

HOUSE No. 3891

The Commonwealth of Massachusetts

PRESENTED BY:

Nika C. Elugardo

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act establishing oversight and accountability in the implementation of tax expenditure commission recommendations.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Nika C. Elugardo</i>	<i>15th Suffolk</i>	<i>1/18/2019</i>
<i>Marcos A. Devers</i>	<i>16th Essex</i>	<i>6/4/2019</i>
<i>Michelle M. DuBois</i>	<i>10th Plymouth</i>	<i>1/30/2019</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>	<i>1/31/2019</i>
<i>Maria Duaine Robinson</i>	<i>6th Middlesex</i>	<i>6/5/2019</i>
<i>Michael J. Soter</i>	<i>8th Worcester</i>	<i>6/5/2019</i>
<i>Christine P. Barber</i>	<i>34th Middlesex</i>	<i>6/10/2019</i>

HOUSE No. 3891

By Ms. Elugardo of Boston, a petition (accompanied by bill, House, No. 3891) of Nika C. Elugardo and others for legislation to establish a permanent advisory commission (including members of the General Court) to investigate and study the maximizing of the Commonwealth’s return on investment for tax expenditures and to provide assessment, evaluation and measurement tools for tax expenditures. Revenue.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-First General Court
(2019-2020)**

An Act establishing oversight and accountability in the implementation of tax expenditure commission recommendations.

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

1 Chapter 3 of the General Laws is hereby amended by inserting after section 38C the
2 following section:-

3 Section 38D. (a) There is hereby established an advisory commission for maximizing the
4 commonwealth’s return on investment for tax expenditures and providing assessment, evaluation
5 and measurement tools for tax expenditures. The commission shall consist of 7 members of the
6 senate, 1 of whom shall be appointed by the minority leader of the senate, and 8 members of the
7 house of representatives, 1 of whom shall be appointed by the minority leader of the house of
8 representatives. The commission shall include among its members no less than 7 legislators who
9 are members of registered legislative member organizations that include in their purpose
10 defining, highlighting and analyzing issues and concerns affecting people of color, women,
11 sexual orientation or gender identity and persons with disabilities in Massachusetts.

12 (b) Beginning September 1, 2019, the commission shall evaluate, in a real world manner
13 the return on investment for current and proposed tax expenditures in the commonwealth based
14 on the findings of the 2012 Report of the Tax Expenditure Commission, the 2014 Report of the
15 Tax Fairness Commission and the findings of this commission.

16 The commission shall review tax expenditures and their benefits with a community,
17 regional and statewide point of view. For each tax expenditure reviewed or proposed, the
18 commission shall submit a report to the joint committee on revenue containing the results of the
19 review. The report shall contain a statement of the policy goals of the tax expenditure and a
20 return on investment calculation for the tax expenditure. The term "return on investment
21 calculation" includes analyzing the cost to the state of providing the tax expenditure, analyzing
22 the real world benefits realized by the commonwealth from providing the tax expenditure, the tax
23 expenditure's economic multiplier effect and the geographical need for tax benefits in local
24 economies affected by poverty. The commission shall reach a conclusion as to whether the
25 benefits of the tax expenditure are worth the cost to the commonwealth of providing the tax
26 expenditure. For example, the commission may propose new tax expenditures that benefit the
27 commonwealth's judiciary and the state's housing market by providing for a tax credit to
28 attorneys who represent low-income tenants in rental housing cases. This tax expenditure
29 benefits tenants, landlords, and the commonwealth by allowing the judiciary to produce more
30 decisions expeditiously and reducing the cost of unrepresented litigants by reducing risks
31 associated with a rental relationship.

