

Corporate Transparency Model Legislation: What's in the Bill?

As part of PSN's multi-state shared agenda, the corporate transparency bill requires subsidy recipients, contractors, and corporate taxpayers to better disclose critical information on how they use public funds. All information garnered by the Act would be accessible to the public in both written and electronic format. The following provides a brief description of the model legislation's provisions:

Title I: Applicant and Recipient Corporation Disclosure

Sec. 1: Application for Economic Development Subsidies: An applicant for a subsidy that exceeds \$25,000 must provide certain data to the granting agency, which includes contact information of the applicant and corporate parent, description of the subsidy, number of anticipated employees, their location, anticipated wage and health benefits, tax revenue the granting agency will accrue, description of the project site, including whether or not it is LEED-certified and its proximity to public transit or major roadways, projected cost and value of the subsidy, and key events in the allocation of the subsidy. The agency will hold a public hearing before allocating revenue for a subsidy.

Sec. 2: Application for Contract Bid: An entity vying for a contract that exceeds \$25,000, must provide data to the contracting agency, including contact information of the contractor, subcontractor and corporate parent, anticipated savings to the agency, total cost of the contract, wage, hours, compensation and health benefit information, description of the contract service, number of people required to fulfill the service required by the contract, schedule of key events, and other relevant information. The agency will hold a public hearing before awarding a bid.

Title II: Reports on Subsidies and Contracts

Sec. 1: Measurable Standards and Cost Analysis before Entering into a Public Contract: Before awarding a contract bid, an agency will establish measurable standards. If an agency conducts a cost analysis, it will be subject to disclosure under the state's Open Records Act. The findings of such an analysis will be compared with the actual cost in the contract report (described in Sec. 3 of this title).

Sec. 2: Report on Economic Development Subsidies: Mandates that recipients of subsidies exceeding \$25,000 provide the granting agency with contact information of the recipient and corporate parent, description of the subsidy, number of employees, their location, wage and health benefits, tax revenue the granting agency accrued, description of the project site, including whether or not it is LEED-certified and its proximity to public transit or major roadways, cost and value of the subsidy, and key events in the allocation of the subsidy. Imposes a fine of minimum \$500 per day if a recipient corporation does not provide the agency with necessary information. The granting agency will compile the data produce annual and biannual reports on each subsidy.

Sec. 3: Report on Contracts: A recipient of a contract above \$25,000 must provide the contract agency with contact information of the contractor, subcontractor and corporate parent, savings to the agency, total cost of the contract, wage, hours, compensation and health benefit information, description of the contract service, number of people required to fulfill the service required by the contract, schedule of key events, and other relevant information. Imposes a fine of minimum \$500 per day if a recipient corporation does not provide the agency with necessary information. The contracting will compile the data and produce an annual and biannual report on each contract.

Sec. 4: Contract Audits: Permits the Secretary of State to audit any contract

Title III: Unified Reporting

Sec. 1: Unified Tax Expenditure Budget: Requires a state's Budget Department to submit a report to the Legislature and Governor detailing economic development subsidies, tax credits, abetments, exemptions, and reductions, above \$5,000, entities that received them, and overall cost. Mandates that the state's Budget Department evaluate the progress and public and economic benefits of tax credits, abetments, exemptions, and reductions, above \$5,000, and recommend whether the particular expenditure should be renewed or eliminated.

Sec. 2: Unified Reporting of Contracts: Requires a state's Budget Department to submit a report to the Legislature and Governor detailing all contracts, including overall costs, a description of the bidding process, total savings the state accrued, total number of contractors used by agency.

Sec. 3: Unified Reporting of Property Tax Reductions and Abatements : Requires that each property-taxing entity that received a tax credit, reduction, or abatement must report to the state Budget Department that details the name of the property owner, the address of the property, the start and end dates of the property tax reduction or abatement, the schedule of the tax reduction, foregone state revenue, and other information.

Title IV: Corporate Tax Disclosure

Sec. 1: Tax Disclosure Statement Required: If a corporation, doing business in a state, is publicly traded or has 50% of their voting stock owned by another publicly-traded corporation, they must file a tax disclosure statement with the Secretary of State.

Sec. 2: Content of Tax Disclosure Statement: Requires corporations to disclose contact and unique identifying information, total taxable income, taxes paid, tax owed, tax before credits, total receipts, apportionment data, net operating loss, employment figures, and alternative minimum tax if applicable. The section distinguishes between combined reporting and non-combined reporting states.

Sec. 3: Alternative Statement Option for Corporations Not Required to File Tax Return: Requires that a corporation that does business in a state, but does not file a tax return, must still provide contact and unique identifying information, an explanation why they are exempt from taxes, indicate a category that their gross receipts fall into.

Sec. 4: Supplemental Information Permitted: Permits a corporation to submit additional information that they may deem relevant.

Sec. 5: Amended Tax Disclosure Statements Required: If a corporation files an amended tax return, they must accordingly amend the information they submit to the Secretary of State within 60 days of filing the amended return.

Sec. 6: Public Access to Tax Disclosure Statements: All statements and relevant documents required by this title are public record. Requires the Secretary of State to publish the information on a publicly accessible online database. A corporation-specific tax data will not be available until two years after a company files so as to negate the possibility of a competitor using the information.

Sec. 7: Enforcing Compliance: Requires the Secretary of State to implement a system of oversight and enforcement to ensure compliance.