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Doak: Politicians need to end love affair with tax breaks

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Politicians must have a low opinion of people.

They seem to think there is but one force that motivates all of human behavior — the desire to avoid taxes.

At least that's the impression politicians give since tinkering with the tax code is invariably their first choice of policy tools. Their second choice, too.

When the talk turns to economic development, somebody (but not you) is about to get a big, fat tax break that you'll have to pay for. Tax giveaways are always the tool of choice.

At the national level, the entire sum total of the Bush's administration's economic agenda is tax cuts.

At the state level, we're constantly told no one will visit here or open a business in Iowa if our taxes are one itty bit higher than anyone else's.

Don't they think anyone makes any decisions on any other basis than tax rates?

Last year, amid too many young people leaving the state, the remedy proposed by some lawmakers was . . . tax breaks, of course.

They suggested eliminating the state income tax for anyone under 30.

This year, amid worries about rich retirees leaving the state, the proposed remedy is to eliminate state income taxes on pensions and Social Security. Gee, how original.

Do they really believe that people weigh one state's income taxes against another state's when making important life decisions?

My wife and I put four kids through college in Iowa and in the process met many of their friends — bright young people at the beginnings of their careers. We can't recall a single one of those young people who even knew the income-tax rate of various states where they were considering jobs, let alone made it a factor in their decision.

Similarly, I find it inconceivable that more than a handful of retirees would make a decision about where to live based on the state income tax. That decision is too important to let a couple of hundred bucks in state income tax be the deciding factor.

I wouldn't even consider living in retirement anyplace else. Our roots are here. Our grandchildren are here. Our friends are here. The church where my wife has sung in the choir for 40 years is here.

(Besides, I've always thought the urge to escape Iowa winters is overrated. When you think about it, almost everything unpleasant about an Iowa winter is associated with going to work — shoveling the drive, worrying whether the car will start, getting stuck on the way to work. If you don't have to go to work, you can just burrow in, wait out the storm and enjoy winter.)

Numbers compiled by Peter Fisher, research director of the Iowa Policy Project, seem to confirm that the state income tax is not a factor in retirees deciding where to live. He noted that most seniors don't leave the state. Less than 1 percent of people over age 65 leave the state each year, and only a minority of those move to states that don't tax pension and Social Security income. Of those moving to a warm climate, more Iowans choose Arizona, which has a state income tax, than Texas, which doesn't. Minnesota was also a popular destination for Iowa seniors, and it has higher taxes than Iowa.

Illinois does not tax retirement income, yet slightly more seniors move from Illinois into Iowa than Iowans move to Illinois. Obviously, taxes are not the sole determining factor in where people decide to live.

But they do seem to be the sole policy tool that lawmakers can come up with.

This continual chipping away at the tax base is not good for the nation or for Iowa. Already revenue from the corporate income tax is a pale shadow of its former self because of all the credits, exemptions and other special tax breaks that have been given to companies over the years. If the same chipping away keeps happening to the federal and state income taxes, then what Leona Helmsley infamously said will literally be true — that only little people will pay taxes.

If tax reform ever actually happens, the first imperative will be to get rid of all the credits, exemptions and other special tax breaks so the burden can again be spread more evenly.

In the meantime, aren't politicians smart enough to come up with some other policy tools besides tax giveaways?
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