

## **Legislative Update – April 29, 2010**

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### **Tax Credit Reform Discussion Continues Outside of the Legislature**

State Auditor Susan Montee weighed in on the tax credit reform debate this week by issuing an audit, which contends the legislature needs more control over state tax credits. Her audit, released Monday, found that over a five-year period, 15 tax credit programs cost \$1.1 billion more than legislative staffers had predicted in "fiscal notes" when the programs were authorized.

Posting the biggest overrun was the historic preservation tax credit. Developers and homeowners redeemed \$637 million from 2005 to 2009, compared to the five-year cost estimate of \$71.5 million. Montee suggested that legislators make sure each program has an annual cap on costs, accurate information about the benefits, and an expiration date. Montee said she hurried to release her audit so legislators could use the information during the last three weeks of the session as they review proposals to rein in tax credits.

In separate conference calls on Tuesday with higher education leaders and members of local school boards, Governor Jay Nixon asked for help passing his sweeping tax credit reform proposal. The governor noted that tax credits have ballooned 86 percent in the last decade, to about \$585 million a year. He took particular aim at the historic preservation tax credit, which cost Missouri \$186 million last year. While scores of state services are being cut because of a steep drop in revenue, the historic preservation program functions as an entitlement, he said. He said he supports the historic preservation credit but it should compete with other projects for scarce state resources.

On Thursday Lieutenant Governor Peter Kinder was joined by St. Louis Board of Aldermen President Lewis Reed at a press conference on the steps of the historically renovated Old Courthouse in St. Louis to decry Governor Nixon's attempt to scale back tax credits. Kinder promoted the job creation benefits of the historic preservation tax credit and attacked Governor Nixon for artificially pitting education against job creation in the midst of the recession.

Unlike the governor, lieutenant governor, and auditor, the General Assembly was silent this week on the issue of tax credit reform. The legislative session concludes on May 14.