SENATE DOCKET, NO. 1599 FILED ON: 2/17/2021

SENATE . . . . . No. 1904

The Commonwealth of Massachusetts

PRESENTED BY:

Eric P. Lesser

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 to ensure the efficacy of corporate tax expenditures.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Eric P. Lesser	*First Hampden and Hampshire*

SENATE DOCKET, NO. 1599 FILED ON: 2/17/2021

SENATE . . . . . No. 1904

By Mr. Lesser, a petition (accompanied by bill, Senate, No. 1904) of Eric P. Lesser for legislation to ensure the efficacy of corporate tax expenditures. Revenue.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. *1700* OF 2019-2020.]

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Second General Court
(2021-2022)

An Act to ensure the efficacy of corporate tax expenditures.

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

SECTION 1. Chapter 62C of the general laws, as so appearing in the 2018 edition, is hereby amended by adding after section 89, the following section:-

Section 90. (a) The department shall conduct tax expenditure performance audits pursuant to this section on the all corporate tax expenditures utilized by the commonwealth, including, but not limited to, any tax exclusions, deductions, deferrals, credits, and tax rates established for the purpose of recruitment or retention of businesses or corporations in the commonwealth. Each corporate tax expenditure performance audit conducted by the department pursuant to this section shall include the following: (1) a summary description of the purpose, intent, or goal of the tax expenditure; (2) the intended beneficiaries of the tax expenditure; (3) whether the tax expenditure is accomplishing its purpose, intent, or goal; (4) an explanation of

the intended economic costs and benefits of the tax expenditure, with analyses to support the evaluation if they are reasonably available; (5) a comparison of the tax expenditure to other similar tax expenditures in the commonwealth or other states; (6) whether there are other tax expenditures, funding, or programs that accomplish the same purpose, intent, or goal as a corporate tax expenditure and whether any redundancies could be eliminated; (7) an assessment of the fiscal impact of the corporate tax expenditure on the budgets of local governments, if applicable; (8) if the evaluation of a particular tax expenditure's economic impact is made difficult because of data constraints, any recommendations for changes in administration or law that would facilitate such data collections; and (9) an explanation of the performance measures used to determine the extent to which the tax expenditure is accomplishing its purpose, intent, or goal.

(b) The corporate tax expenditure evaluation should also include, to the extent possible, the following: (1) the extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources to address the same purpose, intent, or goal; (2) an analysis of the tax expenditure's effect on competition and on business and stakeholder needs; (3) the extent to which the tax expenditure changes business behavior and strengthens the commonwealth's economy overall by attracting new business to the state; (4) an analysis of how the tax expenditure helps to diversify the commonwealth's economy and position the state for the future by stimulating major sectors of the economy including, but not limited to, the entrepreneurial, high-tech, manufacturing, and renewable energy sectors; and (5) recommendations for any changes to statutes or regulations that would allow the tax expenditure performance audits to be more easily evaluated in the future, including changes to data collection, reporting, sharing of information, and clarification of goals.

(c) The department shall develop a multi-year schedule for conducting corporate tax expenditure performance audits that incorporates all corporate tax expenditures, not later than July 1, 2021, and shall update the schedule annually. In developing the schedule, the department may revise said schedule in order to incorporate any new corporate tax expenditures or eliminate any repealed corporate tax expenditures. The schedule shall ensure that each corporate tax expenditure is reviewed at least once every three years.

(d) The department shall present the results of the corporate tax expenditure performance audits to the chairs of the senate committee on ways and means, house committee on ways and means, and joint committee on revenue not later than December 1, 2021, and on December 1 each year thereafter. The department shall publish said report on the department's public website.