

Transparency, Accountability Studies

- **Tax Expenditure Budgets: Concepts and Challenges for Implementation**

Inter-American Development Bank, 2010

Summary: This paper discusses conceptual and practical issues for tax expenditures and implementation of them in depth. Tax expenditure is one of the tools to finance government public policies, and pursue objectives that are similar to those that could be obtained through the use of regular expenditures. They should therefore be subject to the same controls and transparency criteria as the latter. The authors suggest the principal aspects related to tax expenditure budget drafting from a dual perspective: the conceptual and the implementation. Countries use three general approaches in order to define benchmark taxes and identify tax expenditures: the conceptual approach, the legal approach, and the analogous subsidy approach. Regardless of which approach is chosen, however, it is important to decide which concept will be measured. The first concept is foregone revenue, which corresponds to the loss of revenue that occurs after a tax expenditure item has been introduced. The second concept is earned revenue, which is defined as the additional tax collection that can be obtained after abolishing a tax expenditure item, taking behavioral changes into consideration. A third important concept is equivalent direct expenditure, which is the subsidy or transfer that would leave the taxpayer with an after-tax income similar to the one he or she would obtain with the existence of a tax expenditure item. Furthermore, estimates can be made on a cash basis or an accruals basis. In addition to these, the paper discusses tax expenditure estimation methodologies, data issues, who should estimate tax expenditures, comparisons between tax expenditure budget and direct expenditure programs, roles of tax administration for the evaluation of tax expenditure budget and monitoring activities, relationship between budget process and TEB, and practices or examples of other countries.

- **Tax Expenditure Reporting to Improve Accountability**

New Mexico Taxation and Revenue Department, 2011

Summary: The full report is currently not available to us (OTPA). This presentation document mentions definition of tax expenditure budget, benchmark tax structure, challenges in measuring tax expenditure budget, challenges in evaluating tax expenditure budget, Balancing accountability with efficiency, tax expenditure budget versus direct spending, Contents of tax expenditure budget report, and criteria for evaluating tax expenditure budget.

- **Tax Expenditure Review Report: Bringing Tax Expenditures into the Budget Process**

Minnesota Department of Revenue, 2011

Summary: As the authors mentioned, this report starts by making the case for bringing tax expenditures into the budget process and subjecting them to the same level of review as direct expenditures. It then recommends ways to accomplish that goal. As discussed in Chapter 1, Minnesota's Tax Expenditure Budget report is among the nation's best. The 2010 report provides useful information on each of 296 tax expenditures, but it makes no attempt to evaluate whether those tax expenditures succeed in achieving their goals. Defining what is (and is not) tax expenditure can be controversial. Chapter 2 reviews definitional issues. The definitions proposed in this report generally (though not always) agree with the list of tax expenditures provided in the tax expenditure budget. Chapter 3 defines criteria to be used when evaluating tax expenditures, and it describes the additional information that would be required. Given the large number of tax expenditures, an evaluation process must determine which of them should be reviewed earliest. Chapter 4 recommends a process for setting those priorities. Chapter 5 proposes an ongoing evaluation process and recommends ways to bring tax expenditures into the normal budget process. A full list of recommendations can be found in Appendix A of this report.

- **Reforms Needed to Bring Greater Scrutiny to "Tax Expenditures"**
Kentucky Center for Economic Policy, 2011

Summary: This article discusses problems for Kentucky tax expenditure budget and their practices in several pages. As other states do, every year Kentucky loses billions of dollars in revenue through special tax preferences and breaks for individuals and businesses. However, there is very little understanding or awareness of tax expenditures, and almost no review and assessment of their effectiveness. The author thinks that when many vital state services are being reduced in tough economic times, tax expenditures tend to escape such cuts. A series of common-sense reforms are suggested to provide guidelines or clarify issues on the purpose, impact and effectiveness of the state's tax expenditures.

- **Making Oklahoma's Tax Expenditures More Transparent and Accountable**
State Tax Notes, 2010

Summary: In 3 parts: 1) A general review of tax expenditures and arguments for and against them; 2) Review of tax expenditures in Oklahoma; 3) Recent actions to make expenditures more accountable, with suggestions for further actions.

