

Tax credits raise concern

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By Katherine Gregg

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PROVIDENCE — How much has Rhode Island gotten in return for the \$52 million in personal and corporate income-tax credits it has promised and the \$30.8 million in credits it has already provided TV and film producers? How many new full-time jobs has this or any of the state's other tax incentives actually produced? How many of these new employees still need state-subsidized health care?

Saying they are troubled by the lack of answers to these basic questions, key lawmakers have introduced bills calling for more “disclosure and accountability.”

Senate leaders — Republican and Democratic — have introduced a bill requiring the state agencies that provide these sales and income-tax writeoffs to compile annual reports on the “actual number of new full-time jobs with benefits created by the tax-credit,” average rates of pay for these jobs and the extent to which these workers are relying on RIte Care, the state-subsidized health-insurance program for the low income.

A competing version, introduced by five members of the House Finance Committee — and modeled after a recently enacted New Jersey law — goes a bit further. Corporations that receive any one of the state's many “development subsidies” would be required to file with the state treasurer annual reports for up to five years on “the number of jobs created, retained, or lost” since the award of the subsidy, the average rates of pay and number of current and anticipated new employees receiving health benefits.

Both are aimed, according to their sponsors, at gauging what Rhode Island has gotten in return for giving up — through special sales-tax waivers and income-tax writeoffs — hundreds of millions of dollars in taxes the state might otherwise have collected and spent on roads, schools, health care and the like — and the extent to which the recipients of these tax benefits are keeping their job-creation promises.

The bills are aimed at six kinds of tax incentive programs that cost the state at least \$53.5 million last year, \$64.8 million this year and a projected \$83.2 million next year, according to the Senate Fiscal Office.

That includes tax writeoffs attributable to the motion picture production tax credit, the historic structures tax credit, the distressed areas economic revitalization act and job development act. Because of “insufficient data,” Senate Fiscal Advisor Russell Dannecker said his staff didn't have enough information to gauge how much the “innovation & growth” and “mill building & economic revitalization” tax credits cost the state in revenue.

“You need to quantify what the results are,” said Senate Minority Leader Dennis Algiere, “but also whether or not the companies receiving these tax credits or tax breaks are complying with [their] agreements. If the agreement says you will hire ‘x’ amount of employees, we want to make sure they are hiring the 1,000 employees and the 1,000 employees aren’t in 15-hour-a-week jobs.”

Algiere, R-Westerly, cosponsored the Senate bill along with Senate President Joseph Montalbano, D-North Providence, and Senate Majority Leader M. Teresa Paiva Weed, D-Newport, among others.

The preamble to the House bill — sponsored by five members of the House Finance Committee — begins with this observation: “Some programs providing economic development subsidies lack measurable job creations goals, and in some cases, businesses have closed, relocated or outsourced facilities or jobs for which subsidies were provided to sites outside of the state. ...Citizen participation in economic development has been impeded by a lack of readily accessible information regarding expenditures and outcomes. ... It is therefore appropriate, in order to improve the effectiveness of expenditures for economic development and to ensure that they achieve the goal of raising living standards for working families, that the state collect, analyze and make public information regarding those expenditures.”

Both bills were introduced last week, before The Sunday Journal shined a spotlight on the inner workings of the tax-incentive program aimed at turning Rhode Island into Hollywood East. The \$30.8 million in tax credits issued so far were predicated on an overall \$123.2 million in Rhode Island production costs, with no publicly available documentation — in all but the one case, Hard Luck Productions — of how much of that money went to Rhode Island people and businesses.

The credits are equal to 25 percent of what the film office views as “qualified costs.” Of the roughly \$11 million spent here, Hard Luck reported that \$1.9 million went to Rhode Island residents and vendors. The company received \$2.65 million in tax credits.

Paiva Weed yesterday said the story underscored the questions that “year after year continued to be raised” about how much Rhode Island was getting in return for giving up these millions in tax dollars. “The best information we’ve had available to us is anecdotal,” she said.

But she also described the bill as a work in progress.

Ellen Frank, chief economist for the Poverty Institute at Rhode Island College, commended the lawmakers in both chambers for introducing bills aimed at producing “something we have been pushing for a while. ... a [tax-expenditure] budget that tells us what we are spending, where we are spending it and what we are getting in return.”

Altogether, the state gives up an estimated \$1.3 billion in tax revenues annually in tax exemptions, waivers and credits, ranging from the exemption of all food and clothing

from the state's 7 percent sales tax to the narrowly tailored \$276,500 sales-tax exemption on construction materials the General Assembly last year gave a medical parts company — HTP Med Inc. — that was moving to Charlestown from Connecticut.

Through a spokesman, House Speaker William J. Murphy said he hadn't reviewed either bill, but he "supports legislation that would promote transparency in the tax credit programs." HISTORIC TAX CREDITS

	Taxpayers	2007	2008 Est.	2009 Est.
Jobs Development Act	11	\$ 4,608,000	\$ 4,575,000	\$ 4,543,000
Distressed Areas Economic Revitalization Act	148	\$ 2,325,000	\$ 2,376,000	\$ 2,431,000
Historic Structures Tax Credit	195	\$ 34,308,000	\$ 44,800,000	\$ 61,000,000
Motion Picture Production Tax Credits	592	\$ 12,308,000	\$ 13,053,277	\$ 15,253,018
Totals	946	\$ 53,549,000	\$ 64,804,277	\$ 83,227,018

HISTORIC STRUCTURES Tax Credit is from state Budget Office. MOTION PICTURE Production Tax Credits is from Senate fiscal staff.

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