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FLORIDA INTERNATIONAL UNIVERSITY

# Disclosure of Tax Expenditure in State Budgeting

Project Progress

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# Project Preparation

- Team
  - PI- Dr. Hai (David) Guo and Dr. Howard Frank
  - Members: Daniel Castro( Ph.D. Student) and Carrie Cong (Research Associate)
- Literature review
  - GASB statement 77
  - Fiscal transparency
  - Tax incentives
- Data collection
  - Tax expenditure reports—50 states 5 years(2016-2020)
  - CAFR—50 states 5 year(FY15-FY20)



# Coding Schemes

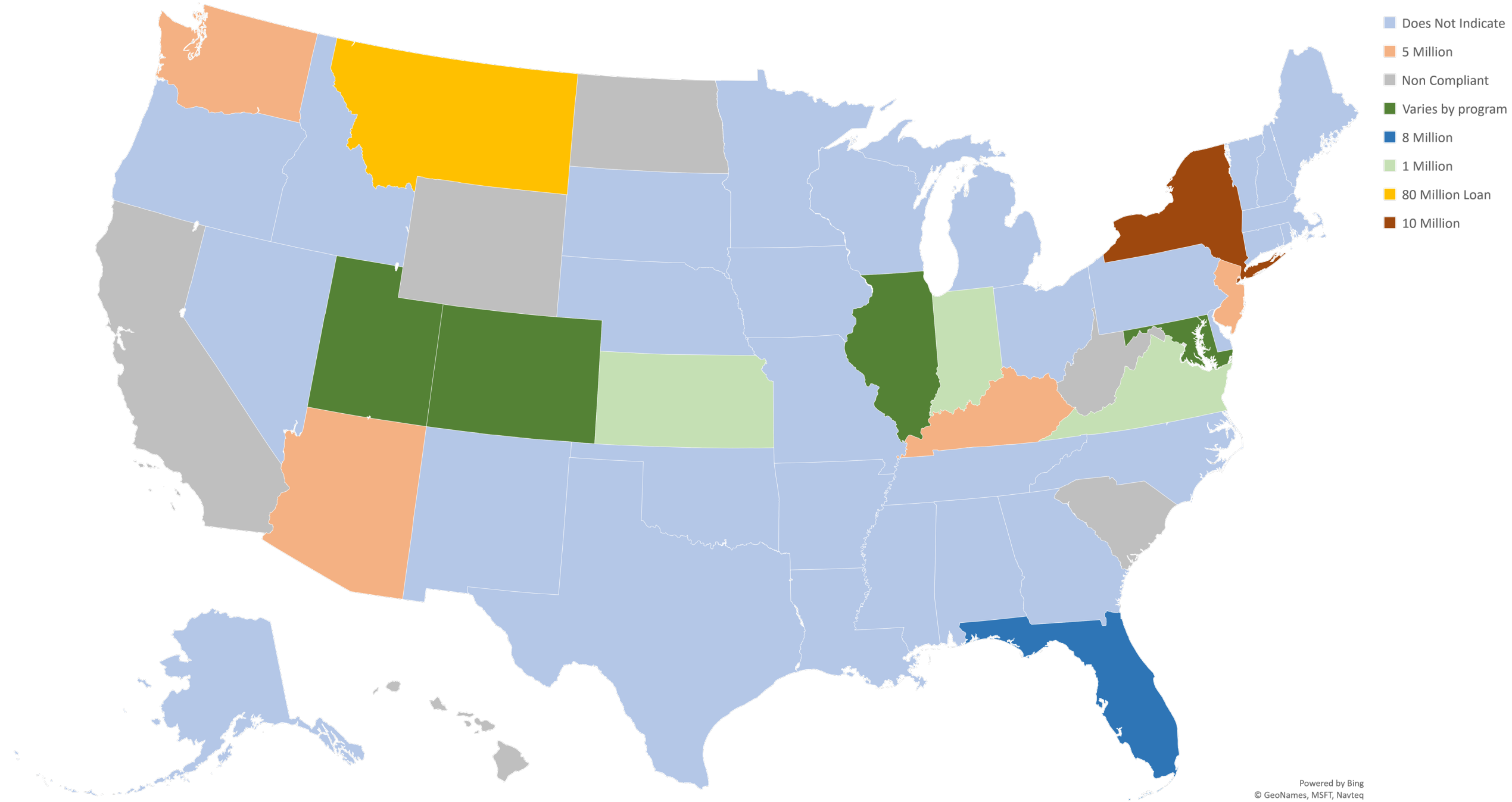
- Disclosure of tax abates in CAFR
  - Guided by the GASB statement 77
  - Narrowly defined
  - Implementation started in FY 2017
  - Coding reliability-two coders
- Practices of disclosure of Tax Expenditure
  - Broadly defined
  - Statutory requirement
  - Discussion in the budget document
  - Frequency
  - Agency
  - Comprehensiveness
  - Estimation method and assumption



