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Tax Credits Get a "Bum Rap" in Jefferson City



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There's no question about it – economic development tax credit programs were under siege in the second half of the just-completed 2010 Missouri legislative session. Overarching concerns about the State's shrinking revenue led some legislators and the Governor to target reductions in existing tax credit programs as a potential source of funding for other government programs. The subject of that debate is fair game, of course, but the terminology used in the debate was less so, and is a matter of concern for the future. Let's look at some examples.

From the outset of the session, longstanding programs that have been operating effectively (with well-documented positive return on investment to the State) for years were now said to be in need of **"reform."** Achieving eligibility for such programs, by meeting the requirements of the laws and rules that govern them, suddenly became known as an **"entitlement"** for successful applicants. And the long-term success of these programs, beyond the forecasts in the original fiscal notes developed years ago, was called **"ballooning,"** and likened by the State Auditor to other kinds of cost overruns we often hear about.

But the greatest cause for concern was when the Governor unfortunately pitted education against economic development by assembling education leaders from across the State for a news conference to announce that in the **"zero sum game"** of the State's budget, **every dollar spent on tax credits is a dollar that is unavailable for education support.** Those statements brought immediate howls of protest from a wide variety of groups who understand that both education and state incentive programs are key to our overall growth and prosperity, and must continue to work together to build our future.

Where do we go from here? The revenue and budget challenges facing the state in 2010 will not abate in 2011, and perhaps not in the year after. Money will continue to be tight, and large programs will continue to come under great scrutiny. That is as it should be. **But in the debate over proven economic development tax credit programs, the RCGA will continue to work with like-minded groups around the State to ensure that these programs are treated fairly and that the full story is told.** An important part of that full story is that states all over the country are continuing to adopt and expand such programs (in some cases, ironically, in emulation of Missouri), and that many of these essential development tools return far more dollars to the State treasury than the "costs" that are attributed to them.