

## **Iowa Tax Credit Review Panel**

**Public Hearing Testimony  
Tuesday December 15, 2009  
Kirkwood Community College – Cedar Rapids, Iowa**

**Mr. Steve Evans – Former Chair & Current Board Member  
Iowa Taxpayers Association**

Good Morning! It is my pleasure to be here to represent the 154 member companies of the Iowa Taxpayers Association (ITA). ITA has been Iowa's leading nonpartisan business tax resource since 1935. Here, going into 2010, our 75<sup>th</sup> year, we join with you and others today in seeking to understand needs and concerns of all parties, reaching out to each other for answers and ideas, and then setting a course of wisdom that will make a positive difference for the people of Iowa and for those who provide Iowa jobs today and would hope to provide even more Iowa jobs tomorrow.

Members of the Iowa Taxpayers Association are the major employers and responsible businesses who are and have been significant, reliable sources of tax revenues not only to the state of Iowa, but, collectively, also to local governments and school districts throughout all 99 of Iowa's counties.

We appreciate Governor Culver inviting our group here today to discuss tax credits with the Panel assembled. We respect that the Panel is charged with reviewing the value of Iowa's tax credits as a policy matter. Our members also understand the economic difficulties that the state now is encountering, as they, too, are facing daunting economic challenges. ITA member companies have been wrestling with these difficult economic conditions for over two years and, very much like this Panel, are continually striving to foresee and achieve a reasonable return on investment in all areas of decision making.

In the globalized marketplace Iowa has a lot of good things going for it. We have the single factor apportionment formula, we have a vibrant work force, we have desirable communities to live and work in, and we have multiple industries that make up our business landscape.

It has been our experience that the best ideas are those ideas which are born from well-conceived, agreed principles, and then, as the ideas unfold and move forward, they are continually tested against the pillars of those very principles. Such an action plan would evaluate each thought or item in light of set principles, keep those in adherence to the principles, and then either conform or discard those items which do not align with the principles. As this Panel goes about its business and establishes the pillars against which Iowa's tax credits are to be fairly considered, we recommend that the following four principles be established and employed throughout the process:

1. **Congruency with Desired Economic Development.** Examine whether the Economic Development message of a given tax credit is congruent with Iowa's other policy initiatives. For example, does this credit foster and promote the nature and level of investment that leads to economic development in the location or industry which Iowa and its people desire?
2. **Creation and Retention of Jobs.** Examine the track records within Iowa or other states regarding whether a particular tax credit has indeed directly or indirectly created long-standing, quality jobs. Take important time to understand the businesses, industries, and communities presently providing jobs and related economic multipliers as a result of Iowa's tax credits. You will find that good credits, well-administered, do create and retain good jobs.
3. **Do No Harm.** Paraphrasing from the Hippocratic Oath, those who attend to the present financial ills of our state should do no harm. Examine individually each credit using well-established variables that will indicate the cost-benefit of the credit in question. If any credit proves to be directly or indirectly beneficial to Iowa jobs and investments, no harm should be done to the viability of that welcome catalyst for Iowa's economic development; rather, that tax credit should be recognized for the good it is producing, preserved within

Iowa's economic toolbox, and very likely be enhanced. Prove all things and hold fast to that which is good.

4. **Avoid Unilateral Disarmament.** The tax facts for Iowa are simple: Iowa presently offers relatively few tax incentives for investors who must offset otherwise high tax rates with the incentives Iowa offers. Iowa should not somehow choose to unilaterally disarm itself in the middle of battle for investment dollars and jobs by eliminating or capping key incentives for economic development. The fine incentives Iowa does have – single sales factor, no combined reporting, and a series of tax credits – are appreciated and actively employed by businesses to offset the state's high effective tax rates, and should be preserved.

From an investor's standpoint, Iowa presently offers a very limited array of strategic weapons in its tax incentives arsenal when our state must compete with other states to attract additional investments and jobs. New investment dollars from Iowa's current or potential businesses will be deployed where those dollars can achieve the greatest return on investment. For example, some 38 states have some form of research tax credit. Iowa is one of five of those states in offering the extra edge of a refundable research activities credits in its battle for dollars. Iowa should preserve its arsenal and similarly align and deploy its tax incentive investments where it can achieve the greatest economic return on investment. Do not lose vision, disarm Iowa and thereby place our state at severe economic disadvantage to other states competing in this global economy.

Two basic principles, or pillars, that have guided the Iowa Taxpayers Association itself have been "Stability" and "Promotion of Growth". These principles are not unlike the four pillars outlined above. A tax structure and tax credit system should be as uncomplicated as possible. Taxpayers should be able to easily understand the state's tax system and the administrative rules so as to comply with both properly. In addition, our credit system should promote - not interfere - with economic growth. The overall system should support and be congruent with our state's economic principles and goals.

In the end, there has to be a degree of predictability for taxpayers to have as an incentive is administered. The taxpayer has obligations they must comply with; the state should follow suit as well.

It has been my privilege to be employed for many years here in Iowa by MidAmerican Energy Company. MidAmerican, like other members of ITA, has invested heavily in the state of Iowa and has provided good jobs for people like me across our state. Due to the nature of its business, MidAmerican, perhaps unlike many of its fellow ITA members, does not directly benefit in large measure from the tax credits this Panel will be discussing. On the other hand, MidAmerican Energy is most interested in the economic success, viability, and growth of the state of Iowa and thereby becomes an indirect beneficiary of the state's tool box of well-conceived economic development incentives such as these tax credits. The people of Iowa similarly stand as indirect, but real beneficiaries of the jobs, benefits, and opportunities which arise only when their leaders have the vision to wisely preserve and promote such successful tools of economic development for our great state. Thank you.

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For more information on the Iowa Taxpayers Association please visit our website at

<http://www.iowataxpayers.org>.

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