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Study says Iowa tax system unfair to poor

DES MOINES, Iowa (AP) — Iowa's tax laws force poor residents to pay a much higher percentage of their income in taxes than the state's wealthiest citizens, according to two researchers who called Wednesday for lawmakers to overhaul the system.

"It's an old problem and a persistent one," said Peter Fisher, research director of the Iowa Policy Project, an Iowa City-based public policy organization. "For Iowa to treat the majority of its citizens fairly we need income tax reform to confront the realities of this report."

Fisher and Charles Bruner, director of the Child and Family Policy Center, were responding to a national report by Institute on Taxation and Economic Policy, a Washington, D.C.-based research organization.

That study showed that Iowa families making less than \$20,000 a year paid roughly 11 percent of their income in state and local taxes. Earners averaging \$989,200 paid 7.4 percent in taxes, but that was reduced to 6 percent because federal tax payments are deductible when calculating state tax liability.

Bruner said the state's sales tax has been increased twice in the last 17 years, while there was a 10 percent across-the-board cut in income taxes. That change hit low-income people harder, he said.

"Iowa used to have a much more equal tax burden," said Bruner, whose group also is based in Iowa City.

Bruner argued that the study comes at an ideal time to rethink Iowa's finances, with some forecasts showing the state looking at a shortfall of up to \$900 million in the fiscal year beginning July 1. When the Legislature convenes in January, it must examine all options, he said.

"We hope that this report and the state's financial condition will lead state lawmakers to look at the revenue side of the state's budget," Bruner said.

Despite his optimism, the chances for a tax overhaul seem dim.

Gov. Chet Culver has ruled out any tax increase to deal with the state's shortfall, and Senate Majority Leader Michael Gronstal said lawmakers don't plan a full-scale debate of Iowa's tax system.

To save money, the legislative session has been trimmed from 100 days to 80 days. That time likely will be eaten up dealing with immediate budget problems, not long-term reforms, Gronstal, D-Council Bluffs, said.