With Idaho's tax cuts, faith trumps facts

Marty Trillhaase/Lewiston Tribune

Nobody in Boise thinks to ask whether tax cuts pay off in economic growth. Lawmakers and governors just plow ahead. The latest example sliced $36 million from the tax burden carried by higher-income families and corporations - at the expense of schools, higher education and health care.

Would it make any difference if they did?

Economically driven tax cuts have become a $9 billion business. With states struggling to recover from the Great Recession, some are beginning to demand accountability from firms receiving these tax goodies.

Says the Pew Center on the States: 13 states, including Washington and Oregon, are pursung the right questions. Another 12 are trying. But half, including Idaho, ask no questions at all.

To its review, Washington brings a citizen commission, legislative staff, tax specialists, revenue forecasters and the public. All to the good. But what do these reviews turn up?

Read the Pew report and you find:

- When Massachusetts' Department of Revenue looked at that state's incentives to draw in movie makers, they found it created 1,643 jobs. To provide the tax breaks, the state cut its own budgets enough to force the loss of 1,421 public-sector jobs. Net gain: 222 jobs, each one costing $300,000 in tax breaks. The next year was worse because the state lost more on the film tax credit than it got back.
- Wisconsin's film tax credit landed a major production, "Public Enemies," starring Johnny Depp and Christian Bale. The film company got $4.6 million in tax credits. It spent only $5 million within Wisconsin.
- Louisiana once claimed one of its tax benefits generated 9,000 jobs. Upon closer examination, it found fewer than 3,000 jobs were created.

When it comes to incentives, you can never be sure a company would have invested in a community even without tax breaks.

You might cannibalize your economy. Building a shopping mall outside a city doesn't do much good if it drives out downtown stores and jobs.

Spend local and state tax dollars attracting a new enterprise - and it might employ people from elsewhere.

Then there's the question of timing. How soon after handing out tax breaks will a state get the desired economic growth?

Almost nowhere, however, will you see any tax incentive shown to be so unexpectedly and wildly successful that a state wound up with far more jobs and wealth than its leaders could have hoped.

Nor will you hear much about the opportunities lost when a state allocated resources luring businesses with tax credits from money that would have gone to educate young people or build infrastructure.

For more than a decade, it's been documented that businesses care far more about having a skilled work force, good schools and transportation systems. Taxes - not tax breaks - pay for those things.

It's worth asking what lawmakers in Olympia or Salem might do when they reach such insights. At least they're trying.

But Idaho's tax-cutters would rather fly blind. Are they so imbued by the spirit of trickle-down economics that they are in need of no facts?

Or is economic development merely a slogan, extending political cover to the real agenda: lowering taxes for their friends while strangling the "beast" of public schools and state government? - M.T.