

Weekly Report
Week of 3-15

By: Sen. Matt Bartle
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It is no secret that Missouri, along with many of our sister states, is facing an unusually tight state budget. Estimates are that we could see up to a \$400 million dollar shortfall during the next fiscal year. In the face of such scarcity, efforts are being made to cut out waste and to increase revenues. If the budget gap can't be closed through these efforts, the only remaining options are to either raise tax rates (a plan I personally oppose) or to cut state services. While cutting state spending sounds easy enough to do, each cut ends up hurting real people funding cuts to education or healthcare.

In an attempt to avoid these unpleasant alternatives, I am pushing legislation that would help to close a "loophole" used by some corporations whereby profits are transferred out of state to avoid paying taxes on them. This legislation would raise at least \$15 million dollars for state coffers.

There is considerable debate over this issue in the legislature. On a philosophical level, I recognize the value of allowing private citizens and corporations to take legitimate tax deductions. After all, most of us take deductions and credits offered by the state and federal governments for interest paid on home loans and for each of our children. However, there is a difference between prudently structuring personal or corporate finances in such a way as to lower our tax burden and transferring income out of Missouri to avoid taxation altogether.

The legislation I'm sponsoring addresses a particular business practice where intellectual property (such as a company's trademark logo) that has great value is transferred to a special holding company in a State that does not tax corporations, significantly reducing the company's taxes and taking away revenues that would otherwise be paid to Missouri. Changing the law to close this loophole is especially timely since the citizens of Missouri are being asked to tighten their belts and absorb the effects of fewer state services and cuts to vital programs due to scarce state revenues. We cannot tolerate sham transactions completed solely for the purpose of tax avoidance. That has the effect of shifting the tax burden to everyone else.

If you have comments or questions about this week's column or any other matter involving state government, please do not hesitate to contact me. You can reach my office by e-mail at matt_bartle@senate.state.mo.us. Also, you can read any of the bills I file on my website at:

<http://www.senate.state.mo.us/04info/members/mem08.htm>). Thank you again for making it possible for me to serve in the Missouri Senate.