



Press Statement

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**Report shows RI gave up more than \$30 million in
revenue to five tax credits last year**

Cost of credits more than doubled from prior year

PROVIDENCE, RI (August 18, 2015) – The most recent legislative session continued to be dominated by debate about how best to spur Rhode Island’s economy. Lawmakers maintained their focus on tax credits and incentives as a primary economic development strategy and created several new incentives aimed at spurring real estate development, stabilizing tax payments for new development, and creating jobs. These are in addition to a host of tax credits and incentives enacted over the past two decades.

The Rhode Island Division of Taxation released its annual [Tax Credit and Incentive Report](#) yesterday, which documents the cost of five tax credits and the companies that received them. Eighteen businesses received just over \$30 million in state tax credits in Fiscal Year 2015, double the amount issued in Fiscal Year 2014 (\$14.8 million). These tax credits have reduced state revenue by \$240 million since 2008.

While the information provided in the report is important, it tells us nothing about whether these tax incentives have been effective tools for growing our state’s economy. That was supposed to change this year.

Two years ago, lawmakers recognized the need to understand whether tax incentives are benefiting the economy and enacted the Rhode Island Economic Development Tax Incentives Evaluation Act of 2013. The law requires state analysts to conduct cost-benefit analyses of several of the state’s economic development tax incentives, including the Jobs Development Act and Motion Picture Tax Credit. The law requires the Governor to include recommendations for continuing, modifying, or terminating recently evaluated incentives in her proposed budget. The first set of evaluations were scheduled to be produced by the Office of Revenue Analysis by June 30, 2015 but to date have not been issued.

“Rhode Island took a positive step in requiring regular evaluation of tax incentives enacted with the promise of improving the state’s economy. This analysis is even more important given that the state continues to use tax policy as a key economic development strategy. Policymakers and the public deserve to know whether the state is using its resources in the most effective way possible,” said Kate Brewster, executive director at the Economic Progress Institute.

The Institute recommends that the Office of Revenue Analysis be adequately staffed to carry out the evaluations and analysis required by the law.

For more information about the new Rhode Island Economic Development Tax Credit Accountability Act of 2013, see the accompanying [infographic prepared by Pew Charitable Trusts](#).

Highlights from the 2015 Tax Incentive Disclosure and Accountability Report

- **The five tax credits that were analyzed for this report:** Rhode Island Economic Development Corporation Project Status ▪ Incentive for Innovation and Growth ▪ Jobs Development Act ▪ Distressed Areas Economic Revitalization Act – Enterprise Zones ▪ Motion Picture Production Tax Credit

- **Loss of revenue in FY2015:** In Fiscal Year 2015, tax credits reduced state revenues by more than \$30.1 million. This was an increase of \$15.3 million, more than double, from Fiscal Year 2014. The increase was primarily due to the tax break offered through the Jobs Development Act, which rose from \$7.5 million in FY14 to \$23.3 million in FY15.

- **The largest loss of revenue (\$23.3 million) resulted from the Job Development Act (JDA) tax break.** CVS Pharmacy received the lion’s share of that credit (82 percent), valued at \$19 million. Citizen’s Bank also reduced their tax payments by more than \$3 million through the JDA last year.

- **The second largest loss of revenue (\$3.5 million) resulted from the Motion Picture Production Tax Credit.** One company, Perdido Productions (which produced the recent Woody Allen film shot in Rhode Island), received \$3.2 million in motion picture tax credits.

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About The Economic Progress Institute

The Economic Progress Institute is a nonpartisan research and policy organization dedicated to improving the economic well-being of low- and modest-income Rhode Islanders. For more information visit www.economicprogressri.org.