# Preliminary Findings— GASB 77 Compliance

- No compliance--6 states
  - South Carolina, West Virginia, California, Hawaii, Wyoming, and North Dakota
- Quantitative threshold
  - 13 states indicate threshold
  - Ranging from 1 million to 10 million
- Aggregated by programs
  - Only Kansas aggregated by local municipalities
- Ways of Abatement
  - Tax credit (most popular)
  - Tax exemption
  - Tax rebate
  - Tax refund

# GASB 77 Compliance & Quantitative Threshold



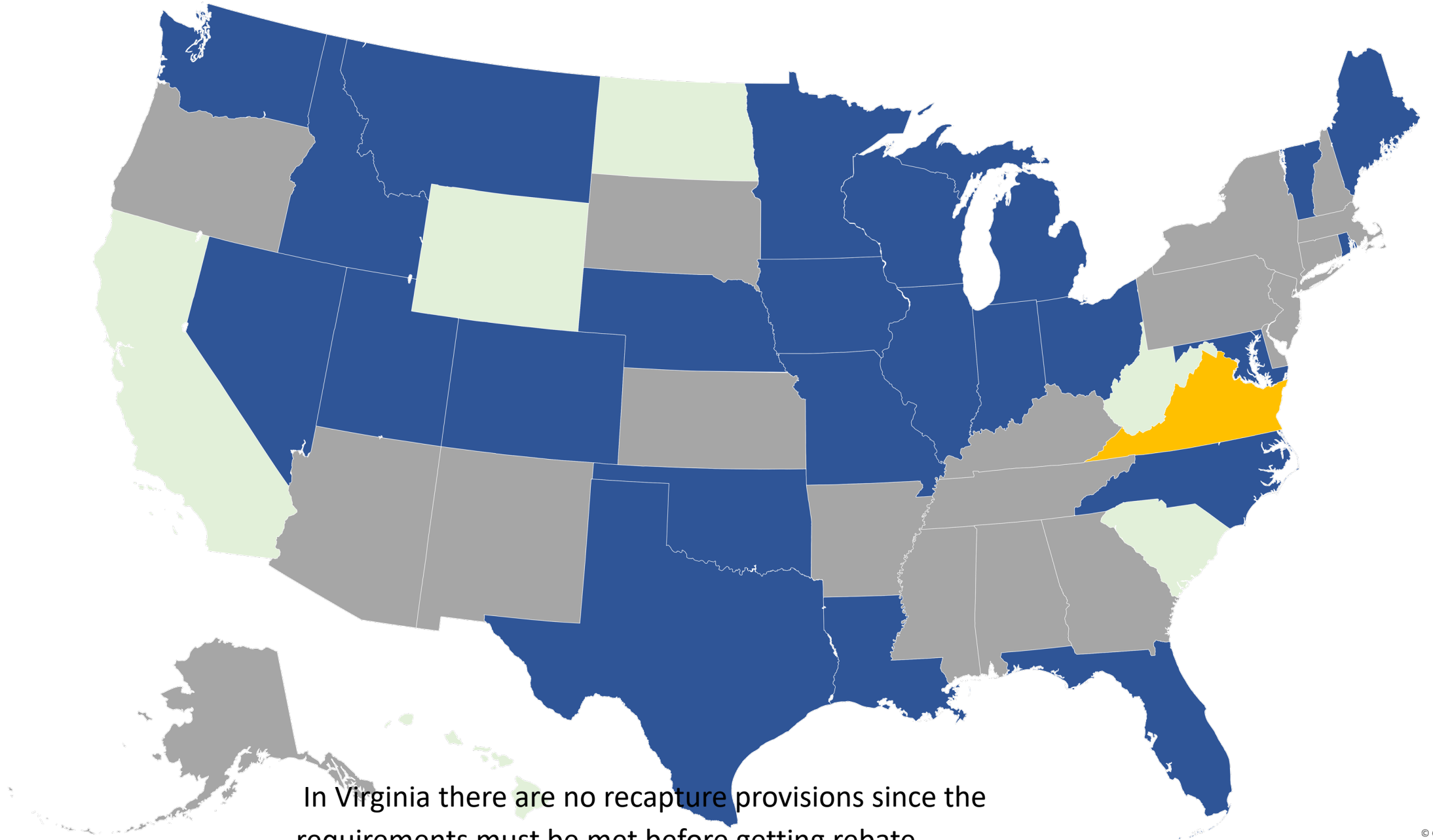




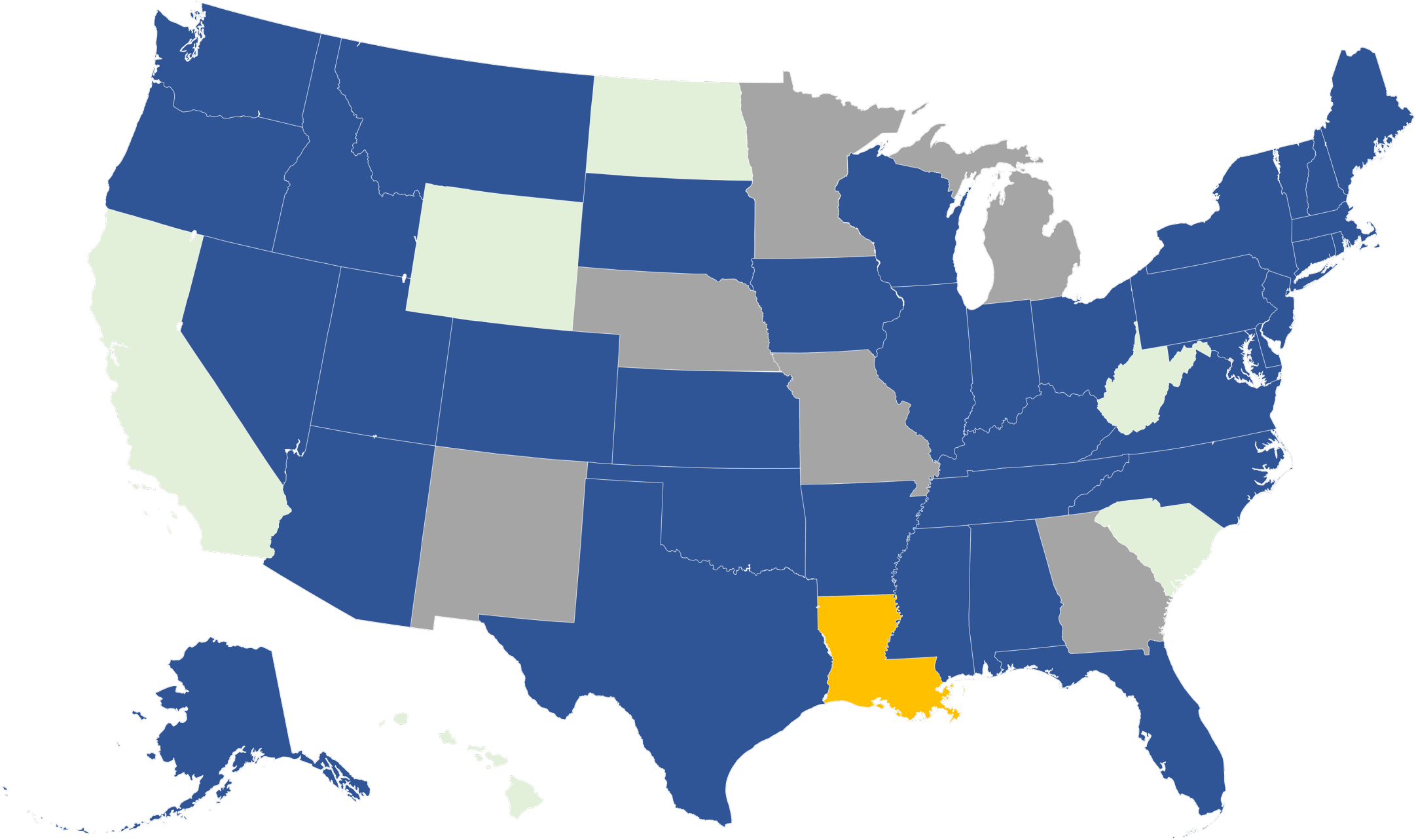
# Preliminary Findings— GASB 77 Compliance

