increase employment and raise personal income.

In the short term, education spending creates jobs. Each million dollars spent by Rhode Island creates between 26 and 33 jobs for teachers and other education sector workers.