

318 2nd Ave. N • Mount Vernon, IA 52314

[www.iowapolicyproject.org](http://www.iowapolicyproject.org)

FOR RELEASE 1 P.M. CDT, THURSDAY, MAY 15, 2003

CONTACT: Mike Owen (319) 643-3628  
[ipp@Lcom.net](mailto:ipp@Lcom.net)

## Myths vs. Reality: Tax Cuts and Economic Growth Researchers Say Iowa Already Competitive, and Tax Cuts Won't Help

IOWA CITY, Iowa (May 15, 2003) – If Iowa legislators and the governor are serious about improving the state's economy, they will turn away from tax and budget cuts and toward investments in public services, according to a new report.

“Too many Iowa policy makers take it as an article of faith that tax cuts bring economic development. It's largely a myth,” said Peter Fisher, research director of the Iowa Policy Project and a co-author of the new report. “Likewise, Iowa's leaders need to understand that our state already is competitive on taxes in the region and the nation, but our competitiveness will be eroded by drastic cuts in public services.”

Fisher and IPP Research Analyst Elaine Ditsler concluded taxes generally have a minimal impact on economic growth, and said it is important to critically examine grounds cited by tax-cut proponents for their claims.

“Research on the subject leaves little doubt,” Fisher said. “Many factors determine where businesses invest: access to markets, availability of skilled labor, wage rates, quality of public infrastructure, to name a few. The impact of state taxes on economic growth is dwarfed by these other factors.”

The Fisher/Ditsler report challenged a recent report by the Public Interest Institute in Mount Pleasant, titled “Tax Reduction and Economic Growth in Iowa,” which attempted to justify new tax cuts in Iowa as holding promise for economic growth. They noted several flaws in the PII analysis, including reliance on comparisons of states' top income tax rates, instead of the effective rates that people actually pay in those states.

In addition, they noted Iowa is not a high-tax state, contrary to the views commonly expressed by politicians in Des Moines. The Iowa General Assembly will be returning May 29 for a special session, with some lawmakers pushing for major changes in Iowa's income tax structure.

“While people are selling tax-cuts for Iowa's wealthiest taxpayers on grounds that it would cause new investment in Iowa, their arguments ignore the serious impacts on tax fairness and services,” Fisher said. “It's even more unfortunate that they are ignoring the facts about whether their plans will do what they claim. And it's clear, they will not.”

-- more --

The Iowa Policy Project is a non-profit, non-partisan research organization headquartered in Mount Vernon, Iowa. The IPP engages scholars at Iowa's public and private colleges and universities to perform research on issues of importance to the citizens of Iowa. IPP reports are available to the public, free of charge, on the web at [www.iowapolicyproject.org](http://www.iowapolicyproject.org).

-- 30 --

For more information, see <http://www.iowapolicyproject.org>.

For interviews with Peter Fisher or David Osterberg, contact Mike Owen at (319) 643-3628 or [ipp@Lcom.net](mailto:ipp@Lcom.net)