- Recipients name
  - Maryland and Arizona provide the name of the recipients
  - New Hampshire disclosed the number of abatement agreements
- Method to mitigate off the revenue loss
  - Rhode Island and New Jersey
- Other commitments by the government
  - Vermont, Rhode Island, Pennsylvania and Wisconsin
  - Not clearly report the types of commitments made
  - Not report the most significant individual commitments made

## Indicates Provisions for Recapture



# Statement of Confidentiality



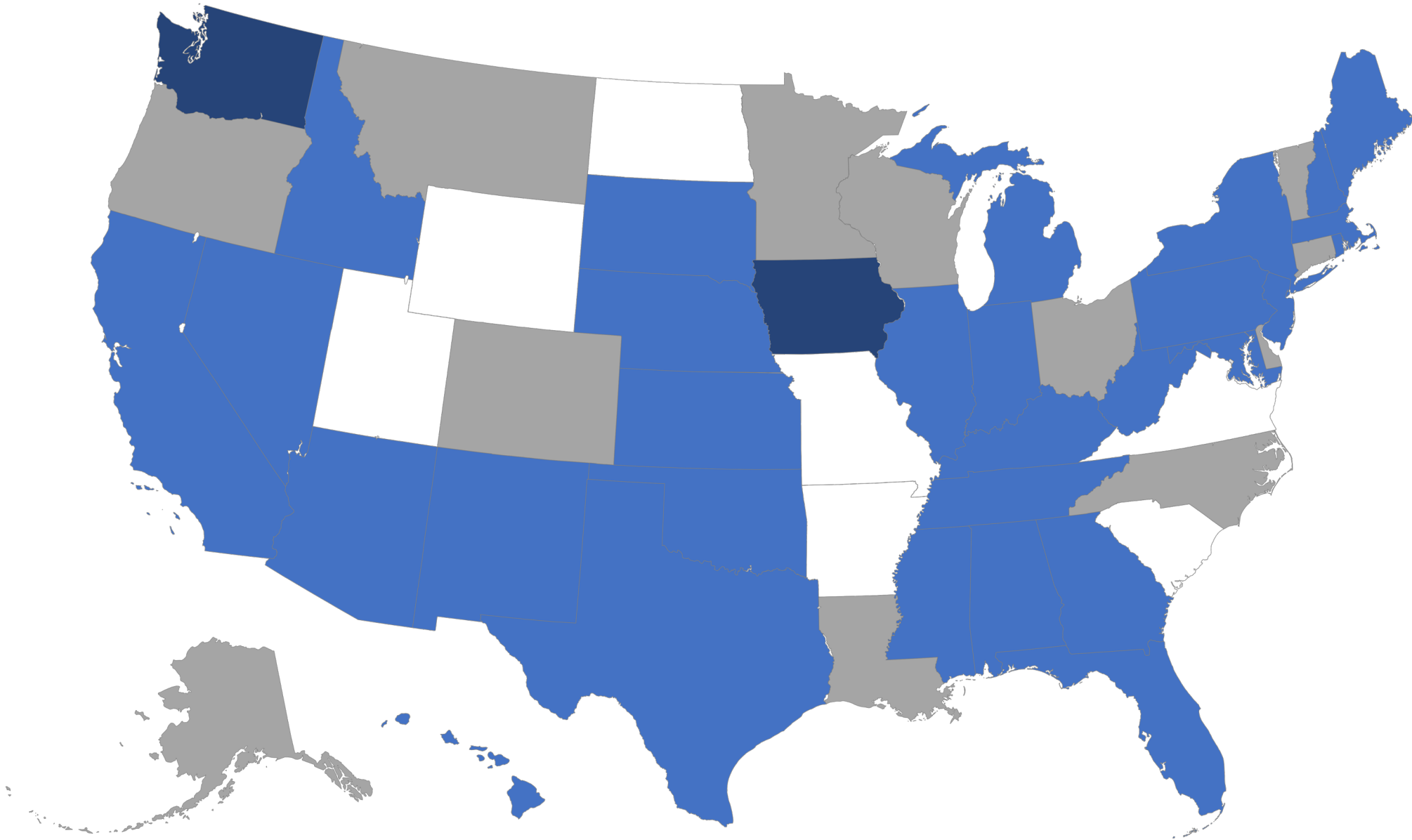




# Preliminary Findings— GASB 77 Compliance

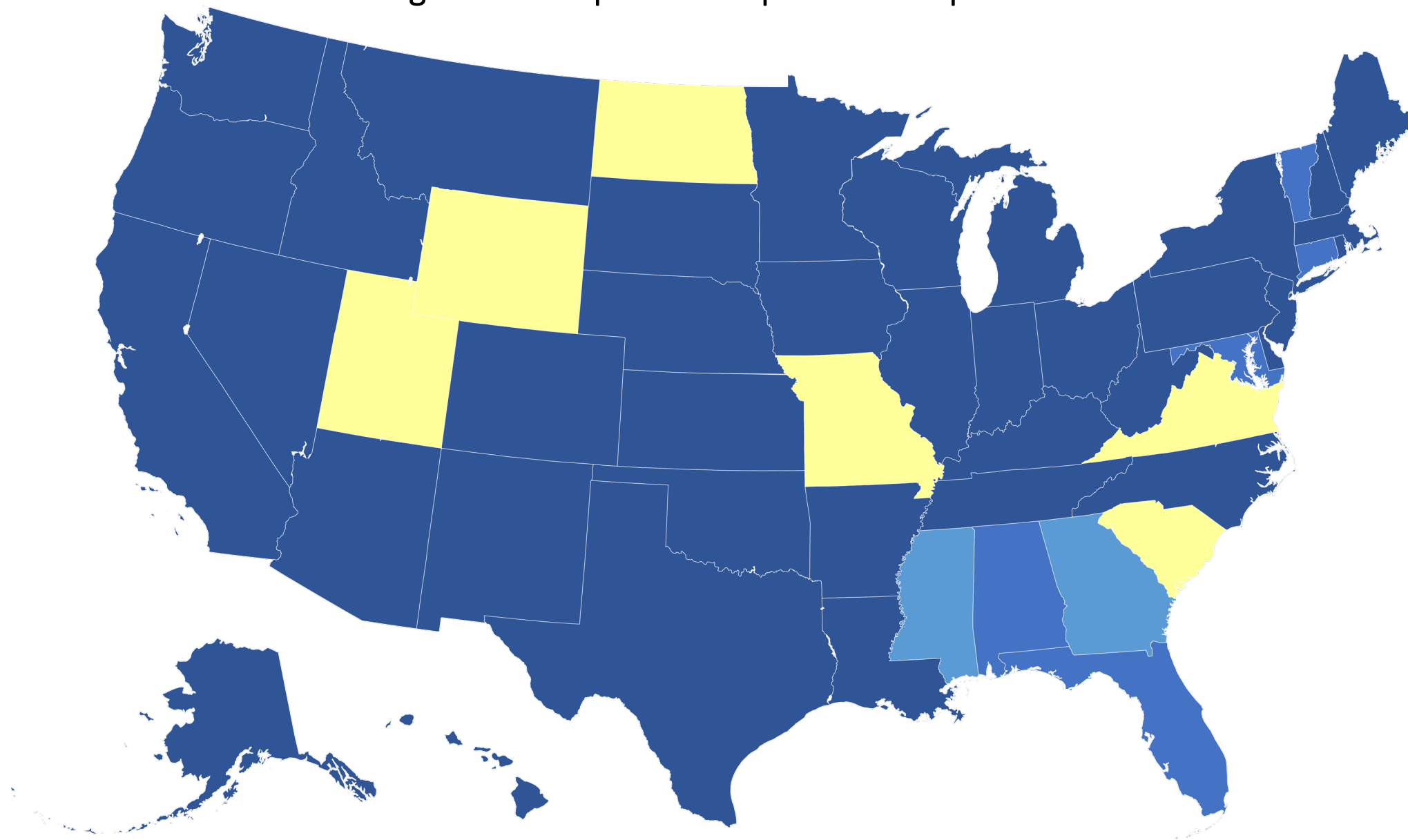
- Commitments by recipients
  - job creation or retention
  - economic investment
  - state or regional economic impact
  - housing
- Provision for recapturing
  - 25 out of 44 states provide information
  - Vary by program
  - None of the states reports the amount of abated taxes recaptured
- Confidentiality information
  - 6 states

