



NEWS RELEASE

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EDITOR'S NOTE: The Iowa Fiscal Partnership today released the following statement from Charles Bruner at the Child & Family Policy Center, regarding the Iowa Department of Revenue's Research Activities Credit Annual Report for calendar year 2010.

IFP: Credit Showers Benefits on Non-Taxpaying Companies

At a time when unemployment in Iowa neared 7 percent and Iowans coped with steep cuts in critical state and local services, three corporations received over \$30 million in corporate subsidy checks from the Iowa Treasury. They are among 133 corporations that paid no state income tax but still received checks from the state.

This and other disclosures come from today's release of the annual report on Iowa's Research Activities Credit (RAC) for 2010. They show the fiscal scandal that the RAC has become. Rockwell Collins, Deere and Dupont had the largest corporate claims — \$14.2 million, \$12.8 million and \$5.9 million, respectively. Of that \$32.9 million in claims, at least \$30.7 million was paid out in checks, because it was above and beyond the amount of taxes those companies owed.

These are three multinational companies that together have been posting billions of dollars in profits* and they are not paying a dime in Iowa corporate income tax — yet the state of Iowa is handing these three companies alone a total of at least \$30.7 million in checks from the Iowa Treasury.

Overall, corporate RAC claims totaled \$45.2 million — \$43 million of it, or 95 percent, being paid out as so-called “refunds” for taxes never paid. Of 160 claimants, 133 companies received the subsidy checks from the state, either from the regular RAC or a supplemental RAC that enhances the benefit. When we are asking Iowa government to be efficient and frugal, and to not promote special interests, how can this be justified? It cannot.

There is some good news — and that is that we have any news at all. This report is the first to give Iowans a full year's look at the biggest recipients of these corporate giveaways. It is a result of a law passed in 2009 to bring some transparency to this highly costly and clearly unaccountable program. Previously, RAC “refunds” were paid out as secret checks from the state treasury. The law now requires an annual review of RAC claims, information about “refunds” and the names of recipients and amounts for claims in excess of \$500,000.

These industry giants make their profits from being on the cutting edge for research; they don't need incentives for investing in research activities, they must do it anyway. What they need from Iowa are skilled, educated workers, good roads and infrastructure, and a good quality of life. Research and common sense tell us these would be better smart investments for Iowa's economic prosperity, not subsidy checks to wealthy corporations.

The Iowa Fiscal Partnership has produced a number of reports on the research activities credit, including reviews of economic analyses that conclude such credits have very little impact upon business decisions.”

** Rockwell Collins (\$561 million in profits in 2010), Deere and Company (\$1,865 million in profits in 2010), and El Dupont Nemours And Company, Inc. (\$3,031 million in profits in 2009). (After-tax profits, figures from corporate statements.)*

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