Press Statement
August 16, 2012

Contact
Kate Brewster, Executive Director
kbrewster@economicprogressri.org
401-456-8239 (office) 401-486-9532 (cell)

Report shows RI gave up more than $34 million in revenue to five tax credits last year

Cost of credits rose 50 percent over prior year, mostly due to motion picture tax credit

PROVIDENCE, RI (August 16, 2012) – In the wake of the 38 Studios fiasco, there is widespread agreement that we need more transparency and accountability when it comes to the state's economic development strategies. Yet, little is still known about what is being returned to taxpayers or the economy through a handful of state tax credit programs.

Each year, the Division of Taxation is required to publish the *Tax Credit and Incentive Report* which documents the cost of five tax credits, including those offered through the Motion Picture Tax Credit and Jobs Development Act, and the companies that received them.

In Fiscal Year 2012, these five tax credit programs reduced the tax payments of 39 corporations by more than $34 million. This represents an increase of more than 50 percent over last year, when the five tax credits cost the state $22.6 million. The most significant growth occurred in the cost of the motion picture tax credit, which jumped from $2.3 million to $11.4 million.

Over the past five years, the five tax credits have reduced state revenues by close to $180 million.

The reporting requirement stems from legislation enacted in 2008 that was intended to determine whether these credits are a cost-effective way to create jobs in the Ocean State. Still after five years, only the most basic information about which companies received the credits and the value of the credits has been reported. Other required information about jobs, wages and benefits provided to employees has not been published because of a shortage of staff resources, according to senior officials. Thus, policymakers and taxpayers only know the recipients and cost of the tax credits but not whether these investments yielded any returns.

The Economic Progress Institute recommends that the Office of Revenue Analysis be adequately staffed so that they can analyze the data required to determine whether these tax credits are cost effective tools for economic development.

Ensuring that we have full information about these five tax credits should be the first step of a more comprehensive examination of the more than 200 additional preferential tax items - also known as tax expenditures - that cause the state to forego more than $1.67 billion each year.

Highlights from the 2012 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 FY2012:** In Fiscal Year 2012, tax credits reduced state revenues by more than $34 million. This was an increase of $11.8 million, more than 50 percent, from Fiscal Year 2011. The increase was due primarily to an increase in the amount of motion picture tax credits taken this past year.

- **The largest loss of revenue ($16.3 million) resulted from the Job Development Act tax break.** CVS Pharmacy received the lion's share of that credit (94 percent), valued at $15.4 million.

- **The second largest loss of revenue ($11.4 million) resulted from the Motion Picture Production Tax Credit**. One company, Paige Productions, received more than $8 million in motion picture tax credits.

###

About The Economic Progress Institute
The Economic Progress Institute - formerly The Poverty 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.