Our opinion: Tax credits need scrutiny, not broad brush

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Where government budgets are tight — and where aren't they these days? — lawmakers and others invariably look for places to cut and economize. As they should. Even in more favorable fiscal times, they should.

So it figures that questions are being raised about government tax credits. After all, government wants all the tax revenue it can generate, so credits must be a bad thing — right?

In Iowa, Pat Grassley, chair of the House Appropriations Committee, introduced a bill that would cap and then cut how much the state issues in tax credits. Grassley, R- New Hartford, is the grandson of veteran U.S. Sen. Chuck Grassley, who has a reputation for asking the tough questions and challenging how government spends money. Like grandfather, like grandson.

The younger Grassley's state legislation would set a ceiling of $400 million in tax credits for next fiscal year — the current projection is $426 million — then cut them by $10 million a year until they reach $370 million.

Not only does Grassley want to limit how much tax revenue the state forgoes through tax credits, ceilings would allow officials to have a firm number, rather than a projection, when setting budgets.

Meanwhile, the Muscatine-based Public Interest Institute recently released a staffer's essay taking specific aim at tax credits granted for research activities. Jennifer T. Crull, an IT specialist, argued that tax credits for certain activities put government in the position of "picking winners and losers" — and that nearly all the "winners" are a few large corporations. Crull recommends lowering income tax rates to make the playing field level.

Certainly, government spending and taxation policy should always be on the table. It is reasonable and expected for lawmakers to conduct a periodic review to assess their effectiveness, efficiency and oversight. Unfortunately, there seems to be less of that and more of what Grassley is doing — setting numbers before knowing the full story about tax credits overall.

Some critics suggest that tax credits are a needless government give-back to corporations (mostly) for doing what they would have done anyway.

We can't speak to all tax-credit programs, but we have seen how historic tax credits (state and federal) made key transformational projects in Dubuque possible. From the Roshek Building to the Millwork District to the Hotel Julien Dubuque down to the River Lights Bookstore building, there are renovation and rehabilitation projects that simply would not have come together without tax credits being part of the financing package. Other communities — Mason City is one example — have found that tax credits made the difference between the renovation of a historic area and tear-downs.

Renovation of older buildings helps communities retain their history, character and image. And it can help them attract and retain employers. The prime example is IBM, whose officials said one major reason for picking Dubuque for a service center was the availability of space in the Roshek Building. IBM could have gone into any old office park, but officials wanted a site with character.

And there are others key considerations for government officials and taxpayers.

For starters, don’t assume that a renovation project would happen regardless of whether tax credits are available.

Also, don’t assume that tax credits represent money down the drain. Businesses and lenders who work in this area note these projects overall generate more revenue for government (through increased taxes, employment, etc.) than it released through credits.

All tax-credit programs are not the same. Before lawmakers (state and federal) start applying the same broad brush to all of them, it is incumbent upon them to discern which are working, which are not, and the benefits versus the costs.

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