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Editorial

Uneconomic

Retailer a poor choice for tax incentives

Cabela's has a wonderful story. The sporting-goods retailer was founded, according to its Web site, literally at a kitchen table.

A Nebraska man and his wife filled orders for fishing lures until the business grew and became, 40 years later, the nation's largest outdoor sporting-goods retailer.

While this admirable history may tell us many things about American initiative and the rewards of the free-enterprise system, it doesn't explain why the state of Kentucky thinks Cabela's -- unlike thousands of Kentucky-grown retailers -- should be relieved of the obligation to pay millions of dollars in taxes here.

But that is just what the Senate Appropriations and Revenue Committee decided Monday when it voted 14-1 to award tax breaks to Cabela's if it builds a store along Interstate 65 at Franklin, near the Tennessee border.

The point of this gift is, apparently, economic development, even though Kentucky has long shied away from giving tax breaks to retailers. Cabela's, which builds huge stores with aquariums and mini-taxidermy museums and other displays, made the cut on its appeal as a tourist attraction.

Cabela's, which has received economic incentives in 13 of the 14 locations where it has built stores, is apparently quite practiced at making its case.

There are a lot of problems with this. Aquarium and all, it is still retail, and most of the jobs are going to be part-time and low-wage. Other Cabela's stores have drawn millions of visitors, but think, again, about the jobs that produces.

There's little work pumping gas anymore, but perhaps some chain restaurants will be hiring. It's hard to believe Cabela's will draw many overnight visitors, but even if it does, that only produces more rooms to clean.

This won't put Kentucky on the fast track to join the knowledge economy.

The bill that passed out of committee allows Cabela's to recoup 25 percent of the cost to build, furnish and equip a store. A store can cost \$40 million to \$80 million,

depending on size and other factors. We could be talking about at least a cool \$10 million in lost revenue for Kentucky.

That's a steep price to attract low-end jobs and import competition for Kentucky retailers who don't get tax breaks.