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## ***No Income Taxes, Big Checks from the State***

***Lucrative program lets big companies erase taxes, and get extra in checks***

IOWA CITY, Iowa (Feb. 11, 2015) — More companies are benefiting from a lucrative tax subsidy that permits large, profitable corporations to get checks from the state without paying any Iowa income tax.

The latest annual report from the Department of Revenue on the use of the Research Activities Credit (RAC) shows that 248 companies claimed \$51 million from the program in 2014, one-third more than the highest number of companies in the last five years.

Most of the credit claims — \$34.8 million, or 68 percent — were paid out as checks, not as tax reductions.

“Most notable is that Iowa continues to give a lot of money to companies that aren’t paying income tax. There were 181 companies that received RAC checks from the state because their tax credits exceeded their income tax liability,” said Mike Owen, executive director of the nonpartisan Iowa Policy Project in Iowa City, part of the Iowa Fiscal Partnership.

“The \$35 million that went to those 181 companies could have provided 1 percent supplemental state aid for public schools, or it could have gone to other public services, if it had been part of budget discussions. But the state does this kind of spending outside the budget process.”

The report, released Wednesday, also shows:

- Only 16 companies — or 6.5 percent — claimed 83 percent of the benefits and at least 75 percent of the checks.
- Those 16 companies each had at least \$500,000 in claims, totaling over \$42 million in 2014.
- The top five companies benefiting from the credit have been the largest beneficiaries over the last five years: Rockwell Collins, Deere & Co., Dupont, John Deere Construction and Monsanto.

“Those are highly profitable companies. We need to be asking whether it makes sense, when school budgets are tight and enforcement of environmental and workplace laws are weak, to be subsidizing these businesses to do research that they already would have to do, and can afford to do on their own,” Owen said.

Owen noted a special tax credit review panel appointed in 2009 came back in 2010 with many recommendations to curtail spending on business tax credits — including elimination of the so-called “refunds” of the research credit.

Rockwell Collins was the biggest corporate beneficiary in 2014, with \$11.7 million in claims, followed by Deere at \$9.4 million and Dupont at almost \$6.9 million.

“Careful analysis of the report shows that at least two of the top three companies received at least some of their benefits without paying any income tax,” Owen said. “Unfortunately, the good information in this report doesn’t go far enough to provide detail for Iowa taxpayers on how their money is being spent on this credit. If it did, we would know exactly how much was paid to these big companies as checks, and how much was used to erase taxes they owe.”

The report is available on the Iowa Department of Revenue website at <https://tax.iowa.gov/report/Reports?combine=Research%20Activities>.

**Most of Corporate RAC is Paid in Checks — Not to Reduce Taxes**

	Corporate Claims — Number					Corporate Claims — Amount				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
RAC	248	185	178	181	160	\$ 44,850,110	\$ 38,017,792	\$ 35,640,422	\$ 31,245,684	\$ 29,318,232
Supplemental RAC	17	22	12*	16*	17*	\$ 6,133,393	\$ 15,300,561	\$ 10,414,774	\$ 16,327,031	\$ 15,907,882
<b>Total</b>						<b>\$ 50,983,503</b>	<b>\$ 53,318,353</b>	<b>\$ 46,055,196</b>	<b>\$ 47,572,715</b>	<b>\$ 45,226,114</b>

  

	RAC Paid as Checks					RAC Paid as Checks				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
RAC	181	140	130	131	133	\$ 29,539,705	\$ 27,082,724	\$ 27,541,506	\$ 28,607,498	\$ 27,308,295
Supplemental RAC	15	19	11*	15*	17*	\$ 5,255,931	\$ 9,178,957	\$ 4,973,634	\$ 16,275,682	\$ 15,724,359
<b>Total</b>						<b>\$ 34,795,636</b>	<b>\$ 36,261,681</b>	<b>\$ 32,515,140</b>	<b>\$ 44,883,180</b>	<b>\$ 43,032,654</b>

  

<b>ALL RECIPIENTS</b>	Percent of RAC Paid as Checks				
	2014	2013	2012	2011	2010
	<b>68.2%</b>	<b>68.0%</b>	<b>70.6%</b>	<b>94.3%</b>	<b>95.2%</b>

\* Note: Supplemental RAC recipients are also recipients of regular RAC, so claim numbers are not added.

