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Officials call for tax credit oversight

by Jared Hunt
Daily Mail Capitol Reporter

CHARLESTON, W.Va. - Some state lawmakers fear the state may not be doing enough to prove the millions of dollars in tax credits it allows corporations each year are being put to good use.

"The lack of information is what's really scary," said Delegate Larry Barker, D-Boone.

The Legislature's Joint Commission on Economic Development is studying how well the state uses tax credits to foster investment and create jobs.

On Tuesday, lawmakers heard a presentation from the West Virginia Center for Budget and Policy that criticized the state for failing to ensure tax credits were being used for their intended purpose.

"I've never ever seen a document evaluating a business tax credit in this state," said Ted Boettner, the center's executive director.

"I think most taxpayers would agree that we need to make sure that we're getting the best bang for our buck," Boettner said. "We might be, but we have no way of knowing."

Boettner's group is a non-profit, liberal-leaning think tank based in Charleston.

It reviewed how West Virginia's tax credit programs compare to those of other states. The study extended to several national reports on transparency and accountability among states.

"Compared to the rest of the country, we're somewhat in the middle but doing a little bit worse than most states in reviewing these things," Boettner said.

For example, a study from the Pew Center on the States ranked West Virginia 29th in how it evaluated state tax incentives.

While state tax and revenue offices do publish periodic reports on tax credit expenditures, who receives them and a range of how much is paid out, the reports use data that is three to five years old. Some reports aren't readily available online for the public to view.

Boettner said some states, including Illinois and Minnesota, have passed laws requiring state agencies and local governments to publish annual reports detailing tax breaks or subsidies granted.

Economic development budgets in New Jersey, Vermont, Ohio and Texas include all economic development-related tax credits, tax exemptions and spending appropriations for a given year.

West Virginia doesn't include this kind of tax information in its budget process.

Gov. Earl Ray Tomblin is already asking state agencies to cut 7.5 percent from their budget proposals for the state budget year that starts next July 1. Boettner said it's important the state begin looking at how it manages tax credits because they do cost the state revenue.

He referred to the Monday fiscal policy summit at the Culture Center featuring former U.S. Sen. Alan Simpson, R-

Wyo., and former White House chief of staff Erskine Bowles. Simpson talked about how the various credits and loopholes in the federal tax code are costing the country revenue.

"We're looking at that back door of the tax code," Boettner said. "We do a good job in this state of looking at the budget, but it's also important to look at the spending that is off budget."

Without knowing how much the state grants each year through tax credits and exemptions, Boettner said lawmakers don't realize how much revenue could be available in a budget year.

"It's very difficult for policymakers to make decisions because this is indirect money that is spent in the tax code," Boettner said.

West Virginia also fails to report on what are known as recaptures or clawbacks.

When a company is given a tax credit or exemption to create jobs or build something but doesn't follow through, the state can ask for its money back. West Virginia doesn't release data on whether that is being done or how often.

"That's a huge problem," Boettner said. "We have to have an idea of what companies are doing well and what companies are not.

"If you're going to give out millions and millions of dollars of tax credits, you've got to know what's working and if companies are living up to their end of the bargain with this," he said.

Lawmakers have asked state Commerce Secretary Keith Burdette about tax credit packages before, but he has pointed out state laws protect the confidentiality of deals made with the state Development Office.

Some lawmakers said Tuesday they would like to see that law changed.

"Some of us have been talking about this for a long time and totally agree that we really need this information," said Delegate Barbara Fleischauer, D-Monongalia.

"I think we need that kind of analysis to say, 'This is something that we in the Legislature along with others have come together and created,' but there has been tremendous resistance to this from the Development Office," she said.

In addition to looking at state tax credits, Boettner also said lawmakers should consider analyzing property tax breaks that cities and counties grant to businesses that locate or expand in their jurisdictions.

Since more than two-thirds of local property taxes are used to fund public schools, tax breaks could effect the state's school aid funding formula.

Many lawmakers agreed they needed more information on tax incentive programs.

While they said tax credits and incentives are a good way to stimulate job creation and business growth, some said they want to be sure the programs are achieving those goals.

"If we're going to look forward in creating jobs in West Virginia - as we should be doing - we need to make sure we're doing that in a way that gives the taxpayers the most bang for the buck," said Sen. Art Kirkendoll, D-Logan.

"We're very haphazard from what I've heard this morning."

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