

Report: Iowans paying less for state services

Since 1995, Iowa's U.S. tax rank fell from 17th-highest to 36th

By James Q. Lynch
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DES MOINES — Iowans are getting a “pretty good deal” for the services they get from state government, but that’s only half of the story, according to a new report from the non- partisan Iowa Fiscal Partnership.

Since 1995, Iowa’s U. S. ranking in taxes as a percent of personal income fell from 17th-highest to 36th, Peter Fisher, research director for the Iowa Policy Project, said at the Capitol on Thursday before a presentation to the Senate Ways and Means Committee.

“Iowa’s ranking keeps falling,” Fisher said. “Iowans are paying less for state services compared with the national average and residents of most states.

“The most eye- opening comparison is the one that shows how Iowans’ state taxes have changed in the decade after 1995. Both in terms of taxes paid per person and as a percent of personal income, Iowa is now in the bottom third of all states.”

For taxpayers, he said, that’s probably good news, but not necessarily good for those who use state services. “It’s good news in the sense that Iowans are not paying a lot for the state services that they get,” Fisher said. “The question is, ‘Are we paying enough to finance the level of services that we’ve come to expect?’ “When the state cuts funding to higher education and your child has to pay 10 to 20 percent more in tuition than the year before, that is the consequence of the tax cuts.” Iowa has been much more aggressive in cutting taxes than other states, Fisher said. Between 1995 and 2004, states, on average, cut taxes about 2.3 percent. Iowa lawmakers cut taxes by 10.9 percent, according to the report.

As a result, Iowa actually collected less per person in inflation-adjusted dollars to finance state government in 2005 than in 1995, his research showed. State revenues have not kept up with growth in the state economy. There likely will be a day of reckoning, Fisher warned. The full impact of tax cuts hasn’t been felt because some haven’t been fully implemented.

When the state suffers another recession, he said, it could face the same sort of budget cuts, tuition increases, reductions in aid to local government and public employee layoffs as in 2001 to 2003, Fisher said.

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