

Iowa
Chamber Alliance
A unified voice for economic growth

2018

2018 Iowa Policy Issues

The Iowa Chamber Alliance is the leading voice for promoting economic growth policies and initiatives in Iowa. The coalition is comprised of the sixteen largest Chambers of Commerce and economic development organizations in Iowa. Each year the Alliance advocates for policy proposals focused on growing and strengthening Iowa's economy.

For the 2018 legislative session, the Iowa Chamber Alliance sees a unique opportunity to update and enhance Iowa's tax code in a thoughtful manner that is meaningful and comprehensive. To encourage this important change, the Alliance will primarily focus on this theme:

To grow Iowa's economy the tax code must be simplified and made more competitive and equitable. The economic development tools we utilize to encourage capital investment, provide quality jobs and wages, and enhance the overall quality of life for Iowans must be maintained and enhanced.

While tax reform and economic development stand as the Alliance's top priorities for 2018, the Alliance will be actively advocating for a suite of policy proposals that are aimed at near and long-term economic growth for Iowa, including:

- Smart and comprehensive investment in developing and retaining world-class talent and workforce through broad support of the Future Ready Iowa Initiative.
- Support for high-quality K-12 education which prepares graduates with career ready skills or post-secondary education.
- Strong fiscal prudence and spending restraint across all levels of government.
- Long-term infrastructure planning and mindful allocation of resources to fund these critical, capital-intensive projects.
- Predictable and responsive regulatory environment.

The Alliance respectfully presents this agenda to the Governor, Legislature and all Iowans for consideration in the 2018 legislative session. As various policy proposals are developed and debated, the shared goal ought to be to grow Iowa's economy in a way that benefits all.

Taxes

Iowa remains 40th for business climate in the Tax Foundation's *2018 State Business Tax Climate Index*. Complexity is a driving factor in Iowa's poor ranking. Iowa also moved down a place this year in corporate income taxes, ranking 48th out of 50 in corporate income taxes.

Simply put, Iowa's tax code is not competitive and puts Iowa businesses at a severe disadvantage.

There is significant opportunity in the 2018 legislative session for Iowa to improve its overly complex and burdensome tax structure. Meaningful tax reform must be bold, yet thoughtful and nuanced. It must maintain strong fiscal management of the taxpayer's dollars, while being committed to real reform and relief for Iowa's business taxpayers. In order to be positioned for the growth tax reform will bring, Iowa must maintain its forward thinking economic development programs that grow and enhance the state's economy.

The following principles will guide the Iowa Chamber Alliance in its analysis of and advocacy for 2018 tax reform proposals:

- 1 Competitive.**
Tax reform ought to be geared to make Iowa more competitive: fewer brackets, targeted exemptions, effective credits, and lower rates for personal, small business, and corporate income taxes.
- 2 Invest in Growth.**
Programs, credits, and incentives should be focused on spurring economic growth across diverse industry categories. These incentives have a demonstrated return on investment and need to be encouraged and treated differently than other tax credits.
- 3 Simple.**
Iowa's tax code is unnecessarily complex and any changes must make it simpler. Iowa's tax code must be understandable to taxpayers and attractive to outside investment.
- 4 Permanent, Predictable and Certain.**
A well-crafted tax policy will have permanence, avoid short-term changes, and ensure the predictability of Iowa's tax landscape so businesses can make long-term investments in Iowa. Any changes ought to require minimal interpretation by the Department of Revenue. Clarity and certainty need to be in the Code.
- 5 Fair and Responsible.**
Tax policy should be equitable and not favor one classification of business over another. Any changes to the tax code should not undermine the overall fiscal health of the state.
- 6 Transition Path.**
How we transition from the tax code of today to the tax code of tomorrow is equally as important as the reform itself.

Economic Development

Incentives work. Job-creating incentives help land projects, expand Iowa businesses, and create jobs. Economic development is highly competitive and the competition is no longer limited to the region, but with the entire country. In fact, Iowa finds itself in direct competition with many nation-states – each of whom has their own set of economic development tools and incentives – often backed with far more financial resources than Iowa has allocated.

Iowa must continue to provide valuable economic development tax credits and programs that complement proposed tax code reforms. These are essential in creating a competitive business environment which encourages existing and potential businesses to invest in Iowa.

Iowa has been nationally lauded for awarding tax credits as opposed to direct cash incentives. This ensures higher accountability where awardees only receive the financial benefit if they do what they are committed to do.

