

## MEDIA RELEASE

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### **Oklahoma Policy Institute Report Shines Light on Need for Greater Scrutiny of State Tax Breaks**

(Tulsa, February 17, 2010): Oklahoma's budget crisis creates new needs and new opportunities to review the state's extensive system of tax breaks, according to a research brief released today by Oklahoma Policy Institute, a state policy organization.

The brief, titled "*Let There Be Light: Making Oklahoma's Tax Expenditures More Transparent and Accountable*," examines the system of tax exemptions, deductions, incentives, credits, and the like, known collectively as "tax expenditures". These tax expenditures allow taxes not to be paid when they otherwise would. There are over 450 separate tax expenditures in Oklahoma law; together, the Oklahoma Tax Commission estimates they represented at least \$5.6 billion in lost revenue in FY '08, an amount equal to more than 75 percent of direct state appropriations and an increase of over \$1 billion compared to just two years earlier.

"It's clear that with closer attention being paid to how the state raises revenues and delivers public services, tax breaks are receiving greater scrutiny," said David Blatt, the report's author and Director of OK Policy. "Increasingly, people are asking whether we can afford open-ended tax breaks that in some cases have turned out to increase in cost by tens and even hundreds of millions of dollars a year at a time when we are slashing direct expenditures for core services that assist the most vulnerable and protect our health and safety."

The brief explores several concerns associated with tax expenditures as a policy instrument, including that they are not subject to annual appropriations and legislative oversight, tend to have an unknown and unlimited fiscal impact, and may be inefficient in achieving their goals.

According to Blatt, "while the merits of granting tax preferences can be debated as a matter of principle, the reality is that they are unlikely to be abandoned entirely. There is a chance now to build on important progress made in recent years in increasing disclosure and scrutiny of tax expenditures to really get a handle on which tax breaks are worthwhile and effective, and which are wasteful giveaways."

The brief sets out a dozen specific policy recommendations that are guided by these four principles:

- There should be maximum public transparency into tax expenditures;

- Existing tax expenditures should be formally reviewed and evaluated as to their effectiveness in achieving their goals;
- Tax incentive programs should include front-end eligibility evaluations;
- The state's fiscal exposure to at least some tax expenditures should be limited by spending caps and triggers.

Governor Henry's FY '11 Executive Budget proposed generating over \$100 million in additional revenue by eliminating or suspending various tax credits, including some that have skyrocketed in cost and raised concerns about possible abuse. In addition, over a dozen bills introduced this legislature session would provide for increased disclosure and review of tax expenditures or would suspend, eliminate, or narrow specific existing provisions.

You can find the full issue brief and a 2-page summary online at:  
<http://okpolicy.org/shining-light-tax-breaks>

*Oklahoma Policy Institute is a state policy organization that provides timely and credible information, analysis and commentary on policy issues affecting Oklahoma. For additional information and analysis go to our website at:*  
[www.okpolicy.org](http://www.okpolicy.org)