

Iowa's tax system deserves closer look

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By Mike Owen

Iowa needs tax reform. That doesn't mean tax cuts for folks with high incomes. It means fair taxes designed to assure adequate revenues to fund our responsibilities, as the Iowa Catholic Conference pointed out with its exceptionally thoughtful statement about taxes (Nov. 6). The *Catholic Messenger* echoed the point in an editorial (Nov. 13).

As the Iowa Catholic Conference statement points out, "Tax cuts, while popular, should result from a reduction in revenue needs, not as a result of providing favors for special interests." Within that statement is a challenge to the tax-cutters: Show us what spending needs to be cut. Be specific.

For many months, we at the Iowa Policy Project in Eastern Iowa have worked with the Child and Family Policy Center in Des Moines to provide analysis and fact-based perspective on the many tax proposals that have arisen in Iowa. All of this is available on our website: www.iowapolicyproject.org.

We have framed our analysis in the light of seven generally accepted tax principles, the most important of which are fairness (basing taxes on ability to pay) and revenue adequacy (assuring that the tax structure provides the resources necessary to provide essential public services). These two concepts fit well with the two moral principles on which the Iowa Catholic Conference statement is founded, contributive justice and distributive justice.

Given these principles, we have tried to examine what real tax reform would look like. It requires an examination of the current tax structure - all of it. No picking one piece and ignoring another because it's not convenient for a political argument.

When you do this, you see that those at the lower end of the income scale pay a larger share of their small incomes in state and local taxes than do those at the high end. Tax changes over the past decade in Iowa have made this worse. Tax changes passed in 2003 but vetoed by the governor would aggravate it further if the vetoes are not upheld in court.

We also have found that much of the public discussion about Iowa taxes is based in mythology. Much of it needs to be knocked down to assure the thoughtful approach to tax reform that the Iowa Catholic Conference statement suggests is necessary. So, in the coming tax debate, keep in mind the reality of Iowa's state and local tax system:

- Iowa taxes are not fair by any standard of ability to pay.
- Iowa taxes are not high, but average by any reasonable measure.
- Iowa taxes are competitive.
- Iowa taxes are not an impediment to growth, but a loss of the services they support may be.
- Iowa taxes could be made simpler – but many of the proposals set forth on grounds of simplicity don't do the job.

These points are irrefutable. These are not the points raised by those in our state who are obsessed with the idea of cutting taxes. Don't be fooled by the politics. Review the facts at our website, www.iowapolicyproject.org.

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