



**COLORADO FISCAL
POLICY INSTITUTE**

Prepared Testimony in support of H.B. 1429 for House Finance Committee

April 30, 2010

Mr. Chairman, members of the House Finance Committee:

My name is Ali Mickelson, and I am the Tax Policy Analyst at the Colorado Fiscal Policy Institute.

The Fiscal Policy Institute is a nonprofit, nonpartisan project of the Colorado Center on Law and Policy. We promote justice and economic security for *all* Coloradans, and are leading an effort to help resolve some of Colorado's biggest fiscal challenges.

I am here today to testify in support of House Bill 1429– the LEGISLATIVE REVIEW OF TAX BENEFITS.

Tax expenditures are a form government spending and should be treated just like any other apportionment or appropriation of public dollars. Just as direct spending is carefully considered before it is appropriated, then audited and evaluated after enactment, the tax benefits provided by the state should undergo evaluation and scrutiny to ensure the efficient and effective achievement of targeted goals. Tax credits provide benefits to a limited group of taxpayers and there should be public accountability on the effects of this differential tax treatment. Up until this point, Colorado's tax benefits have been largely unaccountable and unevaluated by Colorado lawmakers and taxpayers. That is why it is time that Colorado implements a legislative review of state tax benefits.

The Advisory Commission on Intergovernmental Relations (ACIR), an agency that studies the federal intergovernmental relationships, explains the three most important reasons why tax expenditures should be reviewed periodically. First, a review of expenditures gives taxpayers and thus, voters confidence that a state's tax structure is equitable. Second, tax expenditure reports can create a level of fiscal discipline. Such reports give lawmakers and policymakers more information on available state resources and how they are used. Third, a periodic review creates a means for lawmakers to evaluate whether tax expenditures meet the goals of a sound tax structure, which includes revenue adequacy and stability; efficiency; equity; low administrative burden; tax neutrality; and simplicity.

The federal government and 30 other states review their tax expenditures on a regular basis. Colorado, on the other hand, has more than 75 tax expenditures in the tax code and very few of them have been subjected to any public level of accountability or review. Colorado taxpayers don't

know if one business or industry is being favored over another. We don't know if one income group benefits more than another. Without any transparency in tax expenditures, Colorado taxpayers will continue to be left in the dark as to where their tax dollars are going and how they are being spent. Decision makers faced with budget challenges deserve to know not only what we are spending on appropriations for schools, roads, prisons and health care, but also what we are spending on special tax treatment.

Colorado is facing a budget deficit of over \$1 billion yet more than \$2 billion in tax revenues are given away annually to unevaluated tax expenditures. Now, more than ever, it is imperative that Colorado begin reviewing its tax expenditures annually.

We ask for your support on H.B. 1429 because it promotes transparency and accountability in the tax code and will lead to a more equitable and efficient tax system in the future.

Thank you Mr. Chairman.

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