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## Tax breaks for businesses raked

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A state program that has given hundreds of millions of dollars in tax breaks to Iowa businesses was criticized Monday by a policy group that said the program has not been proven to create jobs or stimulate Iowa's economy.

The enterprise zone program is aimed at boosting development in some of Iowa's most economically depressed areas. But a study by the Iowa Policy Project, which has long been a critic of tax cuts for large businesses, said the program's tax incentives don't work.

"In short, Iowa has created a monster, a practical and fiscal disaster in need of major reform," said Colin Gordon, a University of Iowa professor who worked as a research consultant on the Iowa Policy Project's study.

Advocates of the enterprise zone program say the study doesn't take a wide enough view of its benefits.

While advocates acknowledge the benefits are hard to measure, they say Iowa's strong economy provides evidence that the tax breaks work. They point to up-and-coming places such as downtown Des Moines, where many areas were blighted a decade ago before the tax breaks were widely used.

"The mechanism we've got has been absolutely central," Des Moines City Manager Rick Clark said of the tax breaks.

The program allows businesses that make at least \$500,000 in investments over a three-year period and create at least 10 jobs to tap into local and state tax breaks, including a property tax exemption for as long as 10 years on value added to the property, and refunds of state sales taxes.

Companies like Wells Fargo and Nationwide Insurance have used the zones to expand in downtown Des Moines. Other parts of the state have used the tax breaks to encourage ethanol companies to develop in their areas. Clark said he is convinced that some of the projects - and

hundreds of jobs - would have gone to other states had the tax break program not been in place.

Since 2001, more than \$350 million in tax refunds or breaks have been given to businesses under the program, according to the state revenue department. The awards have grown in recent years from \$21.8 million in the fiscal year that began in July 2000 to \$113 million in the last complete fiscal year.

The report released Monday concluded that the program inadequately targets poor areas of the state and that, largely for that reason, the tax breaks can't reasonably be credited with creating new investments or jobs.

Officials of the Policy Project, a nonprofit research group in Iowa City, recommended that the state set guidelines to better target the tax breaks and place limits on rebates.

Stephanie Bjornson, a spokeswoman for the Iowa Department of Economic Development, said department officials think the zones remain critical to sustaining Iowa's business momentum.

"Obviously, the Iowa economy is outpacing the nation, and that's a fantastic thing," Bjornson said.

Lawmakers this year have considered several efforts to revamp tax breaks given to businesses. More serious consideration will probably take place next year, some lawmakers have predicted.

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