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Governor Sets Strong Goal for Tax Fairness Effort to Close Loopholes Would Help Iowa Business, and Treasury

MOUNT VERNON, Iowa (Jan. 15, 2008) — Long overdue reforms to make business taxes more fair to Iowa-based firms and to improve recycling efforts are part of Gov. Chet Culver's proposals in his "Condition of the State" message today.

"It's good to see the governor moving so strongly on closing tax loopholes," said Peter Fisher, research director of the nonpartisan Iowa Policy Project (IPP). "The method he is proposing would — as he stated — 'level the playing field' for Iowa-based, Iowa-focused businesses against unfair competition by larger, multistate corporations.

"Corporate taxes have been on the decline for years as accountants found ways for large multistate firms to avoid paying taxes. This proposal raises revenues without raising taxes, and small-business advocates should be getting behind this plan."

The Iowa Fiscal Partnership has produced several reports on the issue of closing corporate tax loopholes. The most recent is available at <http://www.iowafiscal.org/research/070411.html>.

Another is a tax loophole guide from 2004, "Everything You Wanted to Know About Closing Tax Loopholes and Balancing Iowa's Budget ... But Were Afraid to Ask." It is available at this link: <http://www.iowafiscal.org/research/040204.html>.

Culver proposed "combined reporting," a method of assuring that businesses operating in several states including Iowa pay taxes due in Iowa. Loopholes in current law allow some profits earned in Iowa by multistate corporations to be shifted to other states, reducing their Iowa tax. State officials have estimated this change would save \$60 million to \$100 million for the state treasury.

The governor also proposed an expansion of Iowa's bottle deposit law to cover beverage containers for now-popular beverages, such as sports drinks and bottled water, that were not envisioned when the original deposit law passed in 1978.

"As the governor noted, the original law was a bipartisan initiative, and it's going to take bipartisan interest to finally get this issue past the special interests that have repeatedly beaten back attempts to improve it in recent years," IPP executive director David Osterberg said.

The Iowa Policy Project produced a set of concise fact sheets for use by legislators and the public when bottle law revisions were proposed in 2005. They are available at:

<<http://www.iowapolicyproject.org/2005docs/050316-BottleFacts1.pdf>>

<<http://www.iowapolicyproject.org/2005docs/050329-BottleFacts2.pdf>>

<<http://www.iowapolicyproject.org/2005docs/050418-BottleFacts3.pdf>>

Osterberg said it would be important for legislators to carefully review the governor's proposal to expand the deposit from 5 cents to 10 cents, and setting aside 2 cents of that for funding of environmental programs and for bottle and can handlers.

"Part of that idea is to raise revenue," Osterberg said. "It is important to fund environmental protection after many years of stagnation or decline. However, we need to be careful to assure that efforts for green policy don't impose costs disproportionately on lower-income Iowans."

Osterberg also noted Culver's proposal for a 25 percent renewable energy portfolio standard by 2025 for Iowa.

"This is a strong and achievable goal," Osterberg said. "We and others have shown that public policy can drive clean, renewable energy strategies. The governor's interest in this issue will be important to moving forward."

The Iowa Policy Project (IPP) is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon. IPP reports on environment and energy, budget issues, and job and income trends are available on the web at <http://www.iowapolicyproject.org>.

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