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**RI Tax Expenditures Reporting**  
**One of the Worst in the Country, Report Shows**  
*Current legislation would ensure better tracking of tax credits*

**PROVIDENCE, RI (April 9, 2009)** – Rhode Island’s budget continues to hide tax expenditures, and its tracking of tax expenditures is one of the worst in the country, according to a national report. Simultaneously, state lawmakers are currently considering legislation that would shed a bright light on this form of state spending.

Rhode Island’s tax expenditures report has long been recognized as ineffective in accurately defining how much tax exemptions and preferential rates cost the state. While many tax expenditures (credits, deductions and exemptions that cost the state money but receive little scrutiny) over the past few years have been created in the name of economic development, little has been done to scrutinize the costs and benefits of these programs.

“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, Executive Director of The Poverty Institute.

The Center on Budget and Policy Priorities report released today shows that Rhode Island’s tax expenditures reporting fared as one of the least useful reports in the country, because it omits certain taxes and fails to provide cost estimates and other vital information about many tax expenditures. An analysis of the Rhode Island 2008 Tax Expenditures Report conducted by The Poverty Institute supports the national report, citing that 56% of listed expenditures (118 out of the 211) could not be reliably estimated by the Division of Taxation.

Legislation being considered by the General Assembly would aim to improve tax expenditures reporting and make tax credits more comprehensive, timely, and meaningful for lawmakers.

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The legislation would change the state's Tax Expenditures Report by requiring that it:

1. Be published annually and included as part of the budget submission
2. Provide historical data and future projections of revenue forgone for each tax expenditure
3. Include a stated purpose for each tax expenditure and determination as to whether the item is achieving its stated purpose
4. Show the distribution of each tax expenditure's benefit by income level or company size
5. Provide 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

Other community groups, such as Common Cause Rhode Island, are also concerned about the transparency of tax expenditures reporting. "Common Cause supports improving the state's Tax Expenditure Report because it allows decision makers to have a more complete picture of the state's finances, and that is a part of our mission," said John Marion, Executive Director of Common Cause Rhode Island. "We believe that all decisions should reflect 'effective government processes' and improving the TER would go a long way toward making the budget process more transparent."

For a copy of the Center on Budget and Policy Priorities full report "Promoting State Budget Accountability through Tax Expenditures Reporting" visit these links:

<http://www.cbpp.org/cms/index.cfm?fa=view&id=2772>

<http://www.cbpp.org/files/4-9-09sfp.pdf> (46pp.)

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### **About The Poverty Institute**

The Poverty Institute is a non-partisan organization that develops and promotes policies to improve the economic security of low- and modest-income Rhode Islanders and to ensure that tax and budget policies are equitable and adequate to fund vital public services. The Institute is housed at the Rhode Island College School of Social Work. Financial support comes from foundations, corporations, and individuals who care about social change and economic justice. For more information visit [www.povertyinstitute.org](http://www.povertyinstitute.org).