Tax Expenditure Report Frequency

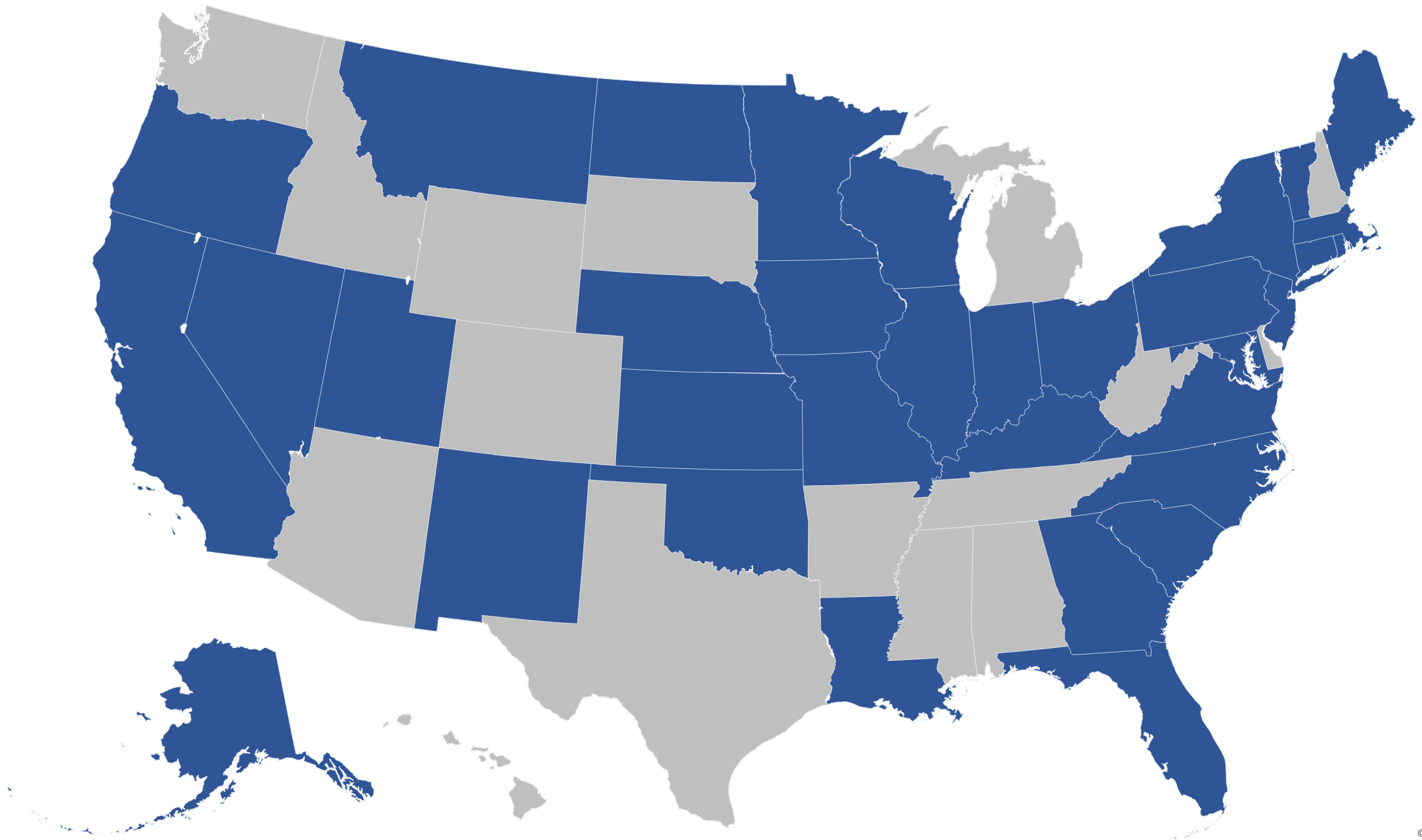


■ Annual ■ Biennial ■ Not Disclosed ■ Other

# Agencies Compiled Tax Expenditure Report



## Tax Credits Mention in Executives' Budget





# Next Step

- GASB 77 Compliance
  - Identify major programs
    - Job creation/Economic development
    - Hi-tech related
    - Energy and environment related
    - Housing
    - Film industry
  - Recipients commitment by major programs
- Tax Expenditure Report
  - Measuring comprehensiveness
  - Estimation and methods

A stylized sun graphic on the left side of the slide. It features a large yellow circle representing the sun's disk, with several yellow curved lines above it representing sunbeams. The background is a solid orange color.

Thank You!

Questions and Comments