



Senator Matt Bartle – Serving Jackson County

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Getting a Grip on Tax Credits

A debate on how state government goes about doling out economic development dollars is continuing to take place in the Legislature this session. A group of senators, myself included, has come to the realization that for decades, Missouri's policies in this area have had much more to do with who has political influence than whether the people's tax dollars are being wisely spent. This is a situation that begs for reform, and I am optimistic that we are on the verge of making those reforms this year.

By way of recap, a tax credit is a tax break that the state gives to a particular business or group. While this system works well for those fortunate enough to get the state's blessing, it does little to help the vast majority of businesses and taxpayers who do not. Some think that offering tax credits to special interests will turn the economy around, but as I have been saying for awhile now, government works best when it steps out of the way and lets the market correct itself—not when it picks and chooses which businesses to advantage.

The current system begs for reform. During the past decade, the issuance of tax credits has increased by approximately 107 percent and millions of dollars are being handed out without the approval of the people's elected representatives in the Legislature.

One particularly glaring example of the need for reform in this area is highlighted by the actions of the Missouri Finance Development Board (MFDB), which serves under the state's Department of Economic Development (DED). This seemingly innocuous board is comprised of 12 members, eight of whom are appointed by the governor and confirmed by the Senate. Most people are unaware that MFDB has the power to issue tax credits and to bypass a statutory cap on tax credits—without the consideration or approval of the Legislature. In fact, tax credits that are highly unpopular are sometimes channeled

through the MFDB because they would be overwhelmingly rejected by the Legislature.

A current example of the misuse of the board's significant power happened toward the end of last year when they heard and approved—all in the course of one meeting—a proposal for the issuance of \$25 million in tax credits to the Kansas City Chiefs for stadium updates and the building of a new indoor training facility in St. Joseph. This \$25 million is on top of the \$50 million in tax credits MFDB approved for renovations for Arrowhead and Kauffman stadiums back in 2006.

At the time the Chiefs' \$25 million tax credit was approved, Missouri was facing a serious budget shortfall and it was certainly not the appropriate moment to issue millions of dollars in tax credits that may contribute to an even steeper deficit. Sadly, instead of going to schools, roads and law enforcement, this money went to the NFL.

The MFDB must be reined in and the policies that allow them to issue tax credits to the tune of \$25 million without legislative approval must be changed. However, the issue is much more broad than the actions of one board. Missouri's current economic development policy is seriously flawed and tremendously beholden to those with political influence. The opportunity to make serious reforms has come. It is my determination to help bring free market principles back to the Show-Me state and to dismantle a system based on political favoritism and preferential treatment for a few special interest groups.

If you have any 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.mo.gov or by phone at (888) 711-9278. My web address is <http://www.senate.mo.gov/bartle>.

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