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Tax breaks unchecked, group says

By [Eric Eyre](#)

CHARLESTON, W.Va. -- West Virginia does a poor job evaluating whether business tax incentives create jobs and spur economic development, state lawmakers heard Tuesday.

Ted Boettner, executive director of the West Virginia Center on Budget & Policy, said state and local governments give business tax breaks -- valued in the hundreds of millions of dollars -- every year. But the state doesn't determine whether the incentives are working.

"We're not able to see whether these tax expenditures are creating jobs like they're supposed to do," Boettner told members of a House-Senate economic development committee on Tuesday.

Boettner rattled off a list of business tax subsidies -- designed to lure companies to West Virginia or retain jobs -- that the state never examines: the Film Industry Investment; Qualified Additions to Manufacturing Facilities; Natural Gas Industry Jobs Retention Credit; Thin-seamed Coal Tax Credit; and Manufacturing Property Tax Credit.

"There's no indication who is receiving these," he said.

The state does review four business tax credits, but the reports get published only once every three years and include out-of-date data, Boettner said. The reports don't determine whether the tax credits spurred job growth, and the names of companies that received tax breaks aren't disclosed.

"A lot of these are very inadequate," Boettner said. "The findings are inconclusive and provide virtually no evidence if tax credits are working."

West Virginia also doesn't track property tax breaks given to businesses by cities and counties.

Boettner said such subsidies reduce property tax revenues, forcing the state to cough up more revenue to fund K-12 schools under the state's school-aid formula.

"If you're not looking at local property taxes, you're not looking at what's happening at the state level," Boettner said.

The state Tax Department has the right to audit companies to determine whether those receiving tax incentives keep their promises to create jobs. Such audits are never published, Boettner said.

State lawmakers said Tuesday that the West Virginia Development Office has balked at releasing data and information that could be used to evaluate business tax incentive programs.

"We really need this information if we're going to be making good decisions," said Delegate Barbara Fleischauer, D-Monongalia.

Legislators acknowledged that it's sometimes difficult to determine the long-term benefits of business tax incentives. Several lawmakers said the state should probably "put the breaks" on numerous tax incentives until they're proven to work.

"If we're going to look forward with job creation, we need to slow down and see what we're doing and how we're doing it," said Sen. Art Kirkendoll, D-Logan. "This is scary."

Boettner said state lawmakers should consider putting "sunset" provisions, or expiration dates, on many business tax incentive programs.

"It forces you to examine are you getting the best bang for the buck?" he said. "Are they worth it?"

Boettner also suggested that the state should conduct tax-credit program reviews annually and publish the reports online. The reports also should disclose the names of companies and the exact amount of tax incentives received, he said.

Boettner recommended that West Virginia establish an economic development budget that includes all local tax-credit deals.

"I've never seen a document evaluate a business tax incentive in West Virginia," Boettner said.

"We hope they're working well, but if they're not, then we need to know about it. This directly affects the [state] budget every year."

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