

# ails ard

ts

chandise  
main



14

es regulators, is sure global in- ortable with Ali- household name atively unknown t's important be- g could raise \$20 making it one of story. estors say there left, from how ny charges mer- eting and adver- to guidance on spending plans. s the key ques- to the backpage

Street: Alibaba's elation..... C10

# Firms Cash In on Tax-Credit Arms Race

By EMILY CHASAN

U.S. states are digging deeper into their pockets, offering businesses lucrative tax credits for everything from brewing beer to renovating buildings, in an effort to spur economic growth and create jobs.

Companies are finding the new state tax credits especially alluring because many of their biggest federal tax breaks expired at the end of last year. What's more, an increasing number of the state credits are refundable or transferable, meaning they can guarantee a company cash regardless of the size of its state tax bill.

Some 46 states now offer such tax credits through more than 200 different programs, compared with only a handful of states a decade ago, and exchanges are popping up to help businesses trade them.

States should "start a new reality show and call it 'Tax Credit Wars,'" said Paul Gevertzman, a partner in accounting firm Anchin, Block & Anchin LLP.

Companies in industries targeted by the states can qualify for transferable tax credits. Those credits allow businesses that don't expect to owe much in taxes to sell the credit to a company facing a larger tax burden.

About half of the transferable credits, for example, target the movie industry, aiming to attract high-paying film jobs. But out-of-state production companies



A bottling plant run by Brooklyn Brewery, which gets a New York tax credit worth \$350,000 a year.

rarely incur state tax bills.

New York, which has one of the widest arrays of refundable and transferable tax credits of any state, now offers a refundable credit for breweries. Refundable credits reimburse a company for its investments, even if it doesn't owe any state taxes that year.

The New York credit was introduced after a state court struck down exemptions for brewers that could have raised their tax bills immediately.

Without the credit, "we and

many other brewers would have been forced to slow down expansion and hiring," said Robin Ottaway, vice president of sales for Brooklyn Brewery, one of the state's largest producers of craft beer. The refundable credit is worth about \$350,000 a year to the company, so it "allowed us to continue investing," Mr. Ottaway added.

Still, some critics worry the states may be spending too much on tax credits. Transferable credits decrease tax revenues, while refundable credits can take

money directly out of state coffers. And, because the credits can be sold, they may wind up in the hands of businesses that don't need government help.

Missouri, for example, handed out a record \$629 million in tax credits in 2012, about 10 times as much as allocated for public-safety spending last year. An audit of its three largest tax credits in March found the programs were inefficient, sometimes channeling only about half the funds to desired projects.

Please turn to the backpage