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Study shows most retirees stay in Iowa

By Dan Gearino Journal Des Moines Bureau

DES MOINES -- A report released Tuesday by a liberal-leaning think tank accuses lawmakers of drastic overkill for proposing to eliminate the state income tax on Social Security and pensions.

The Iowa Fiscal Partnership uses Census data to conclude that there is little, if any, evidence that a large number of Iowans are fleeing the state to avoid taxes. "Most seniors, in fact, stay put," said Peter Fischer, an economist for the group and a University of Iowa faculty member.

He presented the report at a news conference attended mainly by House Democrats, many of whom oppose the Republican plan to phase out the pension and Social Security taxes over the next five years. The plan, once fully phased in, would cost roughly \$250 million per year, according to the nonpartisan Legislative Services Agency.

The House Ways and Means Committee voted last week to recommend the measure for debate on the House floor. Fisher cites Census data that show only 0.7 percent of Iowans 65 and older left the state for another state each year from 1995 to 2000. Of those who left the state, only about one-third moved to states with no taxes on retirement income, such as Illinois and Texas.

The majority moved to states with retirement taxes similar, or higher, than Iowa's, such as Minnesota and Wisconsin.

Despite Illinois' seemingly favorable tax climate, more seniors moved from Illinois to Iowa than vice versa; and, despite Minnesota's higher taxes, more seniors moved from Iowa to Minnesota, than vice versa, the report shows.

But Fisher doesn't doubt that some Iowa retirees leave the state for tax reasons. He said his best guess is that this number is a few hundred per year.

House Minority Leader Pat Murphy, D-Dubuque, said he hasn't decided how his party will approach the proposed tax cut. He said it's a difficult issue because retirement taxes are a high priority on the Iowa-Illinois border -- which includes his district -- but are not a big deal elsewhere.

"It varies in different parts of the state in terms of economic impact," he said.

But several Democrats have said they support the phase out, including Sens. Frank Wood of Eldridge and Joe Seng of Davenport.

Republicans, on the other hand, appear near-unanimous in their support. Rep. Jamie Van Fossen, R-Davenport, who chairs the House Ways and Means Committee, said the number of retirees who leave the state is secondary to his belief that certain types of income shouldn't be taxed. "It's a fairness issue for me," he said.

Rep. Jeff Kaufmann, R-Wilton, concedes that the argument for the tax plan is based largely on anecdotal evidence. But he said anecdotes carry a lot of weight when he hears them over and over from people in his district. "People tell me about it and I have to take them at face value," he said.

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[◀ Back](#) | [Top ▲](#)

Print Page