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CITIZENS SUMMARY

Findings in the audit of the Infrastructure Development Tax Credit Program

Background

The Infrastructure Development Tax Credit (IDTC) program was established in 1985 and has no expiration. The program was designed to assist in the funding of capital improvement costs for qualified public infrastructure and public facilities projects within the state, and is administered by the Missouri Development Finance Board (MDFB). With approximately $19.5 million in redemptions in fiscal year 2014, the IDTC was the state's 5th largest tax credit program. Effective July 1, 2010, the MDFB may authorize $10 million in tax credits in a calendar year, but an additional $15 million may be authorized with the approval of the Director of Department of Economic Development, the Director of Department of Revenue, and the Commissioner of Administration, and they have approved credits in excess of the $10 million cap in each of the 3 years ending June 30, 2014.

Program Efficiency and Effectiveness

The IDTC generally does not make up a significant portion of project costs and does not always appear to be necessary for project completion. The economic impact of the IDTC is overstated due to cost-benefit calculations attributing the full impact of each project to the program. For example, for fiscal year 2014, the MDFB reported the IDTC program would return $13.64 in state revenue for every dollar of tax credit authorized. The MDFB based this calculation on total project investments of $675 million and the creation of 8,300 new jobs, even though IDTC incentives only accounted for 5.7 percent of total project funding. State law does not include a sunset provision for many tax credits, including the IDTC program. By adopting a sunset provision, the General Assembly could better determine if the program is achieving its intended purpose and whether program funding should be increased, decreased, or eliminated.

In the areas audited, the overall performance of this program was **Good**.*

*****The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent: The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

Good: The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

Fair: The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

Poor: The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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