

FOR RELEASE WEDNESDAY, DEC. 7, 2011
CONTACT: Mike Owen (319) 338-0773, ipp@Lcom.net

Iowa isn't only loser as corporations escape taxes ***Report finds corporate tax avoidance costly across nation***

IOWA CITY, Iowa (Dec. 7, 2011) — Iowa is not the only state losing millions of dollars to corporate tax avoidance, a new nonpartisan report shows.

“While the need for corporate tax reform in Iowa has already been made clear, this report shows how ingrained the notion has become among the nation’s most profitable corporations that they don’t need to contribute to public services,” said Peter Fisher, research director of the nonpartisan Iowa Policy Project and an author of reports on corporate tax issues for the Iowa Fiscal Partnership.

“It’s wrong to see giant corporations not paying their fair share for services from which they benefit, such as education, police protection and clean water. Instead, they are leaving hard-working families to bear the cost. Iowa lawmakers need the courage to stand up to the corporate lobby at the Capitol.”

The [report](#) from Citizens for Tax Justice (CTJ) and the Institute on Taxation and Economic Policy (ITEP) examined 265 Fortune 500 corporations that fully disclosed state and local taxes, finding that together, they paid state income taxes equal to 3.0 percent of their U.S. profits from 2008-10. This compares to an average state corporate tax rate of about 6.2 percent.

“That means that over this period, fully half of their profits escaped state taxes entirely,” the report stated.

Among the report’s findings:

- Sixty-eight companies managed to pay no state income tax at all in at least one year from 2008 through 2010, despite telling their shareholders they made almost \$117 billion in pretax U.S. profits in those no-tax years.
- The 265 companies in the study avoided a total of \$42.7 billion in state corporate income taxes over the three years.
- Some companies, such as DuPont, Goodrich, International Paper and Intel, paid no net state income tax over the full three-year period.

While the companies in the CTJ/ITEP survey do not disclose state-by-state profits and taxes, state law in Iowa requires some minimal disclosure regarding use of the Research Activities Credit, which permits companies not only to escape tax, but to receive subsidy checks from the state as well.

“We have already seen that Iowa’s Research Activities Credit not only means DuPont pays no state income tax, but in fact receives a very substantial subsidy from Iowa taxpayers in the form of a ‘refund’ check,” said Charles Bruner, executive director of the Child & Family Policy Center in Des Moines.

Bruner noted DuPont is one of three companies, with Rockwell Collins and Deere and Co., that in 2010 shared over \$30 million in checks from the state while paying no income tax, according to a report last February by the Iowa Department of Revenue.

[That state of Iowa report](#) showed that, in all, 133 companies received \$43 million in RAC “refund” checks from the state of Iowa while paying no income tax.

The CTJ/ITEP report cites opportunities state by state where the corporate tax code could be tightened. One idea that has been proposed by Iowa’s last two governors, Tom Vilsack and Chet Culver, but has not reached a vote on the floor of the House or Senate, is to close tax loopholes with a device called “combined reporting.”

Combined reporting is used in 23 states including Iowa’s neighbors of Illinois, Wisconsin, Minnesota, Nebraska and Kansas. This law does not permit companies to shift profits across state lines to avoid tax.

The Iowa Fiscal Partnership is a joint initiative of two nonpartisan, Iowa-based groups, the Iowa Policy Project in Iowa City and the Child & Family Policy Center in Des Moines. Reports are at www.iowafiscal.org.

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