Testimony Regarding the Use of Certain Public Tax Incentives
Presented to Rep. Sean Tarwater, Chair and Committee
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Dear Representatives:

Beginning as early as the 1970s, State and local governments have used various tax incentives to promote certain public and private interests. Originally, these incentives were used to address distressed areas hoping to improve economic and/or social conditions. Today, the use of tax incentives has morphed considerably. For example, one developer sought about $610 million in public funding (CID, STAR bonds and TIF) to create a project starting with a "retail village" on "...the **hottest piece of real estate** in Johnson County." (913 LOCAL Wed. 01.14.15)

In the last few years, a growing chorus has begun to question the wisdom of the current seemingly unbridled use of various tax incentives.

- 2017: "...economic activity in areas that are part of TIF districts was 'not discernibly greater' than similar areas without TIF." (T. William Lester, Prof. UNC.)
- 2018: "There's little evidence that the economic-development incentives offered by cities and states work—except for letting politicians crow." (WSJ 12.15.18)
- 2019: "We're using [economic development incentives] to divide the pie ... not increase the pie." (Hall Family Foundation.)

In Johnson County, less than one percent of the business development receives any sort of direct tax incentive. Although the actual cost to taxpayers exceeds $10 million annually. (CY 2014 JoCo Financial report/TIF costs only. 10.05.15).

For County Government, the use of narrowly targeted tax incentives has a doubly dilatory effect on families and taxpayers. While taxes are collected, most if not all of those proceeds are given to the developer to build and maintain their capital investment and not to support community needs. One the one hand, proponents argue that the number of new jobs created enriches the community. Seldom, if ever, does the justification for the incentive ever disclose the type of value (salary) of the jobs being created. In 2017, one approved tax break worked out to be about $177,000 per job created.

In the retail environment, many, if not most, of the jobs created are at minimum wage rates ($15,000/year). Even at 200% of minimum wage, the so-called living wage, workers barely make half of the amount needed to cover household expenses in Johnson County ($56,000/Median). Consequently, an ever-increasing number of workers and families must seek public assistance to survive. This includes supports for food, housing, transportation, education, judicial, medical, mental and social services. So while the developers use taxes collected to fund their capital investment, taxpayers assume the additional cost for these community supports.

As noted by the Kansas City Federal Reserve,

> ...tax incentives narrowly targeted at one or a handful of businesses may lower government services and increase the tax burden for existing residents and businesses. Rather than narrowly targeting incentives, more effective public policy might focus on policies that broadly benefit local businesses and residents, both existing and new.

For County government, this is the classic case of: **"If you're not *at* the table, you're *on* the table."**

Thank you.