



# The Iowa Policy Project

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## Prepared Testimony of Mike Owen, Executive Director, Iowa Policy Project Iowa House of Representatives • Ways and Means Committee Public Hearing • April 9, 2018

Supporting or opposing legislation is not really our game at the Iowa Policy Project. Rather, we analyze public policies and proposals so that all have a better understanding of their impact.

As things stand with the Governor's tax bill, while not knowing how much the House might include from an even more fiscally devastating Senate bill, we know the following:

- **The Governor's bill reduces revenues** — \$300 million by 2023 — at a time of mid-year budget cuts. *This violates a critical principle of revenue adequacy.*
- **The Governor's bill does not address rampant spending on corporate tax credits or close corporate tax loopholes.** *This violates a critical principle of accountability.*
  - The latter alone would save the state \$100 million, either to save us from further service cuts or lower taxes on working families.
  - Business tax credits — that is, business tax credits alone, not all tax credits — have spiked from \$200 million to \$400 million in just five years.
  - At the same time, business breaks are expanded for pass-through income.
- **The Governor's bill expands the already generous preferences for retiree income.** *This violates principles of fairness and equity* for taxpayers at similar incomes by focusing on the source of income, rather than the amount.

**Fairness is a big issue here.** Our state and local tax system in Iowa takes more *as a share of income* from low-income Iowans than those at high incomes. On average, Iowa taxes families in the bottom 80 percent of income at 10 percent, while taxing the top earners only 6 percent. **It is hard to imagine anyone setting out to do that if we were starting from scratch.** But that is the combined impact of our system of income, sales and property taxes.

**Where we see progress** in the discussion is that the Governor has brought the issue of federal deductibility to the table. She also would raise the standard deduction and modernize the sales tax to level the playing field for Main Street businesses (combined reporting to close corporate tax loopholes would do that as well). **In fact, many more things would be part of responsible tax reform.**

**You have an opportunity to restructure the tax code to make it more fair — overall — to Iowans across the board, *without reducing revenues for critical services.***