This report presents a detailed recommendation section. Their recommendations fall into four broad categories: Maximizing transparency; establishing formal evaluation; front-end eligibility (who is the intended recipients?); and finally limiting the state's exposure through caps and triggers to limit tax loss.

- **Getting the Best Bang for Your Buck: Transparency and Accountability Tools for Oregon Tax Subsidies**
OSPIRG Foundation, 2010

Summary: This report by Oregon's PIRG Foundation, focuses on Corporate tax subsidies. Reviewing these tax expenditures, the report finds corporate tax breaks lack performance review and transparency. Recommends disclosure of names of private companies receiving tax subsidies, and the amount of tax break received. They suggest that all TE's for private companies have sunsets. All data should be readily available on line in spreadsheet form. This report cites Minnesota as a "Best Practices" state.

- **Every Dollar Counts: Why it's Time for Tax Expenditure Reform**
Washington State Budget & Policy Center, 2011

Summary: Report by the Washington State Budget and Policy Center. This paper is a policy brief presenting suggested improvements to current tax expenditure system. They argue that since tax expenditures are not different from regular expenditures, they should be proposed and approved as part of the same budget cycle. If this were followed, the tax expenditure budget would be proposed every two years, as is the governor's regular budget. Report also recommends: Establishing expiration dates (sunsets); enhanced auditing (who gets the tax breaks?); require "Performance Based" actions to qualify for corporate tax breaks.

- **A Reconsideration of Tax Expenditure Analysis**
Joint Committee on Taxation, 2008

Summary: Issued in May of 2008, this 84 page paper reviews how tax expenditures are calculated at the federal level. Provides a history of the TEB and its goals; reviews criticisms of TEB.

Section V presents a summary of economic considerations in TE analysis (equity, efficiency, and ease of administration). Section "V" part "D" provides an interesting economic analysis of 3 specific TE items: Earned Income Credit (EIC); Individual Retirement Accounts (IRA); and Research and experimentation credit. The final section (VI) discusses estimate methodology.

- **Background Information on Tax Expenditure Analysis and Historical Survey of Tax Expenditure Estimates**
Joint Committee on Taxation, 2011

Summary: This is a report prepared by the staff of the Joint Committee on Taxation. It contains a discussion of the concept of tax expenditures, a discussion of the measurement of tax expenditures, a discussion of equity, efficiency and

administrability issues in the design of tax expenditures, and historical data on tax expenditures including estimates of tax expenditures over time and a legislative history of new tax expenditures.

- **Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined**
GAO Report, 2005

Summary: This is a report prepared by the Government Accountability Office (GAO). It updates a similar report done by GAO in 1994. It describes (1) how tax expenditures have changed over the past three decades in number and size and in comparison to federal revenue, spending, and the economy, and (2) the amount of progress that has been made since 1994 in how the federal government scrutinizes tax expenditures.

- **Estimates of Federal Tax Expenditures for Fiscal Years 2010-2014**
Joint Committee on Taxation, 2010

Summary: This is a report prepared by the staff of the Joint Committee on Taxation for the House Committee on Ways and Means and the Senate Committee on Finance. It contains a discussion of the concept of tax expenditures, a discussion of the measurement of tax expenditures, and estimates of tax expenditures for fiscal years 2010-2014

- **Promoting State Budget Accountability through Tax Expenditure Reporting**
Center on Budget and Policy Priorities, 2011

Summary: This article lays out best practices for tax expenditure reports in order to encourage transparency and accountability, and compares the actual practices in the US states with these standards. It also describes other steps, beyond producing a tax expenditure report, states can take to better manage their tax expenditure.

- **Calls for Accountability: Will It Help the Overall Incentives Process?**
Journal of Multistate Taxation and Incentives, 2009

Summary: This article examines the rationale and the advantages and disadvantages of various accountability measures of tax incentives, and discusses recent developments in incentives and accountability measures.