



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO URGES STEPS TO MEASURE SUCCESS OF TAX CREDITS AND OTHER INCENTIVES

Comptroller Kevin Lembo today is calling for steps to monitor the success of state tax credit programs that were established to promote business development and job creation through financial incentives to companies.

In a letter today, Lembo praised Gov. Dannel P. Malloy and legislative leaders for passing An Act Promoting Economic Growth and Job Creation in the State (Act) during the October Special Session.

The Act replaces several existing job creation tax credit programs with new incentives for job growth – including a new job expansion credit, making the business entity tax biennial, and reducing the minimum investment required for an angel investor income tax credit.

“The state must now establish a strong, credible and verifiable mechanism to evaluate the success of these policy goals aimed at creating jobs,” Lembo said. “With millions of taxpayer dollars being invested in these job-creation initiatives, they must be monitored closely to ensure success.

“Demonstrating that the desired outcomes of these initiatives have been achieved will reinforce policy decisions and increase public confidence.”

Lembo recommended that the state take advantage of an existing state statute and immediately reconvene the Business Tax Credit and Tax Policy Committee.

This committee was intended to study and evaluate existing credits against the corporation business tax and to make recommendations on changes or modifications necessary where tax policy “...is not providing a measurable benefit sufficient to justify any revenue loss to the state.”

Specifically, the committee would evaluate the following:

- has the credit or policy provided a benefit to the state in terms of:
 - measurable economic development;
 - new investments in the state;
 - new jobs or retention of existing jobs; or
 - measurable benefits for the workforce in the state;
- is there sufficient justification to continue the credit or policy as it currently exists or is it obsolete;
- could the credit or policy be more efficiently administered as part of a broad-based credit or policy; and
- does the credit or policy add unnecessary complexity in the application, administration and approval process for the corporation business tax.

“A reconstituted Committee will serve an essential function in assessing and reporting on the success of initiatives created by the Act,” Lembo said.

Lembo said a good starting point for the work of the Committee would be to review the Office of Fiscal Analysis’ “Connecticut Tax Expenditure Report” for consistency with statutory requirements. C.G.S.A. § 12-7b(e) requires the Office of Fiscal Analysis (OFA) to produce a biennial report on tax expenditures for the Finance, Revenue & Bonding Committee. The report is required to include:

- a description of the tax expenditure;
- year of enactment, the purpose for its enactment and a summary of any amendments to the tax expenditure since its enactment;
- the estimated state and municipal fiscal impact of the tax expenditure during each fiscal year of the then current biennium, and an estimate of the revenue that would result from repeal of the tax expenditure; and
- an estimate of the number of taxpayers benefitting from the tax expenditure.

END

