

**State of Rhode Island  
Department of Revenue**

**Tax Policy Strategy Work Group**

*“Develop a tax strategy so that Rhode Island’s tax structure is a competitive advantage in retaining jobs and recruiting businesses. To achieve this objective the tax strategy should result in a tax structure that meets the test of equity, efficiency, predictability, competitiveness and transparency.”*

**Individual Taxes Sub-Group Meeting Minutes – July 24, 2008**

- I. Committee members present: Edward Cooney, Mark Higgins, E. Hans Lundtsen, Edward Pieroni, Patricia Thompson, Grafton H. Wiley IV

Committee members absent: Al Lubrano, George Nee

Department of Revenue employees in attendance: Paul L. Dion, Gary S. Sasse, David Sullivan, Michael Canole, Peter McVeigh, Cee Vallee, Sunil Pokharel

Others in attendance: Kerry King, Governor’s Executive Counsel; Steve Whitney, Senate Fiscal Office; Liza Pinto, House Fiscal Office; Chris Long, Governor’s Policy Office, Kate Brewster, Poverty Institute; Ashley Denault, Rhode Island Public Expenditure Council

- II. Finalization of Analysis Parameters – Paul L. Dion, Chief of the Office of Revenue Analysis, reviewed with the committee the comments he had received regarding the analysis parameters to be used in the development of taxpayer profiles for the purposes assessing changes to Rhode Island’s individual income tax system.
- III. The Economics of Tax Credits – Paul L. Dion, Chief of the Office of Revenue Analysis, facilitated a discussion of the categorization of tax credits, their fiscal impact, and the requisite economic activity needed for a tax credit to pay for itself.
- IV. Review of State Individual Tax Credits – Paul L. Dion, Chief of the Office of Revenue Analysis, handed out to the members of the Committee a list of allowable federal and state enacted tax credits that were in effect in Rhode Island in tax year 2005. Information also included similar credits offered by

other states and the estimated foregone revenue by Rhode Island in tax year 2006.

- V. Case Study: Rhode Island's Motion Picture Production Tax Credits – Paul L. Dion, Chief of the Office of Revenue Analysis, distributed to the members of the Committee, the Department of Revenue's staff discussion paper on the economic impact of Rhode Island's Motion Picture Production Tax Credits program.
- VI. Next Steps – The following action item was discussed by the committee:
- Circulate the agreed upon analysis parameters to the group for final review (Paul L. Dion to compile and circulate)
  - Categorize Rhode Island's tax credits as public good tax credits and economic development tax credits. (Paul L. Dion to accomplish)
  - Breakout Rhode Island's tax credits by adjusted gross income classes to illustrate the "real" value of the tax credits to middle income taxpayers (Paul L. Dion to provide analysis)
  - Sort Rhode Island's tax credits by cost and frequency of election to determine which credits are of the greatest import (Paul L. Dion to produce)
- VII. Next Meeting – August 14, 2008 – 8:00am