

Iowa Fiscal Partnership *news release*

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Challenge to the ‘7-Cent Swipe’ Hearing Monday on Grocers’ Subsidy on Food Stamp Purchases

DES MOINES, Iowa (June 8, 2008) — Legislators will hear arguments Monday about \$1 million in taxpayer subsidies to retailers who sell groceries to low-income Iowans.

For each time a card is “swiped” through the electronic benefit transfer (EBT) system now used for food stamp benefits, retailers get a 7-cent fee. Iowa retailers receive about \$500,000 in state funds and \$500,000 in federal funds from that fee.

“The 7-cent swipe is a special-interest windfall for grocers without any public benefit,” said Lily French, research associate at the nonpartisan Iowa Policy Project (IPP).

“It might seem like a good deal to the grocers, but why should the state pay it? Iowa is one of only six states offering such a subsidy — and Iowa’s is the largest.”

The issue is scheduled for a hearing Monday before the House-Senate Government Oversight Committee at 1 p.m. in the State Capitol, Room 103, the Supreme Court Chamber. Representatives of the Iowa Department of Human Services (DHS), human services advocates, and the grocery industry are scheduled to speak to the committee.

Legislation supported by DHS to strip the provision from Iowa law has failed to advance in recent years, including the 2008 session. DHS has noted Iowa’s 7-cent fee is larger than that of any of the other five states offering the subsidy. Forty-three states have not offered such a subsidy; a 44th state, Wisconsin, had an 8-cent subsidy in place and repealed it in 2003.

Retailers have defended the subsidy claiming they have costs of using the machines that accept food-stamp electronic benefit transfer (EBT) cards. However, they are not subsidized to accept credit or debit cards, and instead pay a fee for the ability to make those transactions — one example of how they seek special treatment for accepting food assistance cards from the poor.

“Two things are being missed here,” said Victor Elias, senior associate for the Child & Family Policy Center (CFPC). “First, the state saves grocers money with the EBT system, so the subsidy is just icing on the cake. Second, grocers did not receive a subsidy back when they accepted food-stamp coupons, which was a far more costly procedure for them.”

“Now, the state has a more cost-effective system in place for them, and they want a subsidy on top of it — to accept payment for products on which they already are making a profit,” Elias added.

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The grocer subsidy was one of several business giveaways that Iowa legislators left in place in 2008. The Iowa Fiscal Partnership — a joint budget policy initiative of the IPP and CFPC — has illustrated other areas where business tax breaks and subsidies are costing the state millions of dollars every year. Among those: corporate tax loopholes, and research subsidies to companies that pay no state income tax.

“This is just one more example of the way Iowa taxpayers foot the bill for wasteful giveaways to business,” French said. “The grocer subsidy is much smaller than the tax loophole issue, and the RAC problem. But it’s still a waste of money that Iowa could address.”

The Iowa Fiscal Partnership (IFP) is a tax and budget policy analysis initiative of two nonpartisan, Iowa-based organizations — the IPP in Iowa City/Mount Vernon and CFPC in Des Moines. IFP reports are available at <<http://www.iowafiscal.org>>.

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