

Iowa's casino taxes would increase at least 50 percent to give tax cuts to corporations with annual profits exceeding \$25 million under Gov. Terry Branstad's proposed budget.

Casino interests immediately expressed alarm, as did a supervisor in Polk County, which owns the Prairie Meadows Racetrack and Casino property and benefits from lease payments.

"Somebody is going

to get less. It's either Prairie Meadows or Polk County," said Supervisor Angela Connolly.

Polk County uses money from Prairie Meadows to meet a \$14 million annual debt payment on the Iowa Events Center while continuing to allocate \$2 million for Des Moines road improvements and millions more to charitable groups that focus on such issues as homelessness and domestic abuse.

Branstad dismissed concerns that the proposal could cause some Iowa casinos to close.

"I'm fully aware how much money the casinos have, and they have an army of lobbyists," Branstad said. "I'm taking on the best-organized, best-financed group there might ever be, but I'm here to represent the whole state of Iowa, I'm here to create jobs, and I think what we are proposing is equitable."

The proposal would increase casino taxes from 22 percent or 24 percent to 36 percent. The increase would raise an estimated \$200 million and set the rate at one even level for all casinos and at a rate the Legislature originally intended, Branstad said.

The extra money collected from casinos would allow the state to lower its sliding-scale corporate income tax, now ranging from 6 percent for companies making \$25 million or less in net income to 12 percent for companies that make \$250 million or more

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Branstad, who said all Iowans must take part in budget sacrifice, proposed lowering the corporate tax rate to a flat 6 percent.

Iowa businesses also reap hundreds of millions in tax breaks each year, and he proposed no changes in those. He and Debi Durham, the state's new economic development director, defended his plans.

Corporate income taxes make up roughly 6 percent of the state's revenue. Business studies have shown that Iowa's overall cost of doing business is one of the lowest in the country.

"I think those are fair discussions," Durham said in response to questions about looking more collectively at the cost of doing business. "Certainly you have to look at the overall rate and burden, but it's the message that you send. For business, taxes matter. Regulations matter. Are they the only two things that matter? No. It's a holistic approach, but Iowa can do better."

The Iowa Fiscal Partnership, a nonprofit research group, criticized the proposal.

"Businesses already are taxed at a low rate in Iowa compared with other states, and the cut to Iowa's corporate income tax rate in the governor's budget is not needed or fiscally responsible," the group said.

Fifteen of Iowa's casinos now pay a state tax of 22 percent on gross gambling revenue, which is the amount of money the casinos win from gamblers, before taxes and other expenses are deducted. The racetrack-casinos in Altoona and Council Bluffs pay a state tax of 24 percent on gross gambling revenues. All the state-regulated casinos also pay a total of 1 percent in additional taxes to cities and counties, plus varying amounts to local nonprofit organizations.

Wes Ehrecke, president of the Iowa Gaming Association, an industry group that represents the casinos, predicted strong opposition to Branstad's proposal. He noted that casinos are Iowa's top tourist attraction, drawing 23 million admissions during the budget year that ended June 30, 2010, while employing nearly 10,000 workers. He said all casinos have been hurt by the recession, and he worries that some Iowa casinos could be forced to close if Branstad's tax

plan is adopted.

"You certainly don't help a business by increasing its taxes," Ehrecke said.

Gambling critic Tom Coates of Norwalk praised Branstad's proposal, saying the negative social costs of gambling far outweigh any positive financial aspects of the casino industry.

"We've been subsidizing all of the casinos in this state with a low tax rate," he said.

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