32 (c) The commission's review shall include, but not be limited to:

33 (i) The intended beneficiaries of the tax expenditure;

34 (ii) The demographics of recipients or beneficiaries of tax expenditures;

35 (iii) The local economic impact, including: direct effects of tax expenditures of business
36 spending, indirect effects such as consumer and business spending in response to the tax
37 expenditure and induced effects, such as changes in household income and spending patterns
38 caused by direct and indirect effects. Together, these represent an economic multiplier effect of
39 tax expenditures;

40 (iv) The purposes, objectives, measures over time, intent or goals of the tax expenditure,
41 as informed by original legislative intent as well as subsequent legislative and policy
42 developments and changes in the state economy and fiscal condition;

43 (iv) the return on investment of the tax expenditure, which may include an assessment of:

44 (A) The fiscal impact of the tax expenditure, including past and estimated future impacts;

45 (B) The economic multiplier effect calculation of return on investment

46 (C) The extent to which the design of the tax expenditure is effective in accomplishing
47 the tax expenditure's purposes, intent or goals;

48 (D) The extent to which those actually benefiting from the tax expenditure are the
49 intended beneficiaries;

50 (E) The extent to which it is likely that the desired behavior might have occurred without
51 the tax expenditure;

52 (F) The extent to which the commonwealth’s administration of the tax expenditure,
53 including enforcement efforts, is efficient and effective. Inefficient and ineffective expenditures
54 rated low will need assessment for amendment, repeal or sunset.

55 (G) The extent to which the tax expenditure is a cost-effective use of resources compared
56 to other options for using the same resources or addressing the same purposes, intent or goals.
57 For example, the commonwealth’s earned income tax credit expenditure enhances
58 intergenerational income mobility for children by counteracting credit constraints many low-
59 income families face. And with larger EITC expenditures low-income children are more likely to
60 move up the income ladder over time.

61 (I) Any opportunities to improve the effectiveness of the tax expenditure in meeting its
62 purposes, intent or goals; and

63 (J) The performance measures appropriate for analyzing the return on investment
64 evaluation objectives, including outcome based measures. Performance measures shall include:

65 (1) measures that are clear and relevant to the specific tax expenditure and the approved
66 evaluation objectives;

67 (2) example-based conversations and questions; and

68 (3) longitudinal, showing increased or decreased confidence in a tax expenditure.

69 (d) The commission shall seek and consider input from stakeholders and may seek input
70 from experts.

71 (e) Members shall serve 2-year terms, coterminous with their service as elected members
72 of the legislature. If a legislative member ceases to be a member of the legislature, the

73 legislator's position shall be declared vacant, and the balance of the term filled by another
74 legislator appointed in the same manner as the previous appointee. If the president of the senate
75 or the speaker of the house serves on the commission, service continues until resignation from
76 the commission or until the individual ceases to hold the office.

77 (f) Members, other than the president of the senate and the speaker of the house, who
78 serve a full term may not be appointed to an immediately succeeding term.

79 (g) The president of the senate and the speaker of the house shall make their
80 appointments before September 1 of each odd-numbered year.

81 (h) Six members of the commission shall constitute a quorum. A final action or
82 recommendation may not be made unless approved by a recorded roll call vote of a majority of
83 members appointed by the president of the senate and the speaker of the house. All other actions
84 by the commission shall be decided by a majority of the members present and voting, so long as
85 a quorum is present.

86 (i) The commission shall:

87 (i) Consult with the chairs of the Joint committee on revenue;

88 (ii) Make recommendations for determining public policy purposes, return on investment
89 and desired outcomes for existing and new tax expenditures;

90 (iii) Establish budget like categories for public policy tax expenditures in tax expenditure
91 legislation;

92 (iv) Recommend joint rules setting forth what tax expenditure legislation shall include;

93 (v) Make legislative recommendations for tax expenditure process, measurement,
94 administration and enforcement;

95 (vi) Require collection of data necessary for metrics and real world measurements; and

96 (vii) Work with other states regarding public policy and administration of tax
97 expenditures.

98 (j) The advisory commission shall submit to the general court a report documenting its
99 activities under this section and any recommendations resulting from its review. The commission
100 shall prepare drafts of legislation to carry out the commission's recommendations under this
101 section. The commission may submit a bill to the next regular session of the general court to
102 implement the advisory commissions' recommendations.

103 (l) The joint committee on revenue when reporting favorably on tax expenditure bills
104 referred to it shall include the review, evaluation and recommendations by the commission
105 pursuant to this section.

106 (m) The commission shall present to the secretary of administration and finance, the
107 commission's recommendations that do not require a statutory change to be put into effect.

108 (n) Notwithstanding any law to the contrary, the commission may accept from any source
109 any grant, donation, gift or other form of conveyance of land, money, other real or personal
110 property or other item of value made to the commonwealth or the commission for expenditures
111 carrying out the purpose of this section.