



## **GUEST OPINION**

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### **Auto-pilot tax credits add millions to Iowa firms**

**By Mike Owen**

So, what do you think of the \$36 million the state of Iowa set aside for 140 companies that didn't pay any income tax last year?

What? You didn't hear about it? I'm not surprised — that's just the way those companies want it.

Fortunately, information is available on the Iowa Department of Revenue website. Check <http://www.iowa.gov/tax/taxlaw/RACReport13.pdf>.

That link gives you a four-page report that explains the use of what is known as the Research Activities Credit (RAC) during 2013.

Further, because this tax credit is "refundable," it tells how much of the \$53.3 million in 2013 corporate claims was paid as "refund" checks — \$36.3 million. Those payments only go to individuals or corporations that had no tax liability and thus had to pay no income tax.

For a summary of that report and comparisons to the previous three annual reports, go to the Iowa Fiscal Partnership website: <http://www.iowafiscal.org/big-money-big-companies-whose-benefit/>.

The credit is expensive, taxpayers foot the bill, and it's a budget choice that is being made on autopilot. It's automatic spending that those companies don't even need to ask the Legislature to approve. It's a done deal before lawmakers start marking up a budget, because its standing is locked into current law.

And, importantly, the Department of Revenue's analysis has demonstrated no real impact of this credit on the amount of research done in the state. Proponents have not demonstrated any return on the investment of public dollars — nor are they required to do so.

But it is indeed a budget choice, with no less effect on the state's bottom line than if the same \$36 million were appropriated to schools, or police, or clean water enforcement.

When the Iowa Fiscal Partnership started raising this issue several years ago, the media and many legislators were interested. A special tax-credit review panel in 2010 recommended doing away with the checks — its proposal would only let companies use the credit to reduce tax liability, but not to get a check on top of it.

Iowa seems to have tired of worrying about it. It's only \$36 million, after all. Of course, it will be many millions more this year, and next year, and the year after that. And it's not like we have anything else to spend the money on.

Or is there?

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