



China Hub Tax Incentives More Expensive Than Advertised

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Saint Louis politicians, media, and bloggers have enthusiastically embraced proposed legislation that would create a package of tax credits and other incentives to establish Lambert International Airport as a "China Hub." The idea is that increased trade between Missouri and China could give both the state and city economies a boost.

[The St. Louis Post-Dispatch editorial board wrote](#) that, when it comes to the China Hub project, "Doing nothing is not an option." [City Mayor Francis Slay tweeted](#) that the project is "the most important economic development bill the state Senate will consider this year."

Legislators from rural areas of the state are excited too. Sen. Brian Munzlinger (R-Williamstown) [told the Saint Louis Beacon](#) that the project could serve to help the agricultural industry. [From the Beacon](#) :

Agriculture's one of the largest industries we've got in this state," said Munzlinger, whose district encompasses much of northeast Missouri. "And I see this as a major, major export enhancement that we can offer to ag producers in this state.

Many dreams are attached to the incentives that would be created under the "aerotropolis" bill. Let's set aside the argument of whether those dreams are warranted. Today, I want to

focus just on the cost of this legislation. After all, it is impossible to determine whether a proposed policy is a good idea without first knowing how much that policy will cost.

This legislation, if passed, will affect all Missourians. Because state legislators have a track record of approving tax credits and other related subsidies without a corresponding reduction in government expenses, the burden of paying for these incentives will likely fall on state taxpayers. **At a minimum, the cost will amount to about \$80 for every man, woman, and child in Missouri.** The hidden costs of this bill will likely add a great deal more to that total.

Lawmakers and media bill it as a \$480 million incentive package. However, after closely reading the proposed legislation, it becomes apparent that a number of costs are not part of that tally. Citing the \$480 million figure ignores those costs entirely. Let's try to break them down here.

- **\$60 million:** The aerotropolis bill would award \$60 million in tax credits to freight companies for shipping cargo out of the state. The state will give more money to companies shipping perishable freight.
- **\$120 million:** The bill would award \$120 million in tax credits to help pay off interest costs. This is important. Proponents say that the only way the state would hand out this money is if warehouses are in operation. But this amount is tied only to interest, loan fees, and closing costs. It is conceivable that the state, through this provision, could end up paying the interest costs associated with a failed vacant warehouse.
- **\$300 million:** The bill would award \$300 million in tax credits to the owners of cargo warehouses. The money is tied to the amount that the owners would pay in income, corporation franchise, and bank taxes.

All of the above adds up to the \$480 million cost cited. But wait, there's more.

- **Double-dipping:** In addition to the tax credits awarded above, cargo warehouse operators would be exempt from the state income tax and the state corporation franchise tax. The legislation doesn't include a limit on these costs. Furthermore, the state fiscal note, which is supposed to estimate costs associated with this legislation, [doesn't attempt to estimate these costs either](#) .

I know, you may be thinking, *but doesn't the aerotropolis legislation also award \$300 million in tax credits to cargo warehouse owners in part for income and corporation franchise taxes already?* The answer is yes. This legislation will effectively let some double dip. They will be exempt from those taxes and get to claim tax credits against those taxes, despite not paying them.

- **Keeping employee-paid taxes:** Not only will cargo warehouse operators be exempt from the state income tax, but they could also keep half of the income taxes withheld from their employees. Again, the proposed legislation doesn't limit this cost, and the state fiscal note doesn't bother estimating how much tax revenue this could cost Missouri.

It also seems strange that this bill would let *employers* keep taxes that have been withheld from *employee* paychecks, because those taxes are technically part of an employee's compensation. Chalk that up as just one more oddity in the aerotropolis legislation's tangle of handouts.

The bottom line is that no one, not even the state committee tasked with determining the cost of the aerotropolis legislation, knows how much it will cost.

The only thing we know is that the cost will likely be much higher than advertised.

I don't understand why the legislators who sponsored this bill didn't bother to impose limits on the additional incentives. Such limits would make the costs of the bill containable, and would help everyone understand how much Missouri will be giving up in order to heavily subsidize the building and operation of some warehouses.

I think state legislators owe Missourians the courtesy of at least knowing whether they will each be paying \$80, \$100, or even more for this project.

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