

More Accountability on Tax Credit Spending

Governor Culver signed Senate File 2380 into law, which brings accountability, transparency, and common sense to tax credit spending.

The bill suspends the Film Tax Credit for three years, repeals three little used credits, makes adjustments to five other credits, and cuts the maximum amount in new credits that may be awarded by state agencies from \$185 million to \$120 million per year.

In addition, the bill cuts the maximum credits that may be allowed under a long-term venture capital program from \$100 million to \$60 million.

The total cost of tax credits to the state has ballooned from about \$213 million in Fiscal Year 2007 to an estimated \$525 million in Fiscal Year 2011.

The bill will save about \$5 million in the first year, and \$25 million the second year, with savings growing in future years as these changes begin to reduce the total amount of credits redeemed each year.

More importantly, the bill establishes a schedule to regularly review tax credits every five years to ensure that each accomplishes the purpose for which it was enacted and that the costs are justified by the benefits received.

This will be done by a joint House and Senate Tax Expenditure Committee, which will annually provide the Legislature with detailed reports regarding those credits scheduled for review that year. The committee will address equity, simplicity, competitiveness, public purpose, and adequacy of these tax issues. It will also establish a system for making information available to the public regarding the amount and effectiveness of tax expenditures.

The committee will consult with state agencies and independent experts in tax policy, fiscal policy, and public finance such as tax attorneys, certified public accountants, and faculty members at institutions of higher learning.