EXISTING INITIATIVES

The Iowa Chamber Alliance supports tax credits and programs that have a documented return on investment with clear objectives of growing the economy through capital investment, spurring higher wages, and creating quality jobs. These economic development tools fall under three general categories:

■ Innovation

- **Research Activities Credits:** Companies must balance substantial financial risk with market profitability. The credit allows businesses to strategically plan for the long term – encouraging additional investment in their employees and new innovations.
- **Angel Investor Tax Credit:** This credit encourages “angel investors” to make investments in start-up companies in Iowa, boosting new business and the general economy.

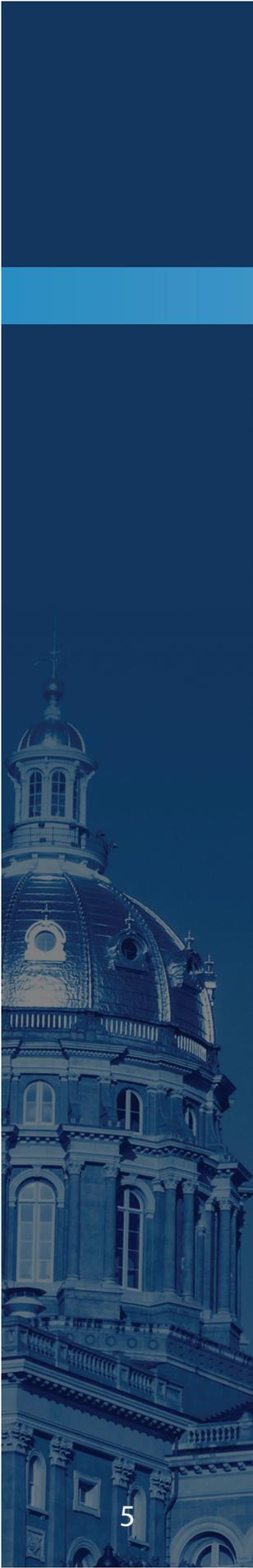
■ Workforce

- **High Quality Jobs Credits:** This tax program acts as a key incentive for businesses that invest right here in the state and helps increase the availability of jobs essential to Iowa’s industries.
- **Workforce Housing Tax Credits:** The program covers the basic needs of a community by providing quality affordable housing for its current and expanding workforce.
- **Iowa Jobs Training Programs (260E & 260F):** Administered by Iowa’s 15 community colleges, these programs expand Iowa’s workforce through new employee training, increasing the employees’ skill set and improving productivity for employers.

■ Revitalization

- **Historic Preservation Credits:** The tax credit aids in revitalizing and continuing the legacy of important properties that have made Iowa a thriving economy.
- **Redevelopment Tax Credits:** Otherwise known as the “Brownfields/Grayfields Tax Credit,” this tax credit promotes investments by eliminating environmental hazards and cleaning up neighborhood eyesores.

Finally, local economic development tools, such as Tax Increment Financing, are critical and integral pieces of Iowa’s economic development efforts and generate a significant return on investment for the taxpayer dollars. The Alliance will vigorously work to ensure their continued strength, flexibility, and availability.



NEW INITIATIVES

An initiative centered on rural and small community economic development should be considered. Iowa's demographic, geographic wealth distribution, and population trends all indicate the most rural areas and communities in Iowa are struggling. Current commodity prices and forecasts point toward continued difficulties in these areas. The Alliance proposes a review of existing incentives and programs that may be able to be coupled together and focused on rural economic development opportunities to help turn the trend.

Workforce Development & Education

Despite relatively low unemployment in the State, workforce issues remain a top priority for Iowa. Iowa's businesses are finding it difficult to find qualified candidates with the appropriate skills who are ready to work. The Alliance highlights three key workforce policy areas to broaden its overall workforce development strategy:

TRAINING

It is imperative for Iowa to prioritize workforce training and the Alliance applauds Governor Kim Reynolds for recognizing this need with her dedication to the Future Ready Iowa Initiative. The Initiative will align education, workforce and economic development to improve the educational attainment and training required for Iowa's future workforce to better meet employer demands and improve worker opportunity.

The following Future Ready Iowa recommendations are supported by the Iowa Chamber Alliance:

- Establishment of the Future Ready Iowa Last-Dollar Scholarship and Future Ready Iowa Grant Programs.
- Alignment and expanded support for Iowans who are beginning or returning to complete college or career training.
- Expansion of high-quality work-based learning experiences in high-demand careers – an opportunity for employers to increase pre-apprenticeship, apprenticeship, and internship programs. Also, expansion of the STEM BEST (Businesses Engaging Students and Teachers) program started by the Governor's STEM Advisory Council.
- Identification of early academic approaches that effectively prepare all students for a changing world including the expansion of after-school programs for children.
- Development of a grassroots strategy to engage the business community, regional workforce boards, STEM regions, and other current and future regional collaborations.

