

# State provides little data on benefits of tax breaks

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West Virginia legislators -- usually at the request of other state officials -- regularly provide business tax breaks to companies in an effort to provide more job opportunities for state residents. Unfortunately, however, information about the effectiveness of these tax breaks in terms of the number of new jobs created by each incentive is seldom identified.

Ted Boettner, executive director of the West Virginia Center on Budget and Policy, pointed out to members of a joint House-Senate economic development interim committee earlier this month in Charleston that whether or not these tax credits valued in millions of dollars are fulfilling that goal is never determined.

The list of business tax credits or subsidies that have not been explored to determine if they indeed did create new employment opportunities or retain jobs that otherwise might be lost is a long one. Boettner mention the Manufacturing Property Tax Credit, the Thin-seamed Coal Tax Credit, the Natural Gas Industry Jobs Retention Credit, Film Industry Investment and the Qualified Additions to Manufacturing Facilities as examples.

Even more startling, he indicated there is "no indication who is receiving these (tax breaks)." Some legislators claim that the West Virginia Development Office has refused to release information that could be used as a gauge to determine if the various tax credits are indeed providing much-needed new job opportunities in this state.

The state Tax Department has authority to audit companies to determine if those firms that receive a tax incentive do indeed uphold their end of the bargain by creating any new jobs. But Boettner told lawmakers that these audits are never published.

West Virginia does review four specific business tax credits but those reports are published only once every three years and include out-of-date information. These reports don't identify the companies by name and also don't determine if the tax credits actually resulted in additional jobs.

Delegate Barbara Fleischauer, D-Monongalia, probably voiced the thoughts of many of her fellow legislators when she noted that "we really need this information if we're going to be making good decisions."

State officials also don't keep track of the property tax breaks that are handed out to new or expanding business ventures by city and county governments around the state. These reductions in property taxes at the local level force state government to come up with more of the money needed to finance the 55 county public school systems in the state from kindergarten to high school graduation.

Some legislators, particularly Sen. Art Kirkendoll, D-Logan, think it might be wise at this juncture to "put the brakes" on these business tax incentives until they are proven to work. He's right on target. Follow-up information that identifies the number and kinds of new jobs created needs to be a requirement for future tax breaks.

A recent report described conditions at West Virginia's maximum-security prison for juvenile offenders as "overly brutal" and "harsh and abusive." Paul DeMuro, a former corrections and child welfare official who inspected the state's Industrial Home for Youth in Salem, visited the facility which houses more than 120 juveniles in August and came away with that assessment.

Lawyers for Mountain State Justice, a legal aid firm that represents two inmates at Salem, asked DeMuro to make the inspection. He concluded that the Salem facility "fails to comply with widely accepted juvenile justice institutional practices and standards."

One of the key items in DeMuro's report is that youths who are on "suicide watch" are locked in isolation cells. He said this "makes no sense" and only increases the prospects that a youngster will be more likely to commit suicide when locked in one of these cells. The state's Division of Juvenile Services has agreed to change how it treats juvenile inmates who are likely to attempt suicide.

Unfortunately, there is a belief among state officials that some of the most hardened juvenile offenders locked up for murder, drug dealing and repeat offenses are incarcerated at Salem. DeMuro, however, said many of the juveniles there are not guilty of violent crimes.

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The latest contract awarded by the state of West Virginia's Division of Purchasing for the yearly supply of toilet paper has been canceled after one the bidders raised a "stink," if you'll pardon the pun. JanPak, a company based in North Carolina that has an office in Huntington, sent a protest letter to State Purchasing Director David Tincher, claiming it submitted the low bid that would save the state "close to \$95,000."

Assistant Purchasing Director W. Michael Sheets notified JanPak last month that the contract awarded to Liberty Distributors of Tridelphia has been canceled as of Sept. 30 and new bids with revised specifications will be taken in the "near future." Diane Holley-Brown, a spokeswoman for the state agency, said the number of these protests is "very small" each year and the agency receive a total of only 25 such protests in the last fiscal year that ended June 30, 2012.

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