

Proposals from Commissioners for consideration at 5/20 Meeting

The Commission will take action at the May 20 Commission meeting to adopt principles for guiding future tax preference reviews. Commissioners Forsyth and Kahng individually provided the following proposals for consideration.

From Commissioner Forsyth:

1. I would like to continue the grouping of preferences by industry. Doing so means the Commission will get a wide variety of testimony from different players in a given industry. I found this greatly improved my understanding of an industry's challenges from different perspectives. Good past examples include the testimony from aerospace and agriculture.
2. I'm open to giving some priority to preferences that are about to expire, even if they are not part of a planned industry grouping. However, I would like to see an analysis of these preferences by order of their economic impact. Personally, I'm more inclined to prioritize these preferences if they represent a large economic impact; likewise, I am less inclined to prioritize them if they represent a small economic impact.
3. Given the number of tax preferences and the Legislature's interest in a careful analysis, I would support an increase of resources for JLARC. In this case resources could be increased personnel, budget dollars for consulting assistance, or software and database access. The type of resources needed will depend on legislative needs regarding the analysis they would like to see.

From Commissioner Kahng (numbers align with issue briefing papers):

1. Where practicable, preferences with an impending expiration date and those for which the Legislature specifically requested a JLARC review should be prioritized.
2. The Commission should continue to group preferences, such as by industry sector or similarity of purpose.
3. Preferences with a new "performance statement" provision should not necessarily receive greater priority in the review schedule.

- 4a. Previously reviewed preferences should be prioritized for re-review where (1) JLARC staff recommended action, but no legislative action was taken, or (2) JLARC staff noted the need for additional or missing data.
- 4b. Unless circumstances indicate otherwise, previously reviewed preferences should generally receive low priority for re-review where (1) both the JLARC staff and Commission recommended continuation, or (2) the preference had no beneficiaries.
5. The Commission should identify preferences as critical to the tax system, thereby exempting them from review. The starting point for this process would be the 94 preferences identified in Issue Paper 1.
6. The questions evaluated by JLARC staff should remain the same, with discretion accorded to JLARC staff to refine their analysis as noted in Issue Paper 6.
7. There should not be an additional evaluation question for preferences where the Legislature chooses one of two approaches to taxing an activity. If the Commission requests such an analysis, it is within the discretion of JLARC staff to perform the analysis.
8. There should not be an additional specific question for evaluating a tax preference's impact on the distribution of tax liability. It would not be productive to attempt to evaluate each individual tax preference's distributional impact on citizens. Rather, the overall tax system should be evaluated in terms of its distributional effects.
9. The review effort may merit additional resources if the Legislature is seriously committed to greater transparency, efficacy and accountability in its use of tax preferences. In addition, the Legislature should devote additional resources to JLARC to perform an overall assessment of the fairness, efficiency and adequacy of the state's tax system.