Tax Credit Review Process and Policy Questions

Interim Process
- Pre-session file bills extending credits with a sunset date in the upcoming biennium
- Allocate extension bills to relevant policy committee with subsequent referral to Joint Committee on Tax Credits/Expenditures
- Pre-session file and allocate to relevant policy committee extension for those credits that meet criteria for early consideration (i.e. don't sunset until subsequent biennium)

Policy Committee Process
- Review goal or purpose of credit
- Evaluate effectiveness of credit in achieving goal
- Consider new credits for achieving policy goals
- Prioritize credits based on evaluation
- Decide on action:
  - Simple extension - refer bill to Joint Tax Credit Committee.
  - Extension with modifications - amend bill refer to Joint Tax Credit Committee
  - Allow credit to sunset - take no action on bill
  - Replace existing credit with new more effective credit - refer new credit to Joint Tax Credit Committee

Joint Tax Credit Committee Process
- Determine credit revenue base - revenue impact of simple credit extension
- Determine deviations from base in allowable total credit revenue impact based on:
  - Overall revenue and budget situation
  - Consultations with leadership and Ways & Means co-chairs
- Evaluate individual credits based on:
  - Policy committee recommendations
  - Policy committee prioritizations
  - Sound overall tax policy criteria such as equity and administration
  - Prioritization of credits within overall credit "budget"
- Take action on credit bills based on evaluation

Tax Credit Committee Policy Questions

When reviewing the tax credit sunset extension bills and proposed new credits, the Joint Committee on Tax Credits intends to address the follow questions:

- What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?

- Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?

- What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?

- What background information on the effectiveness of this type of credit is available from other states?

- Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?

- What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?

- Could this credit be modified to make it more effective and/or efficient? If so, how?