ECONOMIC PROGRESS REPORT

The Economic Progress Institute

Report shows RI gave up close to $18 million in revenue to five tax credits last year

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PROVIDENCE, RI (August 16, 2013) – The most recent legislative session was dominated by debate about how best to get Rhode Island's economy back on track. One of the most important steps taken was the enactment of the Rhode Island Economic Development Tax Credit Accountability Act of 2013, which puts in place a system for evaluating many of the state's economic development tax incentives, including the tax credits that were part of an annual disclosure report released by the Division of Taxation yesterday.

This is the sixth year that the Division of Taxation published the Tax Credit and Incentive Report which documents the cost of five tax credits and the companies that received them.

Twenty two businesses received $17.9 million in state tax credits in Fiscal Year 2013. These tax credits have reduced state revenue by over $197 million over a six year period.

This report was required through legislation enacted in 2008 that was intended to determine which companies were receiving the credit, and whether the incentives were creating jobs. Yet little analysis has been done to determine whether the incentives have been cost effective economic development strategies.

That will change in the coming years as a result of the new Tax Credit Accountability Act which requires state analysts to conduct cost-benefit analyses of economic development tax incentives and requires the Governor to include recommendations for continuing, modifying or terminating recently evaluated incentives in his or her proposed Budget.

"For years little has been done to evaluate the long list of tax breaks enacted purportedly to promote economic development. We applaud lawmakers for putting in place a system that will allow policymakers and taxpayers to ensure that the state is using its resources in the most effective way possible," said Irena Nedeljkovic, Senior Policy Analyst at the Economic Progress Institute.