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Taking a Real Look At Tax Credits

Missouri lawmakers have been talking about tax credits for several years now. Unfortunately, no real action has been taken towards reform.

While some conservatives believe tax credits are a way to stimulate economic growth with tax dollars that already belong to the people, others feel it is a big government approach to picking winners and losers in what should be a free market.

I received quite a bit of criticism for not supporting an expansion of tax credits for Ford Motor Company earlier this year. Ford did not even ask for the governor to seek the incentive, but Ford did support the idea. It passed in a special legislative session.

However, a new [report](#) issued by the governor's [Tax Credit Review Commission](#), may provide a framework for reform. The panel recommended cutting 28 tax credit programs, which would save the state approximately \$220 million. The commission also recommended making improvements to another 32 programs. This may be a good start.

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This new panel found tax credits have grown by 408 percent since 1998, from \$107 million to \$522 million. The amount is predicted to jump to \$698 million during the current fiscal year, which will continue until July 1, 2011. Today, many folks are predicting a \$700 million shortfall in our next fiscal year.

Unfortunately, these incentives are dispersed without any scrutiny, because tax credits are not generally part of the budgeting process. Over the last two years, any attempts that have been made to scale back spending on certain tax credit programs, or even cap the amount that can be spent for some, has been held up by lawmakers who do not want to see them taken away.

Tax credits were first used in the 1990s as a way to get around refunding tax overpayments through the [Hancock Amendment](#). Many believe tax credits have become entitlements for special interests. These are folks who do not necessarily need your tax dollars handed to them; in addition, these handouts may cause folks to make investments the free market would not sustain.

We have new leadership coming into both Missouri's Senate and House. Maybe 2011 will be the year that we take a serious look at tax credits. When the General Assembly starts to work on the fiscal year 2012 budget, maybe some of the money that goes toward tax credits will no longer be there and will, instead, be a part of the trimming that the Legislature needs to do to the entire state budget.

Senator Stouffer serves the counties of Carroll, Chariton, Cooper, Howard, Lafayette, Macon, Ray, Saline, and a part of Clay.

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