

CONFIDENTIAL
TAX LEGISLATIVE BILL REVIEW FORM: 2015

Bill Number: S.41

Name of Bill: An act relating to developing a strategy for evaluating the effectiveness of individual tax expenditures.

Agency/ Dept: Tax

Author of Bill Review: Candace Morgan

Date of Bill Review: 05/16/2015 Related Bills and Key Players _____

Status of Bill: (check one): ☐ Upon Introduction ☐ As passed by 1st body ☒ As passed by both

Recommended Position:

☒ Support ☐ Oppose ☐ Remain Neutral ☐ Support with modifications identified in #8 below

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*

- This bill asks the Joint Fiscal Office to develop a strategy to evaluate the “effectiveness” of each Vermont tax expenditure in the Tax Expenditure Report. JFO will need to establish a schedule and approach for evaluating tax expenditures, specific metrics, sources of data, etc. and present its findings on January 16, 2015.
- The Tax Department is listed as a resource that shall be made available to JFO in the process.
- JFO is planning on working with Pew and ITEP to develop their strategy. The meetings are expected to begin in the early fall and Tax is a welcomed participant in those meetings.

2. Is there a need for this bill? *Please explain why or why not.*

- It is a judgment call. This bill asks for a comprehensive plan for the evaluation of our tax expenditures. In a time when we are looking at new revenue sources, this report could be a valuable tool in evaluating what Vermont chooses to forgo in revenue and if it is achieving the desired result. However, the history of efforts along these lines (such as the Tax Expenditure Report and Budget) has been that they eat up significant agency resource, but the legislature never actually uses the resulting information to eliminate any of the expenditures.

3. What are likely to be the fiscal and programmatic implications of this bill for this Department?

- The level of “assistance” Tax must offer is not defined. It is likely that it will involve a fair amount of employee time. However, Ways and Means is looking at having an outside organization lead the effort.

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

- During the initial planning phase for evaluating expenditures, there are likely not implications for other departments. However, there may be expenditures where the effectiveness measure exists in other departments and, down the road, will need to show what the effectiveness is. This could be challenging for some agencies as they could need to meet imposed measures or lose funding for a

program. It will all depend on what the proposed plan is for evaluating the expenditures and how it is balanced between short-term and long-term measures.

- 5. What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?** *(for example, public, municipalities, organizations, business, regulated entities, etc)*
- As above, the initial planning phase will not likely involve outside organizations. When the legislature begins evaluating the effectiveness of expenditures, there will likely be input from the public, municipalities, organizations, etc. when an expenditure they support is called into question.
- 6. Other Stakeholders:**
- 6.1 Who else is likely to support the proposal and why?**
- Tax policy organizations
 - RBA advocates
- 6.2 Who else is likely to oppose the proposal and why?**
- Interested stakeholders, as it implies that some expenditures may be deemed unnecessary and eventually recommended for removal.
- 7. Rationale for recommendation:** *Justify recommendation stated above.*
- 8. Specific modifications that would be needed to recommend support of this bill:** *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*
- N/A
- 9. Gubernatorial appointments to board or commission?**

Secretary/Commissioner has reviewed this document: Mary Peterson **Date:** 05/22/2015