77th Legislative Assembly
HOUSE REVENUE COMMITTEE

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Tax Expenditure Process Bills

HB 2465

- Description
  - Requires goal statement and administrative plan for all bills proposing new tax expenditures or extension of existing tax expenditures. Puts a limit of six years on all new tax expenditures unless otherwise specified by the Legislature.
    - For existing tax expenditures, directs goal statement be prepared by the administering state agency or the Department of Revenue. For newly proposed tax expenditures, goal statement is to be prepared by a proponent.
    - Goal Statements are required to include:
      - problem statement:
      - explanation of why tax expenditure is more effective than alternatives
      - demonstration of why public benefits of program will exceed the cost of tax expenditure over coming three biennia
      - demonstration of why tax expenditure is unlikely to create incentives for negative behavior or behavior that would have occurred anyway.
      - demographic data about intended beneficiaries
      - relevant information from past experience and similar policies in other states.
    - Administrative plans must include:
      - administrative roles and duties
      - methods of ensuring transparency
      - application standards
      - recapture provisions
      - enforcement provisions including plans to safeguard against fraud
      - plans for achieving participation of intended beneficiaries
  - Requires that any tax expenditure enacted on or after 1-1-13 apply to a maximum of six years unless the Legislature expressly provides for another period of applicability

- Current Practice
    - Revenue Impact Statements contain a section asking for a policy statement on all bills that create, extend or expand a tax expenditure. The Joint Committee on Tax Credits has designed a set of questions for the relevant policy committees and the joint committee itself to address when considering the extension of tax credits. HB 2067 from 2009 contains language limiting tax credits to six years unless otherwise specified.

HB 2505

- Description
    - Requires revenue impact statements for all measures creating new tax expenditures contain estimates for the next three biennia beginning with the current biennium. Puts a limit of six years on all new tax expenditures unless otherwise specified by the Legislature.

- Current Practice
    - As a matter of general practice, the Legislative Revenue Office provides revenue impact estimates out through three biennia. HB 2067 from 2009 contains language limiting tax credits to six years unless otherwise specified.

HB 2495

- Description
    - Sets up framework to sunset a series of income tax subtractions and deductions. The following are scheduled for sunset or elimination in the bill:
        - College savings network
        - Investment of severance pay
        - Individual development accounts
        - Military active duty pay
        - Additional medical deduction for seniors (though technically not a subtraction)
        - Federal taxes paid
        - Additional deduction for elderly and blind
        - Series of minor deductions

- Current Practice
    - HB 2067 from 2009 established sunset dates for nearly all tax credits. However, the bill did not apply to income subtractions, deductions, exclusions or exemptions.

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