

In 2016, the Citizen Commission for the Performance Measurement of Tax Preferences will complete the final year of the initial ten-year tax preference review cycle. Looking ahead to the next ten-year tax preference review cycle, the Citizen Commission wishes to re-examine the scheduling process and review questions and determine whether there are changes that could improve the reviews.

To facilitate this re-examination, the Citizen Commission has identified a number of key issues to consider.

The Commission is soliciting public comment on the issues outlined below, as well as any other issues relevant to the tax preference review process. The public is invited to share their thoughts in-person or in-writing at the September 18, 2015 Citizen Commission meeting.

**Key Issues:**

1. Are there categories of previously reviewed preferences that may merit de-emphasizing for a second review by JLARC staff?

For example:

- a. Preferences previously reviewed by JLARC staff with no subsequent legislative action.
  - b. Preferences recommended to continue for administrative or structural reasons, such as avoiding double-taxation
  - c. Preferences recommended for continuation by both JLARC staff and the Commission.
  - d. Preferences with no data to evaluate metrics, regardless of whether they are implied or stated.
2. Should the Commission continue to group preferences, such as by industry sector or by preferences established for a similar purpose?
  3. Statute permits the Commission to determine that certain preferences are critical to the tax structure and to omit them from review. Are there preferences that the Commission wants to determine as critical to the tax structure?

Currently, statute exempts the following from review:

- a. Those required by constitutional law;
- b. The sales and use tax exemption for machinery and equipment for manufacturing, research and development, or testing;

- c. The small business credit for the B&O tax;
  - d. Sales and use tax exemptions for food and prescription drugs;
  - e. Property tax relief for retired persons; and,
  - f. Property tax valuation based on current use.
4. Should preferences receive greater priority in the schedule if they have an expiration date or if the Legislature specifically requested a JLARC review?
  5. Should preferences with new “performance statement” provisions receive greater priority in the schedule?
  6. Are there questions evaluated by the JLARC staff that should be de-emphasized? Are there questions that should be modified or added?

**Questions always addressed in reviews:**

- a. What are the public policy objectives? Can we identify evidence about whether the objectives are being achieved?
- b. Who are the beneficiaries? Are there unintended ones?
- c. What are the beneficiary savings?
- d. If the preference were terminated, what would the negative impacts be on beneficiaries?

**Questions addressed as appropriate:**

- e. What are the impacts of the distribution of the tax burden due to the preference?
  - f. If the preference were terminated, what effect would the resulting higher taxes have on employment and the economy?
  - g. For preferences with economic development objectives: what are the economic and employment impacts of the preference, and how do they compare to economic and employment impacts of reduced government sector spending? Do taxes associated with any increased economic activity stimulated by this tax preference exceed the preference’s loss of tax revenue?
  - h. Do other states have similar tax preferences?
7. Potential additional questions:
    - a. Should there be more specific direction about evaluating impacts of the distribution of the tax burden due to a preference (e from above)? Currently this is only addressed for property taxes, and merely points out there is a structural shift in burden to remaining property owners.

b. For preferences intended to accomplish choosing one tax approach over another (such as choosing either PUT or B&O), what are the fiscal impacts over time of the choices?

8. Does the overall review effort merit additional JLARC staff resources?

ACTIVITY	DATE	RESPONSIBILITY
Commission finalizes key issues	August 2015	Commissioners
Public input/comment	September 2015	Commissioners
JLARC staff report back on issue briefs, Commissioners discuss and receive additional public comment (either written or oral)	April 2016	JLARC staff
Commissioners develop proposals for new policies/processes	pre-May 2016 meeting	Commissioners JLARC staff to distribute electronically
Commission adopts policies and issues report	May 2016	Commissioners
Commission adopts new 10-year schedule	June 2016	Commissioners