

Developers defend tax incentive

by M. Scott Carter

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OKLAHOMA CITY – With a legislative task force set to release its final report about the state's tax incentive system before the holidays, some lawmakers are calling for wholesale changes to the system, including the elimination of all transferable tax credits.

Other state officials are urging caution.

And fans of at least one of the credits being considered for junk heap – the historic preservation tax credit – are pushing to keep the credit, calling it vital for future economic development.

But now that the work of the legislative task force is drawing to a close, the future for many state tax incentives – and those incentives that are transferable – looks bleak. And task force chairman state Rep. David Dank, R-Oklahoma City, said his first goal would be the elimination of any transferable tax credit.

"I firmly believe that we must end forever the creation of tax credits or other incentives that are transferable," Dank said at the task force's most recent meeting. "Taxpayer dollars should never be traded around to the highest bidder in a shell game like some we have seen. Any tax credit should, at a minimum, benefit only the recipient."

But many supporters of transferable tax credits – including the historic preservation credit – say the incentives are necessary for economic growth.

Designed to offset 20 percent of the cost of refurbishing a new structure, the state historic preservation credit works in tandem with a similar federal credit. Projects must be approved on the federal level before they qualify.

And the credit, developers said, is a major tool used to reclaim aging, historic buildings.

"If they eliminate this credit, it destroys a very important incentive that enables projects to get built, projects that would never otherwise happen," said Oklahoma City developer Chuck Wiggin. "I've been to meetings with developers and property owners who have been involved in these redevelopment projects and every single person will give the same answer: Without the credit the projects don't get built."

Wiggin, who developed Oklahoma City's Skirvin Hilton Hotel and the Mayo Office Building in Tulsa, said the historic preservation tax credit was a key element of both projects.

"People cherish these old buildings because they have meaning and because they are part of their lives," he said. "And when we redevelop a new building, there are taxes paid on materials, and the employees pay taxes and the construction company pays taxes and the contractor pays taxes and so on," he said.

The credit, Wiggin said, generates more revenue than it costs taxpayers.

Oklahoma Historical Society Executive Director Bob Blackburn said the tax credit was the tool that caused a giant leap in historical redevelopment.

"The single greatest leap has been the impact of the tax credit," Blackburn said. "Nothing else has worked like that. Not the federal grants, not the listing on the federal register. Nothing has had the impact of the tax credit. It's been the most important leap forward."

Dank, however, remains unconvinced; during several meetings of the task force, the Oklahoma City Republican questioned the need for the historic preservation credit.

"There is a simple need for people to take personal responsibility," Dank said in July. "If you want to turn an old building into a pizza parlor, go for it, but don't expect the taxpayers to

foot a major part of the bill for you.”

During the summer, Dank said he grew concerned about the way the credit was used after a trip to downtown Oklahoma City. He said he noticed that a building in the Film Row district had been refurbished and was now the home to a pizza parlor and T-shirt printing shop.

“Are pizza parlors really what we are after with these tax credits?” he said at the task force’s first meeting. “And most of all, would landlords still attract pizza parlors without them? The vast majority of buildings either constructed or renovated don’t get tax credits at all. So, I really do question the value of these tax credits as economic drivers.”

Wiggin countered that the credit had a significant effect on the state’s economy.

“If you take them one at a time and ask, you’ll see they generate revenue,” he said.

Still, not every member of the task force was ready to completely eliminate transferable credits. State Treasurer Ken Miller said he supported tighter controls for tax credits and a new provision in state law that would sunset every credit, but stopped short of calling for the elimination of all transferable tax credits.

“I’m still trying to get my head around that,” he said. “I think we need more facts. We’ve heard lots of rhetoric, but we don’t have all the facts we need.”

And while Miller acknowledged that some credits – such as those for Rocketplane or Great Plains Airlines – had been abused, he said other transferable credits were successful.

“One of the things I ask myself is if the Legislature has already voted and agreed to pay the cost of the credit and the credit has provided a benefit, then why does it matter who gets that credit?” Miller said.

For developers like Wiggin, the debate surrounding the historic credit and its transferability comes down to a simple equation – cost versus benefit.

“We redeveloped the Mayo Office Building,” he said. “But we hadn’t been thinking about it until the city brought this up. This is one of those projects that no one ever dreamed of doing before. But now, you have it 100 percent occupied. I would think that the city of Tulsa would say, ‘Boy, are we glad this happened.’ The credits, they are absolutely defensible.”