The Iowa Chamber Alliance supports programs and training opportunities such as the Iowa Industrial New Jobs Training Program (260E) and the Iowa Jobs Training Program (260F), among others. These programs expand Iowa's workforce through new employee training, increasing employees' skill sets, and improving productivity for employers.

SCHOOLS

Preparing Iowa's future workforce with a quality education that readies high school graduates for either a four-year college education or a vocational training course, without need for academic remediation, remains a priority. This will require continued implementation of the education reforms adopted in 2013: sufficient funding for schools; a continued emphasis on STEM; continued adherence to the Iowa Core and a quality assessment tool; and additional reforms to elevate Iowa's student achievement. Additionally, vocational education in K-12 must be updated.



As the second largest budget appropriation category, the level of funding for K-12 schools is a perennial debate. That discussion has been contentious and, at times, taken on political overtones. Given the vital role Iowa's public schools play in the development of our future workforce, the Alliance urges action on K-12 funding that allows schools to certify their budgets on time, is equitable across the range of Iowa's diverse school districts, and is at a level that is both appropriate and sustainable.

The Alliance encourages all levels of education – K-12 to community colleges to public and private colleges and universities – to understand the needs of the employment marketplace to ensure workforce-ready graduates. There should be a conscious pursuit of alignment, coordination, and collaboration between business, government, and education to offer seamless opportunities that best meet the needs of Iowa's students and the workplace. The Alliance supports and values robust vocational and higher education to further develop a solid talent pipeline.

TALENT ATTRACTION & RETENTION

Talent attraction and retention are key priorities for Iowa's business community. It's critical that Iowa leaders develop strategies to attract and retain talent in the state by working to make Iowa a desirable place to live with robust communities and a high quality of life for residents. We need forward-looking strategies to keep Iowans in the state, attract new Iowans, and welcome new Americans to make their homes in Iowa. Securing sustained, reliable funding of the Enhance Iowa initiative must be an important part of this strategy.

General Business & Regulation



SOUND BUDGETING



As revenue levels and prediction remains challenging for Iowa's upcoming budget year, fiscal prudence must be a priority for government at all levels. The fiscal health of state and local governments proves to be a determining factor in attracting and retaining businesses. A concerted effort must be made to modernize and reform budget practices which should include multi-year budgeting, review of expenditures, and fully fund existing budget obligations – including tax credits and the promised backfill to local governments related to the property tax reforms of 2013. Rescinding the backfill will result in a defacto tax increase on property, which is disproportionately paid by Iowa businesses.

The Alliance strongly supports efforts to reduce revenue demand from local and state governments through public pension reforms and other measures that can positively impact local government budgets without tax increases.

REASONABLE & PREDICTABLE REGULATIONS

The Iowa Chamber Alliance continues to support periodic review and cost-benefit analysis of agency rules and regulations in cooperation with affected businesses and stakeholder organizations. Such reviews help ensure a minimally invasive and efficient regulatory environment. Rules and regulations should be regularly evaluated for necessity, effectiveness, cost-efficiency, enforceability, and financial impact. Regulatory stability and responsiveness must be recognized as a critical component of a healthy business climate.

Transportation, Infrastructure & Communications

Iowa's critical infrastructure continues to have significant needs for updating and investment. High quality and reliable infrastructure is central to economic growth. Roads and bridges, water and sewer, energy and communications infrastructure require long term, reliable investment. The Iowa Chamber Alliance supports regular review of Iowa's infrastructure needs at the state and local levels and encourages long-term planning and examination of innovative funding mechanisms to make the necessary resources available for these significant capital investments.

WATER

Infrastructure in Iowa related to water, waste water, and storm water is a critical element to economic development. Aging infrastructure and mandated improvements can lead to increased rates for the provision of water and wastewater service. Affordable rates and capacity for growth is a key element in attracting and retaining businesses for communities across Iowa.

The Iowa Chamber Alliance continues to support additional funding sources and flexible policies to sufficiently address needed water infrastructure improvements in the future. The current infrastructure needs for aging technology and collection systems register in the billions across the state. Additional resources should include establishing access to capital at scale to address the more than \$1.5 billion needed for point sources to implement the Iowa Nutrient Reduction Strategy along with other maintenance and upgrades for water infrastructure.

Iowa should also utilize flexible regulatory policies to foster continued development of partnerships between rural and urban interests. Communities across the state are making investments into their watersheds to improve water quality, lessen the risks of flooding, spur economic development and increase habitat. The challenges faced are complex but those challenges move across political boundaries so the state should continue to cultivate watershed-based projects as a catalyst for improved water quality.

