

Executive Director's Column.

Please find below another fractured fairy tale from the pen, I mean keyboard, of your executive director. Those of you who were members last year may remember "*The True Story of Three Billy Goats Gruff Or, How Rhode Island Got It's Structural Deficit*". If you did not catch that fairy tale, you can find it on our website at: www.rinasw.info. Let today's story begin.....

RHODE ISLAND'S HIDDEN BUDGET: A GAME OF HIDE AND SEEK:

{**Narrator:** Let us follow our whims and look in on an innocent game of Hide and Seek. No one in the neighborhood will even know we are there. You remember the game, don't you? The game of children....the fun of the "Hide" and the thrill of the "Seek"? It's coming back to you now. I know it is. Wait! There is something very wrong about this particular game. It's too dark and gloomy! People are getting hurt! This isn't the game of our childhood! It's something else! It's, it's}

"Ninety six, ninety seven, ninety eight , ninety nine. ONE HUNDRED! HERE I COME! READY OR NOT!"

{**Narrator:** The game is on. Running. Running everywhere. Confusion. Misdirection. What on Earth?}

"Tom, the sun is setting and we have not found the Tax Expenditures, anywhere! What are we going do? We can't call 'Olly Olly Oxen In Free!' We are giving up far too much free money already through these programs. It's getting too dark and I can't see where we are going."

"Linda, we have *never* seen where we are going. What's the difference now? That's the whole idea about Tax Expenditures. That is why we are so good at this game. Tax Expenditures are the easiest things in the world to create, and it is almost impossible to find their revenue benefits. But don't worry Linda, they are here somewhere."

"But Tom, people are getting hurt. They need those revenues and it's too dark and fuzzy to find them. It's like they broke into a thousand little pieces then hid in the haystack."

"Linda, you know the haystack is in a different story. Don't confuse things. You know what the great James Watt once said..."

"I speak in black-and-white terms without much gray in my life. I see problems without the complexity that is confusing to a lot of people."

James Watt, Secretary of the Interior under President Regan (1982)

"So listen Linda, we give tax credits to big important businesses. They promise the credits will free up profits so they can create jobs and reinvest back in the state. The poor will be taken care of thought this mechanism. Just like uncle James said, it's simple, black and white.

“Tom, I met someone who sees it different. His name is Rick Harris. I think he might be a social worker or something like that. He says:

“There is this fellow from history I once heard about that went by the name of Alexander Hamilton. When asked; ‘Why has government been instituted at all?’, Hamilton replied:

‘Because the passions of men will not conform to the dictates of reason and justice, without constraint.’

In my opinion, Alexander Hamilton had it right. In many cases, we do have difficulty containing ourselves. Rhode Island has \$ 1.4 billion in Tax Expenditures and we simply do not know how effective they have been or how effective they will be in the future. In order for the Legislature to make meaningful laws and address the state budget deficit, they absolutely need to have viable and credible information.

If we do not look critically at the revenue side of our budget, and only cut human service positions and programs for those in need, we run the risk of what the great Abraham Lincoln stated in his presidential debates:

‘.....We are in the midst of the eternal struggle between two principles, one concerns the Right of Humanity, the other.....the Divine Right of Kings. That is to say, it is that you toil and work to put the bread on your table andI’ll eat it.’

What Old Abe was describing is not the Rhode Island I have come to know and love. We are not truly like this. So let’s prove it, We have it in our power to create a healthy business climate and support programs we so desperately need. These two concepts are not mutually exclusive. However, along with other areas, we need to look at Tax Expenditures that work, those that don’t, and fix the system to capture lost and potential revenue.”

Rick Harris

“ Linda, that is what I am talking about! What that guy, Rick Harris, is saying is far to complected. We do not need to mess things up with all those facts. It’s way too much information. Let’s keep it simple.”

“You are right Linda, it is getting dark out here.....whoops I think I just stepped on a TANF program.”

“Tom, we better call this game off until we can see better.”

“Tom! Look out! There is a giant hole in front of you. Look out.....!”

(Narrator: Unfortunately, Tom did not listen to Linda. He kept going until he fell into the hole

later to be named “The Great Abyss of Tax Expenditures.” Let us jump forward a few more years.)

“Tom, if only you had listened to those nice people at The Campaign for Rhode Island’s Priorities, The Poverty Institute, Ocean State Action and NASW - RI. They had solutions. The Great Abyss of Tax Expenditures would never have happened. Rhode Island would have been a wholesome, healthy and caring community. Taxation would have been fair and those in need would have gotten services. Now look! NOW LOOK!....”

La Fin, El Fin, O Fin, Kohec, Das Ende, Het Einde, The End!!!!

Tax Expenditures

What are tax expenditures? According to the 2006 Tax Expenditure Report, these are “tax credit, deduction, exemption, exclusion, modification, preferential tax rate, tax abatement, and tax deferral that provides preferential treatment to selected taxpayers.”

What do tax expenditures cost? Only 40% of the 212 tax expenditures identified by the Division of Taxation have been assigned a cost – totaling more than **\$1.4 billion in lost revenue**. The Division of Taxation lacks the resources to estimate the cost of the remaining 60% and provides no report on the effectiveness of expensive special treatments in helping Rhode Island’s economy.

There are many examples of tax expenditures (pages reference the 2006 Tax Expenditures Report):

Some large investment companies are exempt from paying a sales and use tax on toll-free terminating telecommunication services. According to the RI Economic Development Corporation, RI has the largest tax credit in America for qualified research expenses. The Division of Taxation estimates this will cost Rhode Island \$1.5 million in 2007. RI has an income tax exemption for employees in software companies when they sell stock in their company. No other New England state has a similar exemption.

The sale of compressed air is exempt from the sales tax – even though no other New England state has a similar exemption. Horse food is exempt from the sales tax. Sales tax exemption for aircraft and aircraft parts totaling \$1 million in lost revenue in 2007. Income tax exemption for profits made from the transfer of qualifying employer securities. (*What Are Tax Expenditures? From The Campaign for Rhode Island’s Priorities.*)

WE NEED TO GET SMARTER CONCERNING BUDGET , REVENUE AND TAXATION

Social workers need to become more knowledgeable in the area of taxation, revenue and expenditures. As we have become much sharper over the years relating to government, agency administration and other macro practice areas, we have been able to influence the direction of client services and how programs are administered. In order to be more effective advocating, we have to start wearing our “math” and “economic “ hats” as well as maintain our focus on clinical practice and our values based mission.

Please keep up-to-date by visiting our website which contains policy statements, testimonies and

other analytical information as well as links to important other websites.

Til' Next Time,

Rick Harris
Executive Director