

Iowa Fiscal Partnership *news release*

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Alarming Lack of Accountability in Tax Break Multi-Million-Dollar Checks ‘Refund’ Taxes Never Paid

DES MOINES, Iowa (Feb. 4, 2008) — A new study from the Iowa Department of Revenue shows Iowa sends multi-million-dollar “refund” checks to undisclosed companies as a research tax credit, well beyond what many of those companies pay in tax.

“This report provides alarming information on a tax provision costing Iowa taxpayers tens of millions of dollars each year,” said Charles Bruner, executive director of the Child & Family Policy Center (CFPC). “This certainly is not what lawmakers intended when they enacted this credit and it needs to be fixed.”

The Iowa Fiscal Partnership (IFP), a joint initiative of two Iowa-based, nonpartisan policy analysis groups, CFPC and the Iowa Policy Project (IPP) has noted the problem in the past, with tax loophole reports. See the IFP website <<http://www.iowafiscal.org/>>.

The Department of Revenue report and IFP analysis have shown that in 2005, Iowa taxpayers provided checks to 10 corporations that averaged \$3 million per check, although the 10 firms together owed less than \$1 million in corporate taxes to the state.

“The term ‘refund’ is really a misnomer for what’s happening with the RAC,” said David Osterberg, executive director of the IPP. “That word implies the state is returning money the company actually paid in taxes, but that’s not the case with the ‘refundable’ part of these claims. It would be more accurate to call these grants, paid by secret checks.”

IFP analysts said the research showed that limiting the size of the refund checks to \$100,000 each would save the state \$26 million annually.

“It’s interesting that the Revenue report shows that thanks to the RAC, 134 corporations paid no income tax in 2005 but got checks from the state instead,” Osterberg said. “This is something that demands a way for legislators and the public to review whether these tax breaks and secret general fund payments are serving any public purpose at all.”

Bruner agreed.

“Especially in a fiscal climate where state lawmakers have a \$350 million projected shortfall to address, this is one area that needs to be considered,” Bruner said.

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