ROADS

With an appropriately funded Road Use Tax Fund (RUTF) in place, the Alliance encourages a continued conversation about the long-term funding needs in order to sustain Iowa's transportation infrastructure. Additionally, the Alliance reiterates its call for a reexamination of the distribution of those dollars to more closely follow the TIME-21 formula.

The Alliance also supports investment in the improvement of Iowa's railways and funding of intermodal rail and transportation hubs. The Alliance also remains committed to leveraging federal dollars to invest in passenger rail and other strategic transportation infrastructure.

BROADBAND

The Iowa Chamber Alliance recognizes the important role broadband plays in supporting Iowa's economic growth in the 21st Century.

Broadband investment ought to be pursued as aggressively as any other targeted industry – through a positive business climate, competitive tax treatment, appropriate incentives and a light-touch regulatory posture geared toward the future, not the past. Iowa needs to undertake a concerted effort to attract broadband investment, regardless of platform, from local to regional to national providers, in order to put in place the broadband infrastructure for our economic future. Iowa's efforts to attract this investment needs to address funding of the Connect Every Acre grant program, additional incentives, and the adoption of a regulatory climate that encourages private investment.

About the Iowa Chamber Alliance

A UNIFIED VOICE FOR ECONOMIC GROWTH

The Iowa Chamber Alliance is a non-partisan coalition that represents 16 Chambers of Commerce and economic development organizations from Iowa's largest communities. The mission of the Iowa Chamber Alliance is to put forth and enact an agenda to grow the state's economy through support of proactive programs that stimulate economic growth opportunities for the entire state and its residents.

IOWA CHAMBER ALLIANCE GUIDING PRINCIPLES

- We believe that by working together we can create significant, positive changes that will prepare Iowa for the future and ensure quality of life for its citizens.
- We believe Iowa needs strategic, aggressive, forward thinking statewide policies and programs that stimulate strong economic growth, resulting in additional jobs and increased state and local revenues

We support:

- Long-term statewide policies and programs that provide reliable economic development tools for encouraging business relocation, expansion and entrepreneurship in Iowa communities.
- A regulatory and tax climate conducive to making Iowa the most competitive state in the nation for attracting business expansion opportunities and fostering the growth of new and existing businesses.
- An ongoing funding mechanism for building infrastructure and amenities that improve the quality of life in Iowa communities.
- Streamlined governments at all levels that are efficient, cost-effective and responsive to business needs by finding ways to use tax dollars more wisely while improving services.
- A long-term marketing plan that promotes Iowa's positive distinguishing attributes to both internal and external audiences, positioning Iowa as the location of choice for operating a business, living and traveling.

State Contacts

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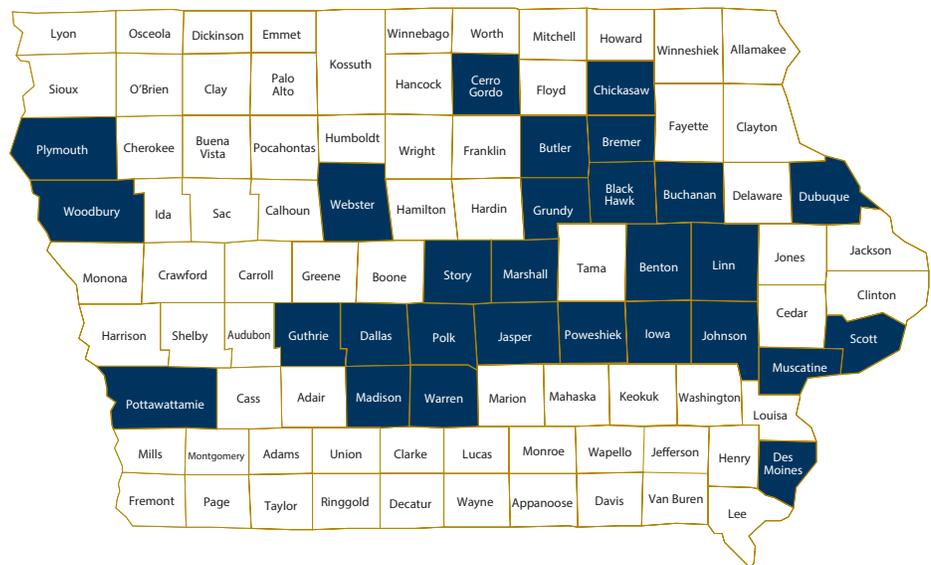
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The Iowa Chamber Alliance is a non-partisan coalition representing the 16 largest Chambers of Commerce and economic development organizations throughout Iowa.

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