

# Questions for assessing a tax expenditure's effectiveness.

Tax expenditures, such as special credits and deductions, are provisions that reduce a taxpayer's tax liability. GAO has issued a guide to help Congress assess tax expenditures and their effectiveness. This graphic identifies key questions from GAO's guide; the full guide is available online:



## What is the tax expenditure's *purpose*, and is it being achieved?

What is the tax expenditure's intended purpose?

Have performance measures been established to monitor success in achieving the tax expenditure's intended purpose?

Ownership rate

Rental units

Affordability

Does the tax expenditure succeed in achieving its intended purpose?

**Housing**

## Even if the purpose is achieved, is the tax expenditure *good policy*?

Does the tax expenditure generate net benefits in the form of efficiency gains for society as a whole?

Is the tax expenditure fair or equitable?

Is the tax expenditure simple, transparent, and administrable?

## How does the tax expenditure relate to other *federal programs*?

Does the tax expenditure contribute to a designated cross-agency priority goal?

Does the tax expenditure duplicate or overlap with another federal effort?

Is the tax expenditure being coordinated with other federal activities?

Would an alternative to the tax expenditure more effectively achieve its intended purpose?

## What are the consequences for the *federal budget* of the tax expenditure?

Are there budget effects not captured by the Treasury's or the Joint Committee on Taxation's tax expenditure estimates?

Are there options for limiting the tax expenditure's revenue loss?

- Impose a ceiling on benefits?
- Phase out benefits as income rises?
- Add a floor on benefits?
- Impose controls on groups of tax expenditures?

## How should *evaluation* of the tax expenditure be managed?

What agency or agencies should evaluate the tax expenditure?

When should the tax expenditure be evaluated?

- Select based on judgment?
- Select based on criteria?
- Before it is enacted?
- Before it is extended?

What data are needed to evaluate the tax expenditure?

Price data

Income data

Employment rate

Images from GAO and Art Explosion.