

Tax Expenditure Review Commission Public Meeting Minutes
Friday, February 7, 2020
Saltonstall Building
100 Cambridge Street, Second Floor
Boston, MA 02114
9:00AM

Commission Members in Attendance:

Chairman Kevin Brown, MA Department of Revenue
Auditor Suzanne Bump, MA Auditor
Representative Randy Hunt, Designee, House Minority Leader
Sue Perez, Designee, MA Treasurer
David Sullivan, Designee, Senate Ways and Means Committee
Greg Sullivan, Designee, Senate Minority Leader
Professor Michelle Hanlon, Governor's Appointee
Professor Matt Weinzierl, Governor's Appointee

Commission Members Absent:

*Senator Adam Hinds, Co-Chair, Joint Committee on Revenue
Representative Mark Cusack, Co-Chair, Joint Committee on Revenue
Aaron Michlewitz, Chairman, House Ways and Means Committee

List of Documents:

Meeting Agenda
Draft Minutes – December 13, 2019 Meeting
Tax Expenditure Evaluation – Draft Report
Proposed List of Tax Expenditures for Review
Existing Tax Expenditures Originated from Federal Law
Auditor Bump – Request for Data Sources

Chairman Brown recognized a quorum and called the meeting to order at 9:00AM. Chairman Brown announced each member present and recognized a quorum.

Chairman Brown asked for members of the press to self-identify; one meeting attendee did so. Chairman Brown put the public on notice that the meeting was being recorded for purposes of minutes. Once the minutes are approved, the recording will be deleted.

Chairman Brown requested that Commission members provide any changes to the December 13, 2019 draft meeting minutes. Hearing none, Commission members voted unanimously to approve the December 13, 2019 meeting minutes.

**Due to a meeting phone system issue, Senator Hinds' attempts to participate remotely were unsuccessful.*

During the December 13, 2019 meeting, members discussed whether the Commission should review all existing Massachusetts tax expenditures originated from conformity to federal code, or those most economically impactful. Chairman Brown referred to a color-coded handout that distinguishes tax expenditures with an impact of over \$50 million.

David Sullivan and Greg Sullivan expressed support for reviewing all tax expenditures, regardless of their origin. Representative Hunt suggested a qualitative review, such as first reviewing tax expenditures with obvious intent, followed by a review of those with unclear intent. Given that a number may be in effect for years and to the benefit of few, their economic impact may be significant.

Auditor Bump and members of her staff suggested grouping by type of analysis (ie: economic growth) and to save resources, initially eliminating expenditures with unclear intent. Representative Hunt restated his concern for excluding certain expenditures. Auditor Bump responded that multiple analyses could delay the review process. David Sullivan suggested members be mindful of DOR's workload, while providing the Governor and Legislature with the most helpful findings (ie: first review expenditures with the largest economic impact).

Sue Perez expressed concern for DOR's bandwidth given that members seemed to be moving toward grouping expenditures by goal rather than tax type. Representative Hunt stated that it would be helpful to the Legislature to review the goals of each tax expenditure. Sue Perez responded that the database previously provided by DOR is comprehensive and was presumably utilized by Auditor Bump's staff when developing their recommendation.

Greg Sullivan stated that a comparison of what is and is not offered in other states would be helpful to legislators. Chairman Brown responded that exploring other states' tax expenditures creates not only a workload issue but could also insert the Commission into policy judgements.

David Sullivan offered to assist DOR with reviewing the legislative history of tax expenditures with unclear intent. Chairman Brown thanked David Sullivan for his offer and asked Kazim Ozyurt, DOR's Chief Economist, to share any concerns with reviewing tax expenditures based on categories within the state's annual Tax Expenditure Budget (TEB). Dr. Ozyurt responded that it will not be feasible for some expenditures to be reviewed in the first year due to lack of data.

Members discussed selecting expenditures most timely and helpful for legislators and the Governor, such as those related to transportation and economic development. Chairman Brown stated that the Commission seems to be moving toward a consensus of organizing the review process by TEB categories, beginning with economic development expenditures with the highest revenue impact.

Members reviewed the handout from DOR listing the tax expenditures within each of the TEB categories. Members voted to focus the first year of review on Commerce, Energy and Research & Development categories, beginning with those with the greatest revenue impact. The vote was unanimous.

Auditor Bump inquired about the data sources DOR uses, noting that she wants to be sure the sources are objective. Kazim Ozyurt referred to the handout provided to the Commission at the request of Auditor Bump, which lists DOR's most utilized sources beyond its own readily available data.

Chairman Brown clarified that due to the Open Meeting Law, members can only meet in pairs. Professors Hanlon and Weinzierl offered to discuss and make recommendations on methodological approaches for reviewing tax expenditures.

Chairman Brown stated that a proposed method of analysis will be shared with Commission members prior to the next meeting. Chairman Brown concluded the Tax Expenditure Review Commission meeting at 11:24AM.