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**H.873**

**House proposal - tax expenditure evaluation**

- Adds process for full reviews
- Would replace Sec. 40 of Senate proposal

Sec. X. EVALUATION OF TAX EXPENDITURES

(a) **Definitions.** As used in this section:

(1) “Expedited review” means an evaluation of a tax expenditure that analyzes the purpose of the tax expenditure, delineates its cost and benefits, and considers whether it still meets its policy goals. The term “expedited review” shall have the same meaning as that term is used in the report titled “Tax Expenditure Review Report 2016,” submitted to the General Assembly on January 15, 2016, as required by 2015 Acts and Resolves No. 33.

(2) “Full evaluation” means a review of a tax expenditure that includes the elements of a expedited review but also includes a quantitative analysis of the economic impact of the tax expenditure, consideration of the direct and indirect economic and social benefits of the tax expenditure, and a comparison of the effectiveness of the tax expenditure with alternate policies.

(b) **Expedited review.** The Department of Taxes and the Joint Fiscal Office shall conduct an expedited review of certain tax expenditures as outlined in Appendix C of the report required by 2015 Acts and Resolves

1 No. 33. The specific tax expenditures receiving expedited review, and the  
2 schedule for conducting that review, shall be as follows:

3 (1) For the tax expenditure report due in January 2017, the tax  
4 expenditures related to encouraging economic growth and investment shall be  
5 reviewed.

6 (2) For the tax expenditure report due in January 2019, the tax  
7 expenditures related to incentivizing a specific desirable outcome, including  
8 agriculture, and related to excluding charitable and public service  
9 organizations from taxation shall be reviewed.

10 (3) For the tax expenditure report due in January 2021, the tax  
11 expenditures related to enhancing community development, including housing  
12 and historic revitalization, shall be reviewed.

13 (4) For the tax expenditure report due in January 2023, the tax  
14 expenditures related to promoting income security and encouraging work;  
15 exempting the necessities of life, including health care, from taxation; and  
16 implementing State tax policy and other priorities shall be reviewed.

17 (c) **Full evaluation.** On or before January 15, 2017, the Joint Fiscal Office  
18 shall develop recommendations for the standards and processes to conduct a  
19 full evaluation of tax expenditures, as outlined in the report required by 2015  
20 Acts and Resolves No. 33. The report shall include recommendations on how  
21 to structure and fund a program designed to conduct a full evaluation of tax

1 expenditures. The Joint Fiscal Office shall submit its recommendations and  
2 report to the Senate Committees on Finance and on Appropriations and the  
3 House Committees on Ways and Means and on Appropriations.  
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