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STATEMENT

Tax Credit Review Commission's Report Falls Short

*Real Reform Requires Tax Credits
to be Subject to the Appropriations Process*

I greatly appreciate the time and efforts the Tax Credit Review Commission put into today's released report. However, without recommendations to change the process in which we award tax credits, their report came up short. If we continue to do what we have always done, we will continue to get what we have always gotten.

“What we have failed to learn from history is that a tax credit is at best a short term stopgap substitute for economic growth and at worst, an unfair, unchecked special interest redistribution of wealth. And like a narcotic's effect, it quickly fades as those addicted scream for more and more and more. True economic success ultimately depends on broad based private sector growth where government does not pick winners or losers but instead fosters limited taxes, fair and consistent regulations, and business confidence to expand.”

Sen. Jason Crowell

The current system, which the Commission apparently endorses, is an entitlement program that favors special interests and developers; forgetting about K-12 funding, higher education, autism services, mental health, access to health care, shelter workshops, domestic violence shelters, prisons, roads, bridges and many other state services. It is this process that led to the redemption of tax credits last year alone of \$521.5 million and causes budget experts to predict that number to increase to \$698.4 million this year. To put it in perspective, in SFY 2009, Missouri was first in the nation for historic preservation tax credits (\$186 million) and second for low-income housing tax credits (\$106 million). Yet, according to the U.S. Census Bureau, Missouri was 45th in per capita funding of higher education and 32nd in per capita funding for K-12.

By failing to recommend true reforms that give Missouri the options to fund its priorities first, the current economic situation will force cuts to higher education and K-12 education all in the name of preserving Missouri's cash for clunkers – historic preservation and other tax credits. It is a shame that this report protects the current special interest redistribution of wealth, leaving our children to shoulder the burden of developer and big business handouts. Simply, the recommendation of the Commission is that those who receive tax credit entitlements will continue to receive their money first, before Missouri's priorities are funded; just a little bit less of it.

If the Commission wanted to be serious about reshaping our state's tax credits and putting Missouri first, they would have recommended making tax credits subject to the appropriations process. The appropriations process is where Missourians, through their elected representatives, have the ability to decide their priorities and then fund them. By treating tax credits just like every other state expenditure, the General Assembly could weigh the benefit of a tax dollar spent on a credit against other state services such as education.

Making tax credits subject to appropriations also would provide greater accountability and oversight to the tax credit process. It is here, that there is a clear transparency in awarding a tax credit based on its merit of providing a return of investment while preventing tax credits from being a legislative earmark and resulting in wasteful spending of hard earned taxpayer dollars.

Instead, the report claims the establishment of new caps will change what according to the Joint Committee on Tax Policy has become an unfunded (issued but yet redeemed) tax credit liability to Missouri taxpayers of \$1.5 - \$2 billion. The truth however is, caps have not worked in the past and will not work in the future. The General Assembly already has placed caps on almost all of Missouri's tax credits, yet if we reach those caps, the General Assembly yields to special interest demands and campaign contributions to raise the cap or authorize new tax credits.

In order to keep tax credits in line with Missouri's priorities and hold them truly accountable for economic growth, tax credits need to be subject to the appropriations process. It will provide greater flexibility and options with Missouri's available revenue, ensuring the best use of hard working taxpayer money; making every dollar count.

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