



# TAX CREDIT REFORM

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**THE PROBLEM:** The state of Missouri uses public money to subsidize the private projects of special interests, often in the name of “economic development.” Practically, that means less money for public needs and greater difficulty in later reducing taxes for all taxpayers.

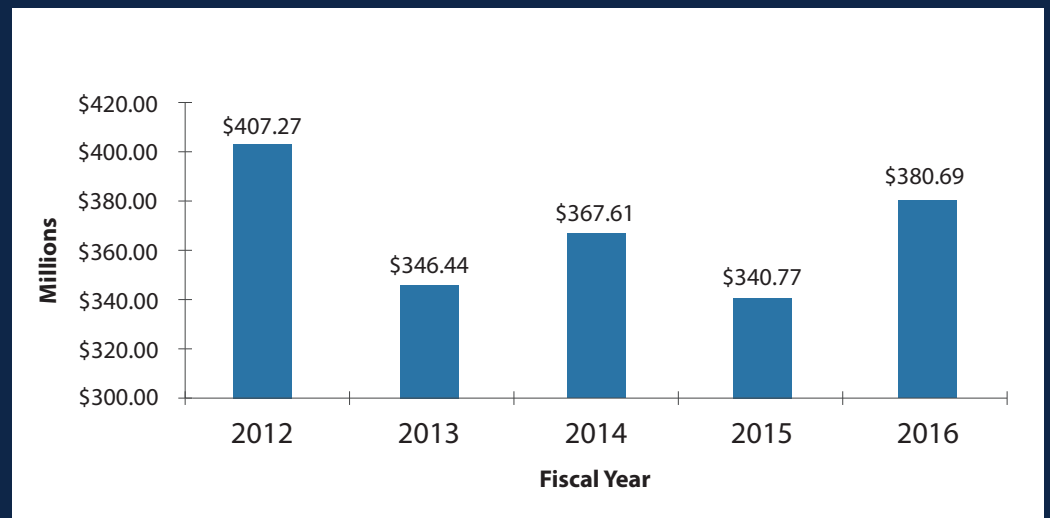
**THE SOLUTION:** *Draw down economic development tax credits and cut taxes with the savings.*

Tax credits inefficiently allocate taxpayer money into speculative private sector development projects. Over the last few decades, Missouri has given billions to a host of narrow programs and interests, with poor economic results overall. If the state is going to make an “investment” in private activities, it should be through the broadest mechanism possible—a tax cut.

**THE OPPORTUNITY:** Reducing the availability of development tax credits provides a practical pathway to pay for general tax cuts. For example, drawing down tax credits could provide the space to eliminate the state’s corporate income tax entirely; alternatively, cutting these credits could be used to reduce, by a smaller increment, income taxes on all Missourians. Whatever the strategy, putting more money in the pockets of Missouri residents and businesses is a better development strategy than the state trying to pick winners and losers in the marketplace. Being able to cut taxes for everyone in an effectively budget-neutral manner makes this reform all the more attractive.

## ECONOMIC DEVELOPMENT TAX CREDITS ISSUED

*Each year since 2012, over \$340 million in economic development tax credits have been issued in Missouri.*



*Source: Missouri Department of Revenue.*

## KEY POINTS

- Reform would move policy away from the status quo of taxing everyone—including the poor—to underwrite the development projects of government insiders and cronies.
- Individuals can be empowered to invest in the state and themselves.
- The role of government can be reestablished so that it is acting not as a private investor, but as a neutral player in such private activities.
- Taxes can be cut with a built-in pay-for.

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## SHOW-ME INSTITUTE RESOURCES

Case study: [“Aerotropolis: A Raw Deal for Missouri”](#)

Essay: [“Cutting the Ties That Bind: End Missouri’s Corporate Income Tax”](#)

Essay: [“Passing Through Missouri: Left Behind on Taxes?”](#)

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