



NEWS RELEASE

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Tax Reform Debate: Focus on Facts, Avoid Distortions

DES MOINES, Iowa (April 2, 2009) — Iowa legislators considering tax-reform legislation should focus on facts and the long-term structural foundation of Iowa's state fiscal health.

The legislation may be considered in the House of Representatives as early as Friday.

"The rhetoric surrounding this legislation is over the top. The tax bill being considered is very simple: It lowers Iowa's top rate for income tax. It's possible for this to be revenue-neutral because the bill also eliminates federal deductibility," said David Osterberg, executive director of the nonpartisan Iowa Policy Project (IPP), part of the Iowa Fiscal Partnership (IFP).

"A strong economy and sustained fiscal health depend on many things, including a competitive tax structure. By combining federal deductibility and a reduction in tax rates, this revenue-neutral legislation gives people a better idea of our actual tax rates. If we keep federal deductibility, we simply cannot afford the change," added Osterberg, who was an Iowa House member for six terms. "In addition, we get a measure of fairness that has been lacking, with rare exception, in Iowa tax-policy decisions for more than a decade."

IFP analysts said the figures provided by the Legislative Services Agency (LSA) about the effects of the total package have been portrayed many ways. IFP considers the following to be the most important points to be understood from that LSA analysis:

- For both 2009 and 2010, 73 percent of households with incomes below \$50,000 a year would see their taxes either stay the same or decrease under the reform proposal.
- During 2009, households earning below \$50,000 would not see their average taxes change by more than \$70 in either direction, as a cut or an increase.
- Overall, Iowans earning below \$125,000 would, on average, see a tax cut or no change.

"We know from our research that more than 70 percent of small business owners in the U.S. earn less than \$125,000. Because many small-business owners report and pay their state income tax on individual returns, this plan obviously helps them, too, despite many of the claims we are hearing from the big-business lobby," said IPP Research Associate Beth Pearson.

The IFP is a joint budget analysis initiative of IPP and the Child & Family Policy Center. Reports on fiscal issues are available on the IFP website, www.iowafiscal.org.

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