

Tax Expenditure Review Commission Public Meeting Minutes
Friday, January 8, 2021
Via Teleconference
1:00PM

Commission Members in Attendance:

Chairman Kevin Brown, MA Department of Revenue
Auditor Suzanne Bump, MA Auditor
Chairman Adam Hinds, Joint Revenue Committee, Senate Co-Chair
Sue Perez, Designee, MA Treasurer
Professor Michelle Hanlon, Governor's Appointee
Professor Matthew Weinzierl, Governor's Appointee
David Sullivan, Designee, Senate Ways and Means Committee
Conor O'Shaughnessy, Designee, House Minority Leader

Commission Members Absent:

Representative Mark Cusack, Joint Revenue Committee, House Co-Chair
Senator Bruce Tarr, Senate Minority Leader
Chairman Aaron Michlewitz, House Ways and Means Committee

List of Documents:

1. Meeting Agenda
2. Draft Minutes – December 10, 2020 Meeting
3. Tax Evaluation Expenditure Ranking Assignment Spreadsheet

Members were asked to announce themselves. A quorum was recognized by Chairman Brown and the meeting via teleconference was called to order at 1:05PM.

Chairman Brown advised that the meeting is public but due to the COVID-19 State of Emergency, public participation is limited to listening without posing questions during the meeting. Chairman Brown put the Commission and public on notice that the meeting is 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 10, 2020 draft meeting minutes. Hearing none, members voted unanimously to approve the December 10, 2020 meeting minutes.

During the December 10, 2020 meeting members agreed on a "scoring template" reflective of the evaluation of each tax expenditure, with the inclusion of a discussion summary section. Members voted to approve the template for use in evaluating tax expenditures, with the caveat that changes may be made to better reflect the review of certain tax expenditures.

Auditor Bump led a discussion of the Massachusetts Historic Rehabilitation Tax Credit that was reviewed in collaboration with Chairman Cusack. David Sullivan stated that the credit is administered similarly to a grant program given that the Massachusetts Historical Commission must approve applications. Members discussed recommending that the credit be converted to and administered as a grant program, declining to do so given that grant programs are subject to annual funding by the legislature. Members voted to approve the Massachusetts Historic Rehabilitation Tax Credit review as presented.

Chairman Hinds led a discussion of the Renewable Energy Source Tax Credit that was reviewed in collaboration with Chairman Cusack. Members discussed the credit not being particularly beneficial to low-income earners given that over 60% of claimants report a gross annual income that exceeds \$100,000. Members also discussed the credit as a source of jobs creation. Members voted to approve the Renewable Energy Source Tax Credit review with the addition of Jobs Creation as a goal.

Sue Perez and Chairman Brown led a discussion of the Exemption of Interest on Savings in Massachusetts Banks. Members discussed the value and relevance of the benefit given the average claimant earns a \$5.00 credit and no other bordering states offer it. Additionally, the credit was adopted in 1974 when bank savings accounts earned roughly 5% annual interest. Members voted to approve the review of the Exemption of Interest on Savings in Massachusetts Banks with the change to Strongly Disagree with whether it is relevant today.

Senator Hinds and Chairman Brown led a discussion of the review of the Deduction for Clean Fuel Vehicles and Certain Refueling Property. Members discussed the relevance of the expenditure given that it is tied to a federal statute that was repealed in 2014. Additionally, to qualify for the credit a taxpayer would have to own a qualifying vehicle model by 2006. Members voted to approve the review of the Deduction for Clean Fuel Vehicles and Certain Refueling Property as presented.

Professor Hanlon led a discussion of her review of the Exemption of Credit Union Income, which applies to 157 taxpayers (credit unions) at an annual cost of approximately \$21M - \$25M. This type of expenditure is commonly offered by other states. There is related pushback at the federal level by non-credit union banking institutions that credit unions are able to robustly compete for customers given the relaxation of credit union restrictions. Members voted to approve the review of the Exemption of Credit Union Income, with the addition of a comment regarding the federal level changes favorably impacting their competitiveness.

Professor Weinzierl led a discussion of the Research Credit that was reviewed in collaboration with Representative Randy Hunt, former designee for the House Minority Leader. Members discussed the difficulty with identifying jobs creation as a goal and benefit, which may be due in part to impacted taxpayers employing higher income earners. Additionally, the beneficiaries are generally long-term investors. The credit costs between \$200-\$400M annually with six to ten percent of intended beneficiaries claiming it, though they do range from small to large businesses. Members voted to approve the Research Credit review with the change from Strongly Agree to Somewhat Agree whether the benefit justifies the cost of the expenditure, as well as the addition of a comment acknowledging the uncertainty of measuring the benefit.

Members agreed to schedule another meeting for late January. Chairman Brown concluded the meeting at 3:04PM.