

The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for the five most populous cities the state itself in Rhode Island.

Between fiscal years 2017 and 2021, the state of Rhode Island and its cities **lost \$286 million** due to economic development tax breaks. For context, the state of Rhode Island spent just 8% (\$308 million) more on public safety in 2021. The tables below list **only** the five most populous cities and the state itself. The true statewide total is presumably much higher. Over the five years reported revenue losses increased by 35%, with an average annual loss of **\$57 million**.

Foregone Tax Revenue, Five Most Populous Cities, Counties and State of Rhode Island					
	2017	2018	2019	2020	2021
City of Providence	\$18,559,028	\$12,181,028	\$11,380,000	\$21,595,000	\$17,909,000
City of Cranston	\$264,809	\$255,980	\$242,885	\$195,163	\$195,163
City of Warwick	\$0	\$0	\$0	\$0	\$0
City of Pawtucket	\$1,170,730	\$1,072,668	\$1,264,256	\$1,226,320	\$2,315,616
City of East Providence	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
State of Rhode Island	\$26,117,000	\$39,816,000	\$37,048,000	\$52,298,000	\$40,800,000
Annual Total	\$46,122,266	\$53,968,676	\$49,935,141	\$75,314,483	\$62,226,779
Selected Cities, Counties, and State Five-Year Total: \$285,906,646					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

During this five-year period, some jurisdictions increased the amount of foregone tax revenue from economic development tax abatements significantly.

Key findings:

- **Between 2017 and 2021 the City of Pawtucket’s revenue losses increased by 98%**, from \$1.2 million in 2017 to \$2.3 million in 2021. All of these losses were due to the city’s real estate tax stabilization program, which provides tax exemptions up to 20 years for new businesses or the rehabilitation of property located in commercially zones areas.
- **During this period, the City of Providence lost the greatest amount of revenue on the local level (\$82 million) to tax abatements.** Nearly all (95%) of these abatements were due to tax exemptions for historic preservation and rehabilitation programs.
- **The State of Rhode Island’s losses increased by 56%**, from \$26 million in 2017 to \$41 million in 2021. Half of these losses were due to historic preservation tax exemptions. Other abatement programs include motion picture film credits, tax increment financing (TIF) agreements, and tax credits for donating to an educational institution or scholarship charity.

Again: these findings are only from a handful of Rhode Island cities and the state. The state has a total of 39 municipalities.

Note: School district and county data excluded. Rhode Island is a new England state, where most local school district financials are bundled with the towns’ financials. The state does not have any counties governments.

For more information about these abatements, see taxbreaktracker.goodjobsfirst.org.
For company-specific information, see subsidytracker.goodjobsfirst.org.