



Senator Matt Bartle – Serving Jackson County

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Bringing Tax Credit Reform to the Show-Me State

Without a doubt, one of the biggest issues of the session was the debate over tax credits and the role government should play in the economy that accompanied the passage of [House Bill 191](#) (optimistically touted as an economic development bill). While I could not ultimately vote for the bill because of its overall dependency on government intervention and tax credits, we were able to make some positive changes to the tax credit system.

Unfortunately, over the past several decades, our society has grown more and more accustomed to having the government as a partner in private sector development. What used to be called the “free market” is now heavily influenced by all sorts of government involvement. Many times, this influence is in the form of special tax credits given to certain people or companies.

For those unfamiliar with the term, a tax credit is a dollar-for-dollar reduction of an individual’s (or entity’s) state tax liability. During the past decade, the issuance of tax credits has skyrocketed by more than 100 percent as millions of dollars are being handed out without the approval of the people’s elected representatives in the Legislature. To businesses with enough political pull to be on the receiving end of a state tax credit, the system works well. But to the majority of businesses and taxpayers who are not, the doling out of tax incentives to special interests does little but drain limited state resources and give their competitors an unfair advantage (imagine the “mom and pop” hardware store trying to compete with the new mega-home improvement store that was built with special tax breaks). This is why we made significant changes in HB 191 to increase tax credit

transparency and reform some current tax credit programs.

One of the changes we made was to cap the tax credits that can be issued under the Missouri Historic Tax Credit Program (currently there is no cap whatsoever). This program, which started in 1998, allows a tax credit equal to 25 percent of the cost of revitalizing a historic building. The state has been issuing approximately \$160 million or more annually in historic preservation tax credits in recent years with no legal authority to stop the flow of dollars to developers—even if they’d asked for \$1 billion. This lack of oversight was indefensible and several lawmakers fought to rein in the program.

We also successfully fought to rein in the Missouri Finance Development Board, which essentially has unlimited power to issue tax credits for certain projects. House Bill 191 puts an end to that practice by limiting the board to approving no more than \$25 million in tax credits per year. This restricts the board’s excessive spending and promotes accountability in the process.

Finally, the legislation requires the state to make the tax credit system more transparent by requiring tax credit recipients to report the number of estimated jobs to be created as a result of receiving tax credits. This will help us judge if we’re really getting any “bang for our buck.” It also requires all tax credit recipients to report annually for three years following the issuance of the tax credits the actual number of jobs created so that the Department of Economic Development can publish the information on its website and on the [Missouri Accountability Portal](#) for Missourians to see for themselves if the promises of job creation are more than a mere mirage.

Although these changes are significant, more needs to be done. I look forward to the opportunity to make even greater reforms to Missouri’s tax credit programs next year.

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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