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Capitol Report – March 26, 2010

This week I had the opportunity to chair one of eight Senate working groups charged with examining ways to retool and restructure state government. I facilitated the Tax Structure working group. During the daylong roundtable discussion, our group evaluated the best ideas and suggestions submitted by Missourians to reform our state's current tax structure. Many worthy ideas were proposed to address our unprecedented state budget shortfalls and to ensure our state's long-term economic vitality.

Among the items discussed were major changes to the state's various tax-credit programs. One proposal, offered by the Governor's Department of Economic Development Director, seeks to merge many of the state's current tax credit programs and place a \$314 million cap on the total number of tax credits that could be authorized annually. This proposed global cap amounts to approximately 70 percent of the \$448 million in tax credits redeemed and paid out in 2009 and less than half the amount authorized last year. The wide-ranging proposal would essentially replace the current tax credit structure, which consists of more than 60 active tax credit programs, and consolidate these programs into six new tax credit categories based on their intended purpose. Under the proposed plan, each category would annually receive a minimum percentage of the global cap with 20 percent of the cap to be used at the discretion of the Department across the six categories. The Circuit Breaker and Homestead Preservation programs which provide property tax relief to the disabled and the elderly would remain unchanged.

The proposed reform would eliminate the entitlement status of tax credits for certain projects or activities, thus giving the Department of Economic Development discretion over awarding credits under the six new tax credit program categories. The Department would submit an annual report on the state's investments to the public and to the General Assembly.

Tax credit reform was hotly debated during last year's legislative session and will be a major focus again this year. While the governor's proposal would not correct the current \$500 million budget shortfall, it would provide predictability and reduce the state's credit obligations over time. Questions remain over giving the Department greater authority and holding it accountable.

Currently, the state's tax credit liability has grown to more than \$2.3 billion. With approximately seven weeks remaining in this legislative session, state lawmakers will be looking very seriously at this proposal and others as we work to ensure our state uses its limited resources in the most efficient manner that will provide the largest impact and highest return for our state.

Please do not hesitate to contact me on this or any other issues of concern to you. I appreciate and welcome your comments.