

Iowa Human Needs Advocates



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Secret Checks To Corporations But No Funds For Expanding the EITC

State Issues Over \$30 Million in Secret Payments to Companies But Claims Not Enough Money to Increase Earned Income Tax Credit for Working Iowans

DES MOINES, Iowa (April 8, 2008) – Iowa continues secret check payments to Iowa corporations for Research Activity Credits (RAC) while it maintains there is not enough money in the state budget to invest in Iowa’s public systems and increase the Earned Income Tax Credit (EITC) for Iowa’s working families, according to the Iowa Human Needs Advocates (IHNA).

Since the beginning of the session IHNA has had a priority of “making the pie bigger” in order to address unmet human needs like increasing the EITC, making child care and health care more available and accessible, and helping families pay increasing home energy bills. IHNA supports closing corporate tax loopholes through combined reporting, and is now urging the legislature to put a cap on refund checks to firms receiving RACs.

In January an Iowa Department of Revenue report showed that in 2005 the state issued \$37.2 million in RACs. Of that amount the state issued \$32.8 million in “refund” RAC checks to 172 undisclosed firms, with \$29.7 million, or 90.5%, of those payments going to the top 10 firms receiving RACs.

Iowa’s RAC is a “refundable” tax credit. This means that if a firm’s RAC is greater than the amount of income tax due, the state will issue a payment to the firm for the difference. Since these payments are made through the income tax system the firms that receive these payments are confidential.

“It would be more accurate to call these refunds secret check payments to companies,” said Victor Elias of the Child and Family Policy Center. “Calling them refunds implies these firms are getting refunds for taxes paid, but in reality they are paying no income tax. However, unlike other state payments these RAC secret checks don’t go through the appropriations process. They receive no oversight by the legislature or the public, and even the total amount paid is not known until after the fact. It is more like a standing unlimited appropriation than a tax refund.”

While the top ten firms which owe no income tax received \$29.7 million in secret RAC “refund” checks from the state in 2005, about 110,400 EITC filers paid an estimated \$55 million in income taxes.

"As we head into a recession and both Iowa family's and our state's budgets are stretched, this is the wrong time to continue these stealth tax credits," said Charlie Wishman of the Iowa Citizen Action Network (ICAN). "Iowans need an expanded Earned Income Tax Credit and an investment in our public systems, not secret corporate welfare."

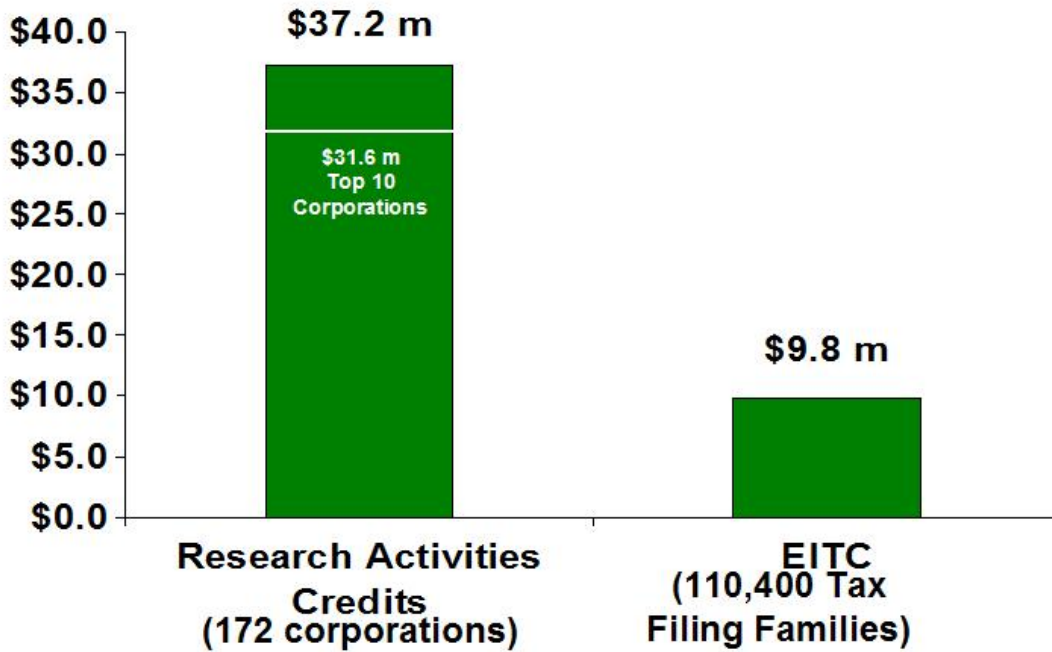
The Iowa Human Needs Advocates is asking the legislature to review the RAC, make it more transparent to the public, and limit the amount of the RAC payable as “refund” secret checks to undisclosed firms.

