



TAX ACTION ALERT

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To Our Members:

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“Non refundable deposit”: Governor Culver invents new term to justify \$40 million tax increase!

In his recent State of the State speech, Governor Culver outlined more than \$100 million in proposed 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 and we need our members to get actively involved in the fight to expose this fraud for what it is and kill it dead. See your **Personal Action Checklist** on Page 2 and get in the fight to protect Iowa consumers from this major tax increase.

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.

Iowans for Tax Relief OPPOSES combined corporate reporting.

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

Iowans for Tax Relief unveils new and improved web resources at: www.taxrelief.org

In our continuing effort to provide members with worthwhile services, the Iowans for Tax Relief home page has been entirely redesigned to make it a more useful tool for members who use the internet to stay connected to our work and become more effective citizen lobbyists.

See the website at www.taxrelief.org and check out our weekly newsletter that highlights our work at the Iowa State Capitol -- **The Watchdog**. For those of you looking for a great place to learn facts and figures on Iowa state and local government finances, go to our Tax Education Foundation website at www.taxeducationfoundation.org. **We keep you connected!**

OTHER "HIGHLIGHTS" (lowlights) FROM GOVERNOR CULVER'S MESSAGE, continued...

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.

Our Message to Iowa Legislators:

1. **We oppose the \$40 million bottle tax:** This tax will hit low and middle income consumers hard, helping to stretch family budgets to their breaking point.
2. **We oppose combined corporate reporting:** The cost of doing business in Iowa is already a disincentive to job creation. A 16.5% increase in corporate income taxes in Iowa will discourage new investment and cause current businesses to take their jobs elsewhere.
3. **We support efforts to match expenses with actual revenue:** State spending, both that approved last year and that proposed by the Governor for next year, is out of control and totally out of balance with actual revenue. Get our fiscal house in order!

How You Can Help: Your Personal Action Checklist!

- CALL YOUR STATE REPRESENTATIVE AND SENATOR, TODAY!** Talk to them or leave a message. Use one of the above messages to make your opinion clear.
Iowa Senate: 515-281-3371 Iowa House: 515-281-3221

If you don't know who is your Representative or Senator go to our website at **www.taxrelief.org** and use its "Legislative Lookup" feature or use the ITR 2007-2008 Legislative Directory we sent you last year.

- SEND AN E-MAIL MESSAGE.** You can find your Senator or Representative's e-mail address using the "Legislator Lookup" feature on our website.
- SEND THE ENCLOSED POSTCARDS.** This is another good way to make your voice heard. Add your Legislators' names, sign the post cards, put on 26 cent stamps, and mail them, TODAY!