



Senator Luann Ridgeway – Serving Clay County

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Senator Luann Ridgeway  
Capitol Report  
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Money issues seem to be the major topic of discussion in your state capitol lately. The House has just passed it's version of our state budget. The version passed by the House totals \$22.8 billion. The full Senate has not yet began consideration of the budget, but I expect this debate will start soon.

The main money related topic that has received a lot of Senate debate swirls around the issue of tax credits. A tax credit program is basically nothing more than specialty legislation that gives tax breaks to a select person or group of persons. It is Missouri's version of the much discussed "earmarks" in federal legislation.

I'm not saying that all tax credit programs are inherently bad. In some instances, they can be beneficial in attracting or retaining businesses and the jobs they produce. They can also benefit organizations such as pregnancy resource centers that gain most of their support from contributions.

A tax credit is more valuable to those who pay taxes than are tax deductions. With a deduction, you merely deduct the amount from your total taxable income. In other words, if you had \$100,000 of income and had \$10,000 in deductions, you would pay taxes on \$90,000. If you paid 10% in taxes, your tax bill would be \$10,000 without the deductions, but would be reduced to \$9,000 with the deductions. However, tax credits are more valuable to the taxpayer. Lets say you calculate your total taxes on \$100,000 and found that you owed \$10,000 in taxes. If you had \$6,000 in tax credits, you subtract the amount of credits from your taxes owed. Therefore, the \$10,000 tax bill becomes only a \$4,000 tax bill.

Currently, Missouri has over 60 tax credit programs and more are introduced each year. Usually, the ones that currently exist have legislation to expand them each year. Examples of tax credit programs are: Brownfield Demolition, Historic Preservation, Low Income Housing, Wine and Grape Production, Wood Energy, Dry Fire Hydrant, Film Production, Maternity Homes, Special Needs Adoption/Children in Crisis (CASA), and the list goes on and on. As you can see, the tax

credit programs cover all sorts of topics.

The problem with most tax credit programs is that only a narrow pool of taxpayers can take advantage of the program. Many times, you have to have the ability to hire a lobbyist to craft and help pass a program that applies to you. Regardless of the nature of the tax credit program, you have to have the ability to wade through all the government hoops attached to them to take advantage of the program.

Several Senators (including yours truly) are advocating for transitioning our current hodge-podge of tax credit programs to a much simpler system. My plan is to transition to a tax system that gives all taxpaying Missourians a tax cut. I'm advocating that we reduce our reliance on specialty tax credit programs and replace them with a broad-based income tax cut for any Missourian who pays taxes.

Needless to say, change of this magnitude requires lots of effort, patience and grass roots support. If you support my concept of transitioning away from designer tax credits and moving toward lowering the income tax rates for all Missourians, I'd love to hear from you. And I'd like to hear from you if you have concerns or opposition as well.

Broad-based tax cuts can be paid for out of the savings from scaling back our current tax credit programs and from the overall annual growth in Missouri's income. Although our economy is slowing right now, it won't always be so. And especially in a slowing economy, Missourians could use more spending money that would result from tax cuts.

The Senate stayed in session nearly until midnight the day the topic of tax credits was debated on the floor. The future of the bill and any reforms or tax cuts remains uncertain.

Other money topics were discussed this past week as well. Auto dealers are asking the legislature to approve legislation allowing them to charge up to a \$200 fee for completing forms for purchase of motor vehicles, boats or power sport machines. Apparently, some dealers had been doing so but a class action lawsuit was filed against those dealers saying that the "document preparation fee" that they were charging in addition to the cost of the product purchased amounted to the unauthorized practice of the law. The law they are proposing specifically exempts dealers from being charged with the unauthorized practice of law so long as they don't charge over \$200 for document preparation. I voted against this legislation in the Senate Committee where it was heard but it received enough votes to go forward for consideration by the full Senate. As a general rule, I have been consistently against tax and fee increases and court cost increases so that is the reason for my vote in opposition to this fee proposal. The bill is Senate bill 355.

A major education bill was also passed out of the Senate last week. It contains provisions concerning charter schools, revision of the education funding formula, virtual schools, parent's bill of rights and many other provisions. I amended the legislation to provide better access to educational information maintained by our schools and State Board of Education. The bill also provides a type of open-enrollment for foster care children. I also amended the bill to include the Foster Care Education Bill of Rights. Too many times, when a child is placed in foster care, a child is bounced from one school district to another. The amendment is an effort to promote education stability for foster care children. If you want to know more about the bill, you can find Senate Bill 291 by going to [www.senate.mo.gov](http://www.senate.mo.gov)

As usual, if you would like to contact me about this or any other legislation, I can be reached by calling toll-free 866-875-8348 or by e-mail at: [luann.ridgeway@senate.mo.gov](mailto:luann.ridgeway@senate.mo.gov) or by writing to me at: Room 221, State Capitol Building, Jefferson City, Missouri 65101

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