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# **President Obama Should Expand Government Performance Reviews to Include Tax Expenditures**

## **A Closer Look at Programs Hidden Within the Tax Code Would Enhance Government Transparency**

In his recently released budget blueprint, President Obama promised to overhaul the way the federal government judges its own effectiveness.<sup>1</sup> In addition to opening the evaluation process to input from the public, the Congress, and outside experts, the President pledged that the evaluation would take a more comprehensive perspective. Specifically, President Obama declared that “programs will not be measured in isolation, but assessed in the context of other programs that are serving the same population or meeting the same goals.” In response, Citizens for Tax Justice Senior Analyst, Carl Davis, stated today, “If the President’s goal is for these reviews to be truly comprehensive, the evaluation process will need to be expanded to include the hundreds of billions of dollars devoted to programs we administer through the tax code — commonly known as tax expenditures.”

Simply put, tax expenditures differ from the rest of the tax code in that they focus on encouraging a specific activity or rewarding a particular group of people, rather than on trying to improve the efficiency, simplicity, or fairness of our tax system. Health care, home ownership, research and development, and numerous other initiatives are all subsidized by the government via special tax breaks. Altogether, tax expenditures represent a larger commitment on the part of the federal government than all non-defense discretionary spending combined, and in many areas, the majority of government support is actually provided through the tax code.

“More often than not, tax expenditures actually make our tax system less efficient, less simple, and less fair,” said Davis. “Since these programs usually fail when evaluated on tax policy grounds, we should at least make an attempt judge whether they are succeeding in accomplishing the non-tax goals for which policymakers claim to have enacted them.”

But as things stand today, the most comprehensive performance measurement system currently in place — the President’s “Program Assessment Rating Tool” (PART) — only looks at traditional spending programs, not tax expenditures. Expanding and refining the PART to include tax expenditures would be an important step forward in government transparency, and potentially, in government efficiency as well.

This much needed reform has received substantial attention in the past, though up until now politics have prevented it from being implemented. The Government Accountability Office (GAO) has repeatedly called for change along these lines, referencing strong language in the committee report accompanying the 1993 Government Performance and Results Act (GPRA) that called for periodic tax expenditure performance reviews.<sup>2</sup> Additionally, instructions issued by the Office of Management and Budget (OMB) to agencies preparing their budgets formally require that those agencies be prepared to submit performance data on tax expenditures upon request, though this requirement has fallen into disuse.<sup>3</sup> Following through and finally implementing this reform in practice is long overdue.

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<sup>1</sup> *A New Era of Responsibility: Renewing America's Promise*. Office of Management and Budget (OMB). 2009. pp.39

<sup>2</sup> See GAO-05-690 and GAO/GGD/AIMD-94-122, as well as S.Rpt. No. 103-58.

<sup>3</sup> OMB Circular No. A-11 (2008). Sec. 33-6.