

Critique of the Incentive Evaluation Commission's Tax Incentive Evaluation Report: 2016 – Summary*

Byron Schlomach

Oklahoma's Incentive Evaluation Commission (IEC) is a blue-ribbon panel assigned the task of reviewing the many business tax incentives and subsidies that litter the state's tax codes. Based on the IEC's work so far, there is reason to be disappointed. In its first completed round-robin review, it evaluates eleven programs and suggests retaining seven of them. The potential budget impact is a mere \$3 million when the recommendation on wind tax subsidies is excluded, since wind subsidies are already widely viewed as on the chopping block.

This report explains why nine of the eleven reviewed incentive programs, instead of only four, should be eliminated (see the chart on back), for a total budget impact of \$93 million with wind subsidies excluded (\$206 million with wind included). In addition to providing specific critiques of reviewed incentives, the paper explains why tax incentives and subsidies are bad policy in general.

Maryland, North Dakota, and Virginia have more incentive programs than Oklahoma. The IEC could, and should, be the first step in a broader tax reform effort in Oklahoma that could mimic the 1986 federal income tax reform. Instead, the IEC seems bent on keeping the status quo. Reasons for the IEC's lack of boldness so far might include how it is structured, how it conducts its business, and methods employed in its analyses, as explained in the review.

Since the IEC appears likely to retain most incentive programs, its impact on the state's fiscal future will be negligible, so the IEC should be repealed and disbanded.

[Chart on Back >>](#)

This paper, in its entirety, can be found at www.1889institute.org/corporate-welfare.html.

Byron Schlomach is Director of 1889 Institute and Scholar-in-Residence at the Institute for the Study of Free Enterprise at Oklahoma State University.

Nothing written here is to be construed as necessarily reflecting the views of the 1889 Institute or as an attempt to aid or hinder the passage of any bill before the Oklahoma Legislature. © 2017 by 1889 Institute.

*This is a summary of: Byron Schlomach, *Critique of the Incentive Evaluation Commission's Tax Incentive Evaluation Report: 2016* (Oklahoma City, OK: 1889 Institute, March 2017), available at www.1889institute.org/corporate-welfare.html.

IEC versus 1889 Institute Incentive Recommendations

	Incentive	IEC Recommendation	1889 Institute Recommendation
1,2,3	Aerospace Engineering Incentives	Retain all three tax credits	Repeal all three tax credits
4	Tax Credit for Electricity Generated by Zero Emission Facilities	Eliminate wind credit but retain others through 2021	Repeal all zero emission credits
5	Aircraft Excise Tax Exemptions	Reconfigure around a policy goal	Reform the fly-away exemption only; otherwise, retain, since the policy goal of avoiding tax pyramiding, double-taxation, and taxing taxpayers is obvious
6	Five Year Ad Valorem Property Tax Exemption for Manufacturing	Retain, revising eligibility	Repeal, honoring previous agreements
7	Historic Rehabilitation Tax Credit	Retain with a cap	Repeal immediately
8	Oklahoma Capital Investment Board	Do not renew	Agree; do not renew
9	Industrial Access Road Program	Repeal	Retain with transparency
10	Film Enhancement Rebate Program	Allow sunset in 2024	Repeal immediately
11	Quality Events Incentive	Retain and reconfigure	Repeal immediately