



# The Watchdog

A Legislative Update from Iowans for Tax Relief



Friday, January 26, 2007

3rd Week of Session

## New Poll Shows Iowans Strongly Support Keeping Their Right to Deduct Federal Income Taxes on Their Iowa Returns

### IOWANS DON'T TRUST ANY "TAX REFORM" THAT ELIMINATES FEDERAL DEDUCTIBILITY:

A new Iowans for Tax Relief poll (conducted by Victory Enterprises, a Davenport based media and research firm) shows Iowans continue to strongly support keeping their right to fully deduct the amount they pay in federal income taxes on their Iowa income tax returns.

This poll of 526 randomly selected Iowans was conducted January 3 and 4, 2007 and has a margin of error of +/-4.3%.

Iowans were asked the following question:

**Iowa is one of a handful of states that continues to allow Iowans to deduct federal income tax payments on their Iowa income tax returns. This is commonly referred to as federal deductibility and is designed to ensure Iowans are not paying state income taxes on dollars being used solely to pay federal income taxes.**

**Based on this information, do you support or oppose keeping federal deductibility part of the Iowa income tax code?**

Support: 76.6%  
Oppose: 10.5%

When pushed further, 54% of Iowans said they **strongly support** keeping federal tax deductibility while only 4.4% said they

**strongly oppose** keeping federal deductibility.

Support for federal tax deductibility is strong amongst ALL demographic groups.

1. It is **NOT** a partisan issue: 78% of Democrats, 77.7% of Republicans, and 73.1% of No Party voters support keeping federal deductibility.

2. It is **NOT** a regional issue. Support for federal deductibility is strong in each of Iowa's five congressional districts: **First:** 71.4%, **Second:** 70%, **Third:** 80.8%, **Fourth:** 82.6%, and **Fifth:** 78.5%.

3. It is **NOT** an income issue. Iowans at all income levels support keeping federal deductibility: **Under \$30K:** 66.4%, **\$30K to \$50K:** 82.7%, **\$50K to \$100K:** 85.7%, and **Above \$100K:** 82.0%.

In addition, survey respondents were asked a series of questions that outline a number of pro and con arguments used by those who support eliminating federal tax deductibility and those who support current law.

The questions were designed to find if there were any circumstances under which Iowans would be supportive of eliminating federal tax deductibility.

**Pro / Con #1: Some people say federal deductibility makes our tax rates look artificially high and therefore hurts Iowa as we compete with other states for new business development.**



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## FEDERAL DEDUCTIBILITY POLL RESULTS, continued...

**Other people say federal deductibility is a matter of fairness and it's wrong to pay a tax on a tax and require payment of state taxes on income dollars that are used to pay federal taxes. Which side do you agree with most?**

Tax Rates Artificially High:	12.5%
Matter of Fairness:	72.2%

Iowans clearly view federal tax deductibility as a matter of fair tax policy and reject the notion it hinders our ability to compete with other states for new business development.

**Pro / Con #2: Some people argue federal deductibility is a huge tax break for wealthy Iowans and it should be eliminated to force the wealthy to pay their fair share.**

**Other people argue federal deductibility mostly benefits lower and middle income Iowans because it is often their largest single tax deduction, in most cases only exceeded by the deduction of the interest on their home mortgage. Which side do you agree with most?**

Tax Break for Wealthy:	18.3%
Good for Middle Class:	60.1%

Iowans view federal deductibility as more beneficial to middle and low income Iowans than to those with greater means.

**Pro / Con #3: Some people argue Iowa looks foolish and stubborn by keeping federal deductibility because most other states have eliminated this deduction and we are better off conforming to the rest of the country.**

**Other people argue history shows government's can't be trusted and the lower rates promised when federal deductibility is eliminated eventually go up and taxpayers are actually worse off than they were before. Which side do you agree with most?**

Foolish and stubborn:	16.9%
Government can't be trusted:	61.6%

Iowans simply don't trust any kind of tax reform that involves eliminating federal tax deductibility. In fact, in our polling we found no circumstance under which Iowans would be comfortable with elimination of their federal tax deduction.

Iowans for Tax Relief has led the fight to keep federal deductibility for all 28 years of our existence and we will continue to fight for your federal tax deduction in this new General Assembly.

Watch your mail box this week for another **Tax Action Alert** from Iowans for Tax Relief and learn what you can do to send the new Legislature a strong message on federal tax deductibility.

We are your voice at the Iowa Capitol, but **YOU are the voices** that will eventually win the day with Iowa Legislators!

**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.

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