**Top RAC Recipients Constant Over Last Five Years**

	2014	2013	2012	2011	2010	5-Year Total
Rockwell-Collins	\$ 11,701,722	\$ 11,771,749	\$ 13,848,248	\$ 14,313,898	\$ 14,213,205	\$ 65,848,822
Deere & Co.	\$ 9,409,743	\$ 13,795,781	\$ 11,901,351	\$ 11,762,241	\$ 12,797,619	\$ 59,666,735
Dupont	\$ 6,856,050	\$ 8,625,513	\$ 8,539,712	\$ 7,762,928	\$ 5,949,495	\$ 37,733,698
John Deere Const.	\$ 3,234,277	\$ 4,799,201	\$ 3,360,694	\$ 2,162,782	\$ 2,198,830	\$ 15,755,784
Monsanto	\$ 1,493,410	\$ 973,534	\$ 1,743,342	\$ 1,305,188	\$ 1,848,480	\$ 7,363,954
Bridgestone Americas	\$ 1,489,544					\$ 1,489,544
CNH America LLC	\$ 1,287,836	\$ 2,082,634	\$ 703,842			\$ 4,074,312
HNI Corp.	\$ 1,257,660	\$ 692,024				\$ 1,949,684
Vermeer	\$ 1,172,872	\$ 1,103,152	\$ 775,020	\$ 622,650	\$ 862,725	\$ 4,536,419
Carleton Life Support	\$ 807,543	\$ 616,462				\$ 1,424,005
Skyworks	\$ 659,791	\$ 538,998	\$ 571,457	\$ 667,515	\$ 896,127	\$ 3,333,888
Interstate Power	\$ 605,701	\$ 526,947			\$ 576,438	\$ 1,709,086
Dieomatic	\$ 612,053					\$ 612,053
Syngenta Seeds Subcon	\$ 540,466					\$ 540,466
Whirlpool	\$ 511,482					\$ 511,482
Boehringer Ingelheim Vetmedica	\$ 506,133					\$ 506,133
Kemin Industries Inc.		\$ 630,381	\$ 615,147			\$ 1,245,528
Pfizer					\$ 942,184	\$ 942,184
<b>Total 500K Claimants</b>	<b>\$ 42,146,283</b>	<b>\$ 46,156,376</b>	<b>\$ 42,058,813</b>	<b>\$ 38,597,202</b>	<b>\$ 40,285,103</b>	<b>\$ 209,243,777</b>
<b>Total Taxes Erased by RAC — All Corps</b>	<b>\$ 16,187,867</b>	<b>\$ 17,056,672</b>	<b>\$ 13,540,056</b>	<b>\$ 2,689,535</b>	<b>\$ 2,193,460</b>	<b>\$ 51,667,590</b>
<b>Min. Total Checks to Top Corporations</b>	<b>\$ 25,958,416</b>	<b>\$ 29,099,704</b>	<b>\$ 28,518,757</b>	<b>\$ 35,907,667</b>	<b>\$ 38,091,643</b>	<b>\$ 157,576,187</b>

Note: Minimum Total Checks means the minimum amount that the corporations with over \$500,000 in claims received as a subsidy after all corporate income tax owed was eliminated. Claims include both the regular RAC and Supplemental RAC.

Source: Iowa Department of Revenue

The Iowa Fiscal Partnership is a joint public policy analysis initiative of two nonpartisan, nonprofit Iowa-based organizations, the Iowa Policy Project and the Child & Family Policy Center. Reports are at [www.iowafiscal.org](http://www.iowafiscal.org).