



The Commonwealth of Massachusetts
Office of the Inspector General

GREGORY W. SULLIVAN
INSPECTOR GENERAL

JOHN W. MCCORMACK
STATE OFFICE BUILDING
ONE ASHBURTON PLACE
ROOM 1311
BOSTON, MA 02108
TEL: (617) 727-9140
FAX: (617) 723-2334

December 20, 2005

Alan LeBovidge
Commissioner
Massachusetts Department of Revenue
100 Cambridge Street
Boston, MA 02114

Dear Commissioner LeBovidge,

I am referring the following tax credit issue for your attention. As you are aware, many businesses use economic incentive tax credits on their corporate tax returns. These tax credits are made possible through the Economic Development Incentive Program, which is managed by the Economic Assistance Coordinating Council.

In March 2005, the council voted to decertify Homeland Builders, Inc. from the tax credit program. The council originally certified the eligibility of Homeland Builders, Inc. for tax credits in September 2000. At the time of decertification, Homeland Builders, Inc. self-reported that it had claimed \$209,589 in state economic opportunity area tax credits and received nearly \$100,000 in local property tax exemptions. The Department of Revenue may be in a position to recapture all or part of the tax credits used by this corporation.

Currently, no regulations or rules exist that deal with how the council should inform the department of project decertifications. Since program inception, there have been more than 70 decertifications. However, incomplete reporting by recipients of the tax credits to the council makes it difficult to determine whether these businesses have used state tax credits.

As you know, improved oversight of the Economic Development Incentive Program is important to ensure its success. Would you please review the status of decertified projects and inform me if any businesses have taken these tax credits after decertification. Thank you for your cooperation.

Sincerely,

Gregory W. Sullivan
Gregory W. Sullivan
Inspector General

cc: Thomas Trimarco, Secretary of Administration and Finance
Renee Fry, Director, Department of Business and Technology



ALAN LeBOVIDGE
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
PO Box 9550
Boston, MA 02114-9550

January 5, 2006

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OFFICE OF THE INSPECTOR GENERAL

Gregory W. Sullivan
Inspector General
State Office Building
One Ashburton Place, Room 1311
Boston, MA 02108

Dear Inspector General Sullivan:

Thank you for your letter of December 20, 2005, regarding decertification of projects previously approved for Economic Opportunity Area Credits. We agree that Economic Assistance Coordinating Council (EACC) notice to DOR of such decertifications would assist DOR in ensuring that credits are properly claimed and recaptured.

We have recently received a list of all past decertifications from the EACC and will review the associated taxpayer returns. We understand that the EACC will be providing DOR with notice of future decertifications as they occur, and we believe that this is an appropriate process.

Thank you for your recommendations in this matter. We will provide you with a summary of our findings regarding the decertified projects once our Audit Division has had an opportunity to review the matter.

Sincerely,

A handwritten signature in black ink, appearing to read "ALB", written over the printed name "Alan LeBovidge".

Alan LeBovidge

AL/KB/ec

cc: Secretary Thomas Trimarco, Secretary for Administration and Finance
Renee Fry, Director, Department of Business and Technology