



Office of the Inspector General Commonwealth of Massachusetts

Follow-up to: Economic Incentive Tax Credit Decertification Letter, February 2006

The Department of Revenue is working with the Economic Assistance Coordinating Council to set up a process to alert the Department of Revenue when any business is decertified from the tax increment financing program. Tax increment financing is a key economic development tool used to generate new jobs and private investment in the commonwealth. In exchange for creating new jobs and increasing private investment, businesses receive state and local tax breaks. If the business's goals for job creation and private investment are not met, the council will decertify the agreement. Decertification means a business is no longer eligible for tax credits.

After the council decertifies a business, the council will notify the Department of Revenue's audit division of the decertification. The Department of Revenue will then attempt to recoup the tax dollars foregone. This means that a business that received a tax break in return for the promise of job creation will be accountable for this job creation. The new system will be the first formal system for canceling the tax credits of decertified projects. The Department of Revenue began working with the Economic Assistance Coordinating Council after the Inspector General brought the lack of coordination to the commissioner's attention.