

**HOUSE . . . . . No. 4820**

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Section 12 contained in the engrossed Bill making appropriations for the fiscal year 2019 (see House, No. 4800), which had been returned by His Excellency the Governor with recommendation of amendment (for message, see Attachment B of House, No. 4833). July 27, 2018.

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**The Commonwealth of Massachusetts**

**In the One Hundred and Ninetieth General Court  
(2017-2018)**

An Act relative to the examination of tax expenditures by the department of revenue.

*Whereas*, The deferred operation of this act would tend to defeat its purpose, which is to establish forthwith the examination of tax expenditures by the department of revenue, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 14 of the General Laws is hereby amended by adding the following  
2 section:-

3 Section 14. (a) The department of revenue, hereinafter referred to as the department,  
4 shall examine, evaluate and report on the administration, effectiveness and fiscal impact of tax  
5 expenditures as defined in section 1 of chapter 29 and as presented with the governor’s proposed  
6 budget under paragraph 3 of section 5B of said chapter 29. The report shall consider the public  
7 policy objectives behind the grant of any tax expenditure and the metrics of measuring success in  
8 meeting those objectives.

9 (b) The department shall use best practices and standardized criteria to evaluate: (i) the  
10 purpose, intent and goal of each tax expenditure and whether the expenditure is an effective  
11 means of accomplishing those ends; (ii) the fiscal impact of each tax expenditure on state and  
12 local taxing authorities, including past fiscal impacts and expected future fiscal impacts; (iii) the  
13 economic impact of each tax expenditure including, but not limited to, revenue loss compared to  
14 economic gain and jobs created, retained or lost as a result of the tax expenditure; (iv) the return  
15 on the investment made by the tax expenditure and the extent to which the tax expenditure is a  
16 cost effective use of resources; and (v) similar tax expenditures, if any, offered by other states  
17 and the impact of the tax expenditure on regional and national economic competitiveness.

18 (c) The department shall establish a schedule to review tax expenditures so that each tax  
19 expenditure shall be reviewed at least once every 5 years. The review schedule may group tax  
20 expenditures by those benefitting from the tax expenditures, the objectives of the tax  
21 expenditures or the policy rationale for the tax expenditures. The department's review of each  
22 tax expenditure shall include the date the tax expenditure was enacted and the statutory or legal  
23 citation.

24 (d) Annually, not later than March 1, the department shall file a report of its findings and  
25 its recommendations to the clerks of the house of representatives and senate, the chairs of the  
26 house and senate committees on ways and means and the chairs of the joint committee on  
27 revenue. The report shall include all information required to be reviewed by this section and  
28 recommendations. The report shall be made available electronically and prominently displayed  
29 on the official website of the department.

30 SECTION 2. This act shall take effect as of July 1, 2018.