

1       Sec. 1. EVALUATION OF TAX EXPENDITURES

2           (a) Definitions. As used in this section, the term:

3               (1) “expedited review” means an evaluation of a tax expenditure that  
4               analyzes the purpose of the tax expenditure, delineates its cost and benefits,  
5               and considers whether it still meets its policy goals;

6               (2) “full evaluation” means a review of a tax expenditure that includes  
7               the elements of an expedited review, but also includes a quantitative analysis  
8               of the economic impact of the tax expenditure, consideration of the direct and  
9               indirect economic and social benefits of the tax expenditure, and a comparison  
10              of the effectiveness of the tax expenditure to alternate policies.

11           (b) Expedited review. The Department of Taxes and the Joint Fiscal  
12           Office shall conduct an expedited review of certain tax expenditures as  
13           outlined in Appendix C of the report required by 2015 Acts and Resolves No.  
14           33. The specific tax expenditures receiving expedited review, and the schedule  
15           for conducting that review, shall be as follows:

16               (1) For the tax expenditure report due in January 2017, the tax  
17               expenditures related to enhancing community development, including housing  
18               and historic revitalization, shall be reviewed.

19               (2) For the tax expenditure report due in January 2019, the tax  
20               expenditures related to encouraging economic growth and investment shall be  
21               reviewed.

1           (3) For the tax expenditure report due in January 2021, the tax  
2           expenditures related to incentivizing a specific desirable outcome, including  
3           agriculture, and related to excluding charitable and public service  
4           organizations from taxation shall be reviewed.

5           (4) For the tax expenditure report due in January 2023, the tax  
6           expenditures related to promoting income security and encouraging work,  
7           exempting the necessities of life including healthcare from taxation, and  
8           implementing state tax policy and other priorities shall be reviewed.

9           (c) **Full evaluation.** On or before January 15, 2019, the Auditor of  
10          Accounts shall develop recommendations for the standards and processes to  
11          conduct full evaluation of individual tax expenditures, as outlined in the report  
12          titled “Tax Expenditure Review Report 2016,” submitted to the General  
13          Assembly on January 15, 2016, as required by 2015 Acts and Resolves No. 33.  
14          The Auditor of Accounts shall submit his or her recommendations and report  
15          to the Senate Committees on Finance and on Economic Development, Housing  
16          and General Affairs and House Committees on Ways and Means and on  
17          Commerce and Economic Development.

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