NEWS RELEASE

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Contact: Shannon Spillane, 202-408-1080, spillane@cbpp.org

820 First Street, NE
Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

MOST LARGE IOWA MANUFACTURERS ALREADY COMPLY WITH PROPOSED CORPORATE TAX REFORM IN OTHER STATES

Fears That Companies Would Leave Iowa, Harming State's Economy, Are Unwarranted

Almost all major Iowa manufacturers maintain facilities in other states that have adopted a corporate tax reform measure known as "combined reporting" — including several outspoken opponents of Governor Culver's proposal to adopt combined reporting in Iowa, according to the Washington, DC-based Center on Budget and Policy Priorities.

"Combined reporting" shuts down a variety of loopholes that major multistate corporations use to avoid state corporate income taxes. Sixteen states have used combined reporting for at least two decades and four more have adopted it in the last four years.

Some Iowa corporations, such as Alcoa, suggest that combined reporting will encourage companies to leave the state, due to increased tax liability and compliance burdens. However, 31 of the 34 major manufacturers examined in a new Center report already comply with combined reporting in at least one other state or are a subsidiary of a corporation that has a facility in at least one combined reporting state.

Two companies, Kraft Foods and Eaton Corporation, have facilities in all 20 states with the combined reporting tax reform in place. John Deere, Kraft, Cargill, ADM and 3-M have long-maintained their headquarters in combined reporting states.

"Cleary, closing corporate tax loopholes would not create an unmanageable burden for Iowa manufacturers, given that so many of them already comply with combined reporting in numerous other states," said Michael Mazerov, senior fellow with the Center's State Fiscal Project and co-author of the report. "Claims that combined reporting would drive manufacturers from Iowa or discourage corporations from coming to the state ring hollow."

Evidence from other combined reporting states indicates that combined reporting would not harm Iowa's economy, according to the report. Seven of the eight states that experienced net growth in manufacturing jobs since 1990 – Arizona, Idaho, Kansas, Montana, Nebraska, North Dakota and Utah - had combined reporting in effect.

"Combined reporting would level the playing field for Iowa's small businesses," said Mazerov. "Right now, most small companies can't take advantage of the corporate income tax loopholes that large multistate corporations exploit, leaving them at a disadvantage."

Combined reporting would also help Iowa maintain adequate resources for services key to economic growth such as infrastructure, public safety, health care and higher education.

The Center's report, "Almost All Large Iowa Manufacturers Are Already Subject To 'Combined Reporting' in Other States" is available at: http://www.cbpp.org/4-3-08sfp.htm.

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