



Testimony Relating to Extending the Sunset Dates of Tax Incentive Programs for Economic Development: HB7123 Budget Article 9 Sections 2 through 14
Senate Committee on Finance
February 16, 2022

Sunset dates are critical elements of tax incentive programs for economic development – and they are of greatest value when used as part of oversight of such programs. The sunset dates are put in place so that members of the General Assembly have the opportunity to exercise their responsibility to oversee the programs: to continue those that are generating economic activity; to improve those that could be doing a better job of achieving their goals; and to close those that are performing poorly and not providing a good return on investment for Rhode Islanders.

A new report from Office of Revenue Analysis (ORA) of Rhode Island’s Department of Revenue proves a timely and instructive reminder of the value of evaluation and sunset dates and the need for more persistent oversight.¹ The ORA first analyzed the Jobs Development Act (JDA) in 2018; it recommended in that report a reconsideration of the program, and the Commerce Corporation recognized that other programs were doing a better job of achieving similar goals. Now we have a second report largely echoing the first. This is from the new conclusion:

“However, the recommendations above are the same as in the previous JDA evaluation as legislators have made no changes to the program, despite the identified deficiencies. **Tax incentive evaluations cannot be documents that simply sit on a shelf**, the Office of Revenue Analysis recommends that the Jobs Development Act be reconsidered according to the recommendations described in the previous section.” [emphasis added]

Here is a tax incentive program that has benefited only a few large companies and demonstrated poor return on investment. The General Assembly would have been wise to close this program years ago, and yet it continues – without any sunset provision!

Sections 2 through 14 of Article 9 of HB7123, the Governor’s Recommended FY2023 budget, would extend the sunset dates of various tax incentive programs for economic development, from December 31, 2022 to December 31, 2023. **If these extensions merely keep programs going without proper evaluation and oversight, then the Economic Progress Institute (EPI) would oppose the extensions. If, however, the one-year extensions are embraced as an opportunity for the General Assembly to assess these programs and determine which ones should continue and which ones should not, then EPI would support the extensions.**

¹ As authorized by the Rhode Island Economic Development Tax Incentives Evaluation Act of 2013, the Office of Revenue Analysis (ORA) of Rhode Island’s Department of Revenue produces reports on Rhode Island’s economic development programs. These reports are available at <https://dor.ri.gov/revenue-analysis/reports> and include the recently released report on the Jobs Development Act (JDA).