



# TESTIMONY

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## HOUSE BILL 1598: CHANGES TO THE LAWS REGARDING TAX INCREMENT FINANCING DISTRICTS

*By Corianna Baier and David Stokes*

**Testimony before the Missouri House Local Government Committee**

Thank you for the opportunity to testify. Our names are Corianna Baier, senior policy analyst, and David Stokes, director of municipal policy. We are from the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are our own and are offered in consideration of proposals that will affect tax-increment financing (TIF) in Missouri.

HB 1598 requires local elected officials to vote to approve the diversion of dedicated public safety taxes to subsidize TIF-related projects. This reform would be a positive public policy change for Missouri.

In theory, establishing a TIF district involves serious and impartial deliberation and calculus to determine

(1) whether the proposal under consideration would happen “but for” the taxpayer assistance, and (2) if the area where the project would take place meets the standards for a designation of “blight” or “conservation” (or another appropriate designation), making it eligible for subsidies.

In reality, the process is often a sham. The “but for,” “blighting,” and other tests, which are supposed to be subject to independent analysis, are a rigged game. The standards for “blight” or “conservation area” are so broad that almost any urban part of Missouri could qualify for one of these classifications. The overwhelming majority of TIF proposals pass these supposed “tests” and get the green light for subsidies. Taxpayer dollars fund the lawyers and planners who work arm-in-arm with the cities, shielding participants from any

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hard decisions or risk. Everyone involved in the process (planners, architects, lawyers, developers, the city itself) makes money if the project goes forward. Why would any of them jeopardize the entire deal by saying it—or something close to it—would likely happen even without the taxpayer assistance?

The use of TIF has ballooned in Missouri, with 413 project reports submitted to the Missouri Department of Revenue in 2020.<sup>1</sup> The proliferation of TIF has had many effects on Missouri and its cities:

1. It has increased government management of the economy, further empowering planners and bureaucrats (rather than economic best practices) to determine where businesses locate.
2. It has also made subsidies a permanent fixture of development in our community.
3. It has failed at one of its main purposes: economic growth. The East-West Gateway Council of Governments concluded that TIF and transportation development districts in the St. Louis region have created jobs at the rate of one retail job for every \$370,000 in taxpayer subsidies.<sup>2</sup> That is not a road to growth—it is a road to poverty.
4. It has authorized local leaders to make tax decisions that may benefit their immediate city at the expense of everyone else.

It is that last point that HB1598 could help counteract. It is often overlooked that TIF diverts tax revenue away from more than just the city. School districts, emergency service districts, and others also lose out on tax revenue when TIF is implemented, but those taxing agencies have very limited say, if any, in the overall process. Overlooking this imbalance can have disastrous effects, especially when TIF is used for projects with a residential component. Residential developments can add dozens of new families to the city and thereby require increased spending on public safety measures, yet TIF can mean that public safety providers do not receive any increase in tax dollars to account for these new families. Similarly, school districts gain students without gaining the funding to educate them.

This bill would require lawmakers to separately consider the inclusion of taxes whose revenues are dedicated to public safety when considering a TIF. It would force local elected officials to proactively vote on the diversion of dedicated public safety sales and property taxes to the developer, instead of simply passing what the local TIF commission may have approved. This is a step toward recognizing the multiple entities that are harmed by TIF. More taxes should be exempt from TIF and greater reforms are needed to limit the negative effects that this economic development incentive can have on Missourians.

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## ENDNOTES

1. Missouri Department of Revenue. [https://dor.mo.gov/pdf/2020\\_TIF\\_annual\\_report.pdf](https://dor.mo.gov/pdf/2020_TIF_annual_report.pdf)
2. East-West Gateway Council of Governments, January 2011. “An Assessment of the Effectiveness and Fiscal Impact of the Use of Local Development Incentives in the St. Louis Region.” Final Report: 18.





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