



# ECONOMIC DEVELOPMENT SUBSIDIES

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**THE PROBLEM:** Excessive use of economic development subsidies has hollowed out municipal tax bases and diverted tax revenue to specific developers. In the past 15 years, Saint Louis City alone has allocated \$709 million away from municipal services through tax increment financing (TIF) and tax abatement. Studies from across the country indicate that these subsidies fail to generate promised jobs and growth.

**THE SOLUTION:** *Economic development reform.*

Statewide reforms such as moving TIF decision-making to the county level, allowing other impacted stakeholders such as schools to have more say in the process, strengthening standards for blight and project approval, and capping subsidies by dollar amounts or a percentage of aggregate market value would help rein in these giveaways.

**WHO ELSE DOES IT?** TIF and economic development reform efforts are underway in many states. California, which pioneered TIF in 1962, ended it altogether in 2012 due to its failure to deliver promised benefits.

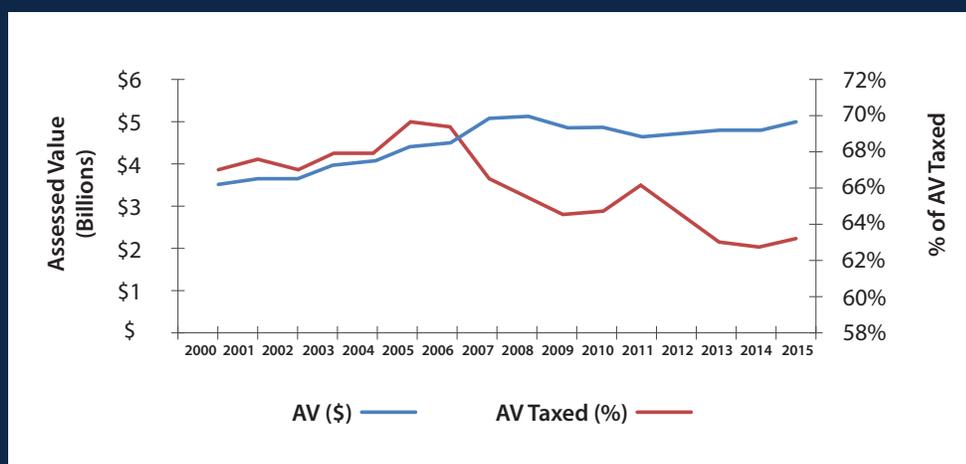
**THE OPPORTUNITY:** Limiting municipalities' ability to reward cronies will mean more revenue directed toward important basic services; less fighting between municipalities within Missouri; and more pressure on cities to compete for all businesses, not just a select few.

## KEY POINTS

- TIF projects active in Missouri have collected almost \$2.5 billion since their inception and do not deliver their promised benefits.

## KANSAS CITY, MISSOURI ASSESSED VALUE AND PERCENTAGE OF ASSESSED VALUE TAXED

*While the value of property in Kansas City has increased, the percentage of that value that is taxed has actually gone down.*



*Source: Jackson County Assessment Department.*

- Many subsidies are not used in the economically depressed areas for which they were designed. In Saint Louis, less than 25% of TIF projects are found in the poorer half of the city.
- TIF as practiced in Missouri has become little more than crony capitalism that rewards specific businesses while harming the overall business climate.
- Cities are pitted against one another in economic development wars, stifling regional growth.
- Current TIF policy has resulted in hollowed-out tax bases in Missouri and fewer resources for basic city services.

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## SHOW-ME INSTITUTE RESOURCES

**Policy study:** [“Tax Increment Financing in Missouri”](#)

**Essay:** [“Urban Neglect: Kansas City’s Misuse of Tax Increment Financing”](#)

**Blog post:** [“The TIF Tax”](#)

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