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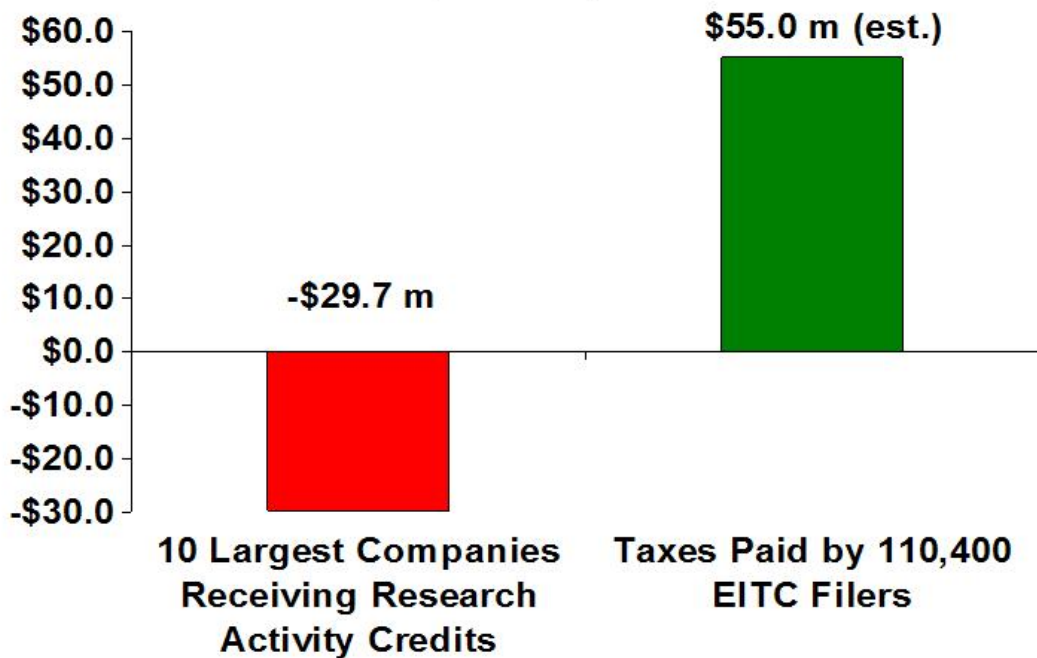
Other reports about the Research Activities Tax Credit and other tax credits are available from The Iowa Fiscal Partnership (IFP) on the web at <<http://www.iowafiscal.org>>.

<i>State of Iowa</i> <i>RESEARCH ACTIVITIES CREDITS</i> <i>State Capital</i> <i>Des Moines, IA 50319</i>		<i>Date</i> <u>2005</u>
Pay to <i>the order of</i>	<u><i>Secret Iowa Corporations</i></u>	\$32,800,000.00
<u><i>Thirty-two million eight hundred thousand and-no/cents</i></u> Dollars		
<i>"Top Secret"</i> Memo <u><i>Corporate Give Away Account</i></u>		<u><i>Iowa Taxpayers</i></u>

2005 Tax Credit Claims (in Millions)



2005 Tax Liability After Credits (in Millions)



A Matter of Priorities: Who Needs \$30 Million?

Continued secret checks to mostly going to 10 Corporations with Billions in After-Tax Earnings and No State Tax Liability

or

An expanded EITC helping 170,000 taxpaying families representing 500,000 Iowans making less than \$45,000 per year, most paying more in Iowa income taxes than federal income taxes

or

Support for home energy bills (LIHEAP) for seniors and others on fixed incomes

or

Child care subsidies to close the cliff effect and child care nurse consultants to improve child care

or

Funding to support Iowa legal aid, FadSS, FIP, microenterprise development, and other programs that can help struggling families get ahead.