



Massachusetts Tax Expenditure Commission

Representative Jay Kaufman

Co-Chair of the Joint Committee on Revenue

Revenue & Tax Expenditures

(Based on estimates for FY13; in billions)



Source: Massachusetts Department of Revenue



Tax Expenditure Budget Recommendations

- ▶ The TEB is one element of a tax system that should, in its entirety, provide adequate revenue, promote economic growth, welfare and opportunity, be equitable, reflect our values and public policy objectives, and be as simple and administratively efficient as possible.
- ▶ Tax expenditures are a form of taxpayer spending and should be subject to the same scrutiny by government policymakers as direct expenditures.



Tax Expenditure Budget Recommendations

- ▶ There should be a comprehensive, rational, policy-driven approach to identifying elements of the TEB.
- ▶ For each item in or proposed for inclusion in the TEB, there should be a clearly identified public policy purpose and a clearly defined metric for determining its cost, benefit, efficacy, and beneficiaries.
- ▶ In the name of simplicity and equity, the number of tax expenditures and the amount of forgone revenue should be reduced, with tax expenditures limited to those that are highly effective at achieving the identified public policy purpose.



Tax Expenditure Budget Recommendations

- ▶ There should be a clear assignment of responsibility to provide periodic review of (and recommendations relevant to) the TEB.
- ▶ Tax expenditures should be subject to well-articulated standards of accountability with appropriate enforcement mechanisms, such as clawbacks and/or sunsets.
- ▶ The TEB should be subject to full disclosure for the benefit of policymakers and the public.
- ▶ Where appropriate, a competitive process should be used to determine who will be awarded state tax credits and/or exemptions.



Tax Expenditure Budget Recommendations

- ▶ **State officials should engage and work with other states on implementation of best practices both for reviewing tax expenditures and in deciding which tax expenditures are appropriate.**



Tax Expenditure Commission

- ▶ Commission Materials:

<http://www.mass.gov/dor/tax-professionals/news-and-reports/tax-expenditure-commission-materials/>

