

Economic Development Tax Credits

According to the October 2009 Iowa Department of Revenue's (IDOR) Tax Credit Contingent Liabilities Projection Report, tax expenditures for FY 2009 are estimated at \$321 million dollars. They are projected to grow to \$488 million in FY 2010 and to \$566 million in FY 2011.

Economic development programs under the jurisdiction of the Iowa Department of Economic Development totaled \$36 million in FY 2009 and are projected to total \$31 million in FY 2010.

Once these tax credits and economic development programs are initiated there has been little oversight over whether or not each program is meeting the job creation or job retention goals they were intended to meet.

Develop searchable Internet database of tax credit expenditures and economic development incentives.

Illinois and Missouri both currently host websites with detailed information regarding tax credits spending.

Missouri: <http://mapyourtaxes.mo.gov/MAP/Portal/Default.aspx>

Illinois: <http://accountability.illinois.gov/>

Tax Increment Financing

Tax increment financing (TIF) is the single largest economic development program in Iowa. and is solely administered by local governments.

In FY 2010, \$271 million dollars in local property taxes are being collected and diverted for local economic development purposes.

In FY 2010, the state will backfill local school districts almost \$45 million to cover school aid lost through local TIF districts.

We need more transparency and accountability in this program.

- There is virtually no state oversight of this program.
- There are very weak TIF funding criteria and reporting requirements. Information on the costs of TIFs are hard to find

Reviewing Tax Expenditures

There is more than \$400 million (FY 2010) in tax credit, economic development and TIF school aid spending. There is an additional \$271 million (FY 2010) in statewide local TIF spending.

There is no mechanism or established on-going oversight process for tax expenditures.

Establish a comprehensive, on-going process of annually reviewing and evaluating the effectiveness of tax expenditures, job creation incentives and tax increment financing.

Establish a new Joint Appropriation Subcommittee: to review all tax credit expenditures and economic development incentive programs on an annual basis. The committee would operate under an annual spending target.

To increase accountability for results the state should sunset each tax expenditure and economic development incentive program after five years.

Illinois currently sunsets many of its tax credit programs. The legislature has to renew programs if they are to continue.

All new tax credit programs would have an automatic five year sunset.

Place a cap on ALL state tax expenditures:

In 2009 the legislature placed a spending cap on five tax credit programs. This \$185 million dollar spending limitation included the following credits: High Quality Job Creation Program, Film, Television and Video Project Promotion Credit, Enterprise Zone Program, Corporate Research Activity Supplemental Credit and the Assistive Device Credit.

Two of the largest uncapped tax credit programs are Iowa Industrial New Jobs Training Program (260E) (projected FY 2010 \$45,050,623) and Corporate Income Research Activities Credit (projected to be over \$35,000,000 for FY 2010).

No state spending should have an unlimited open checkbook. We should correct this by placing spending caps on all state tax credit expenditure spending.