

**Remarks by Mark Hill, Department of Finance
for
Joint Oversight Hearing on Tax Expenditures**

2012-13 Governor's Budget

- Turning the corner on long term fiscal sustainability
- Temporary taxes for the recovery period
- Repairing the state's fiscal capacity
- Strengthening the economy by making tax and spending policy predictable in the long term.

Finance Annual Tax Expenditure Report

- Produced in the fall based on latest tax return data and estimates by FTB, BOE, and Finance staff. Estimates are rough in many cases and may not be exactly what we would estimate for the effects of specific legislation. The following exhibits are modified from the tables in the report.
- The first exhibit (two pages) shows Personal Income Tax expenditures with estimated 2012-13 amounts and whether they are conforming to federal law. In a few cases the federal government has a similar tax treatment and this is noted. For PIT most of the tax expenditures are likely there for conformity rather than separate state economic or tax policy.
- The second exhibit shows Corporation Tax expenditures. In this tax, most of the expenditures are state policy decisions but, for those involving apportionment amongst states, there can be no similar federal law.
- The third exhibit shows Sales tax expenditures. While there is no federal conformity issue for this tax, competition with other states often drives policy. For a few of the larger ones I have indicated counts from various surveys of how many other states tax these items.