



# The Watchdog

An Update from Iowans for Tax Relief



Friday, January 18, 2008

First Week of Session

## **"Non refundable deposit": Governor Culver invents new term to justify \$40 million tax increase!**

### **GOVERNOR ALSO CALLS FOR 16.5% INCREASE IN CORPORATE INCOME TAXES AND LARGE STATE SPENDING INCREASE:**

This Tuesday, Governor Culver gave the annual State of the State speech and outlined his priorities for the coming year. Unfortunately, those priorities come with a very high price tag.

Governor Culver proposed more than \$100 million in tax increases to help fund his enormous budget increase (one billion dollars and 20% over two years).

One of the most egregious proposed tax increases is his proposal to increase the deposit on beverage containers from five cents to 10 cents per container and to expand the deposit to new categories of beverage containers (water bottles, juice bottles, sports drink bottles, etc.).

However, rather than returning the 10 cent deposit to consumers, the Governor proposes using two cents of the deposit for other purposes. This will raise an additional \$40 million and consumers (meaning all of us) will pay 100% of the cost.

Governor Culver calls it a **non refundable deposit**.

We call it a **TAX INCREASE!**

It is unfortunate, but all too predictable, when politicians try to hide their tax increase plans behind cute phrases and vague terminology

in an attempt to mislead the public. A "revenue enhancement", "loophole closure", or "non refundable deposit" is simply another term for a tax increase.

**Iowans for Tax Relief strongly OPPOSES this \$40 million tax increase.** Watch your mail for a Tax Action Alert in the coming week and use the information provided to get involved with defeating this ill conceived plan to tax Iowa consumers.

### **OTHER HIGHLIGHTS (lowlights) FROM GOVERNOR CULVER'S MESSAGE:**

**1. Increase Iowa corporate income taxes by 16.5%:** Governor Culver proposes raising corporate income taxes in Iowa by \$70 million by requiring businesses not headquartered in Iowa, but who have facilities and employees in Iowa, to change the way they file Iowa income taxes through a mechanism called "combined corporate reporting".

The bottom line for these businesses is a \$70 million tax increase above and beyond what they are already paying and a major penalty for doing business in Iowa.

A \$70 million increase in corporate income taxes is a 16.5% increase over the amount of corporate income tax collected in FY 07.

**Iowans for Tax Relief OPPOSES combined corporate reporting.**

Governor Culver's proposal highlights the hypocrisy of our state's approach to



# The Watchdog

A Legislative Update from Iowans for Tax Relief



## **HIGHLIGHTS (lowlights) FROM GOVERNOR CULVER'S MESSAGE, continued:**

economic development and how one hand of government gives while the other takes away.

On the one hand, we concede the regulatory and tax climate in Iowa is so costly and hurtful to job creation that we invented the Grow Iowa Values Fund to give hand outs to selected businesses, in the form of discount coupons, in order to entice them to bring their jobs to Iowa.

On the other hand, for those unfortunate out of state companies that have the nerve to invest in Iowa and create jobs for Iowans, the Governor proposes raising their cost of doing business in this state by \$70 million.

### **Does this make any sense? NO!**

Iowans for Tax Relief does not support either approach. We support broad based tax relief and regulatory reform to lower the cost of doing business in this state for ALL those wishing to invest and create jobs in Iowa.

Let entrepreneurs in a low cost free market go to work and Iowans will reap the benefits of an economy that produces quality jobs. This kind of economy should produce more than enough revenue to fund the priorities of state and local government in Iowa.

**2. Two year spending increase of \$1.125 BILLION:** tracking state spending under this administration is extremely difficult (and likely this is done on purpose). The official

budget from the Governor's office claims new spending for Fiscal Year 2009 will "only" be \$362 million. This is a six percent increase over FY 08 (as if six percent were a small increase when revenue is projected to increase by only 2.6%).

However, to make this figure "true" the Governor shifts \$178 million of off-budget spending into the FY 08 budget that should actually be accounted for in FY 09. This makes the actual increase from FY 07 to FY 08 a whopping \$763 million (or a 14% increase).

When the off-budget expenditures are added to the original increases for FY 08 and that sum is added to the other increases proposed for FY 09, the grand total is \$1.125 billion in new spending in just two years under this Governor -- **a 20% increase!**

Iowa taxpayers cannot afford a continuation of this fiscal recklessness. Governor Culver simply cannot say NO to tax increases and he certainly cannot say NO to massive spending increases.

Unfortunately for Iowa taxpayers, we currently have no constitutional protection against either unlimited taxes or unlimited spending. Iowans for Tax Relief is working to bring such limits forward.

### **IOWANS FOR TAX RELIEF UNVEILS NEW WEBSITE:**

See our new website at our same old web address: [www.taxrelief.org](http://www.taxrelief.org). This new site provides enhanced web resources to assist our members to be better citizen lobbyists.

The Watchdog is a weekly update of issues which are being considered by the Iowa Legislature. It is a service to members of Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

Comments or questions concerning The Watchdog should be directed to:  
Iowans for Tax Relief, 2610 Park Avenue, Muscatine, IA 52761. Phone: (877) 913-3600 Fax: (563) 264-2413  
E-Mail: [itr@taxrelief.org](mailto:itr@taxrelief.org) Website: [www.taxrelief.org](http://www.taxrelief.org)