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*****PRESS RELEASE*****

New Accountability for Missouri's Tax Credits

Senate bill will Subject Tax Credits to the Appropriations Process

JEFFERSON CITY — Sen. Jason Crowell, R - Cape Girardeau, filed Senate Bill 728, which will subject Missouri's tax credits to the General Assembly's appropriation process. The bill would modify tax credits to be treated as every other state expenditure, where recipients of the tax credit would have the opportunity to present their case as to why the General Assembly should allocate tax credits to their program. Designed to give Missouri's General Assembly the opportunity to prioritize the state's expenditures, spending on tax credits would be weighed against state spending on vital state programs such as education and healthcare.

"The appropriations process is where we set priorities on how, with limited resources, we spend hard earned taxpayer dollars," said Sen. Crowell. By subjecting tax credits to the appropriations process, there will be a greater accountability on how Missouri uses tax credits and the General Assembly will have a greater ability to ensure our shared budgetary priorities are preserved."

In 2009, Missouri redeemed \$584.7 million in tax credits. When a tax credit is issued, it is money that is prevented from entering General Revenue, which funds education, healthcare, senior services, higher education, agriculture, and many additional programs in Missouri. In light of Missouri's 10.6 percent tax revenue decline, which has already required Governor Nixon to withhold or veto \$634 million in spending for this state fiscal year, the expenditures on tax credits have a direct result on the amount of funding available to state services.

Sen. Crowell continued, "With the declining tax revenue and difficult spending decisions that need to be made, every expenditure, including tax credits, needs to be evaluated, and funding levels adjusted based on our current economic conditions. We do this with education, healthcare, and other vital services in the state, therefore, we need to be just as flexible in responding to the changing times with tax credits."

Currently there is no annual review or accountability measure on tax credits to assure a return on investment to the Missouri taxpayer. The bill would in effect, change this by forcing an annual review of the tax credit program in the appropriations process.

“Missourians deserve to know how their taxpayer dollars are being spent and that they are being spent wisely,” added Sen. Crowell. “Tax credits that do not go through the appropriations process are legislative earmarks that results in wasteful spending.”

These earmarks are created because there is a lack of transparency to taxpayers on where the expenditure of tax credit money goes. This lets politicians grant taxpayer subsidies to projects without having the subsidy being approved by the General Assembly.

“Basically the current system provides special interest groups a way to use backroom politics to funnel money towards controversial projects that would never be approved by the General Assembly. By avoiding an open process for issuing tax credits, many developers and companies can continue to line their pockets with hard earned taxpayer money without being accountable,” stated Sen. Crowell.

In addition to the added accountability of where tax credits are issued, the appropriations process will provide certainty to the budget making process. Under the present tax credit issuing process, once a tax credit is authorized, an unlimited number of individuals can apply for it, making it hard for those creating the state’s budget to gauge how much money will be redeemed. Under Sen. Crowell’s bill, instead of the General Assembly and Governor having to make a broad estimation on tax credits’ impact on the state’s budget, both governmental bodies will know exactly how much money will be spent on tax credits.

Sen. Crowell concluded, “This bill is not a judgment on the economic function of tax credits in Missouri. When spent wisely, tax credits have an important role in growing Missouri’s economy, however, the proposed idea of subjecting tax credits to the appropriation process addresses the component of tax credits being spent wisely based on merit. Senate Bill 728 both keeps tax credits accountable to taxpayers and provides options the General Assembly needs to make the tough decisions it faces in crafting Missouri’s budget.”

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