When people question if the Governor’s proposed tax policy changes will make Iowa “like Kansas,” I pay attention because I am an Iowan that has a unique perspective on the issue.

In December 2014, I finished 25 years working for local chambers of commerce in Iowa (Sioux City and Clinton), Nebraska and Kansas. For the last 8 years of my chamber career, I worked in my native state of Kansas (from 2006 to 2014). I am now one of three owners of a realtor firm with 18 licensed individuals. While in Kansas, I was twice elected as board chair of the state economic development professional trade association. I was also board chair of the state association of local chamber of commerce executives. This provided the opportunity to talk with people in the legislative and executive branch as Kansas made major tax policy changes. These meetings included detailed tax policy discussions with the Governor and his staff. I once had a very detailed conversation while sitting in the car of Governor Brownback. I urged him to call Governor Branstad, to support a corporate tax policy like Iowa and to embrace Single Factor Sales. There were multiple meetings with the Secretary of Revenue because he chaired the group that created the Kansas policy on behalf of the Governor. I provided testimony to the Kansas House of Representatives Tax Committee. I participated in a special task force established by the Kansas Senate to make tax policy recommendations. My specific policy suggestions were ignored – and you know the resulting impact on Kansas.

Here are a few observations about some aspects of Iowa tax policy. Please consider my comments in light of the specifics of the Governor Reynold’s proposal. My written comments are brief, but I can make myself available to dig into the details with decisions makers to help create a tax policy that is good for the long-term growth of Iowa.

* The best thing about Iowa corporate tax policy is Single Factor Sales, signed into law by Governor Branstad during his first time in office. It is too easy for people to be focused on the tax rate and forget about the Single Factor Sales approach. The key thing to know about Single Factor Sales is that “It’s not about the tax rate, it’s about the income that is taxable.” Legislators can ask an accountant to draft a few simple examples, so people can understand how Single Factor Sales works. Because of Single Factor Sales, a business in Iowa pays less corporate tax than one in Kansas that has the same income, even though the Kansas rate is lower. States like Kansas that use the “triple weighted formula” to determine taxable corporate income aren’t growing. Tax cutting guru Grover Norquist said in 2017 that states should NOT cut taxes like Kansas did. He pointed to North Carolina as an example to follow. North Carolina switched to Single Factor Sales and phased it in to avoid a negative budget impact. It’s not about the tax rate, it’s about the income that is taxable.
* I have a hunch that a significant percent of policy makers do not understand Single Factor Sales.
* Any tax cuts should be phased in with specific “triggers” that can speed up or slow down the tax cut. Kansas ignored warnings and chose to not do this. Details matter with tax policy, including the detail about the “triggers.” Economist Arthur Laffer was asked by a Kansas newspaper to respond to my specific concerns about the approach he advocated. In short, his response was that I had a valid point, but that he could not be expected to get into the details. Details matter with tax policy. I know the Governor’s proposal has “triggers” to speed up or slow down the tax cuts. This is excellent policy. Attention should be on what the “triggers” are.
* I’m ok with the idea of allowing business owners to deduct a percent of the new federal Qualified Business Income Deduction from their Iowa taxable income. Based on my observation of similar policies enacted in Kansas, I have low expectations they will drive an increase in economic growth but I’m still ok with the tax cut. The Governor has proposed reducing the current provision from 50% deduction to 25%. The Senate GOP plan ends it. I prefer the Governor’s proposal and I suggest cutting it to 25% and establish “triggers” and “phasing” to potentially lower it more.
* Taxation of Internet purchases. I have worked with a lot of locally owned and operated retailers over my career. Creating a level playing field with Internet based retailers is an excellent and overdue policy.
* The availability of qualified labor is the biggest impediment to long term growth of the economy.  It’s been a LONG time since I’ve not heard a business decision maker worry about the quantity and quality of labor as the key barrier to growth. Corporate tax policy is likely a little overrated in its ability to positively impact today’s 21st century economy – and into the next decade.  As baby boomers retire, this issue will only increase.  New legislation signed by the Governor with help with this aspect of economic growth – but thinking corporate tax policy is going to create massive economic growth might be overstated when unemployment is already around 3 percent
* Housing, especially in rural Iowa, impacts workforce availability that will drive economic success. I like the idea of increasing the funding for the Workforce Housing Tax Credit program.

Again, I can make myself available to dig into the details with decisions makers to help create a tax policy that is good for the long-term growth of Iowa.

Thank you and please let me know if you have questions.

