

*Iowa's Leading
Business Tax Policy
Resource Since 1935*



Guiding Principles of Sound Tax Policy

Sound Budgeting Principles

Basic Principles

Iowa
Taxpayers
Association



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Guiding Principles of Sound Tax Policy

The Iowa Taxpayers Association believes the best way to encourage organic, private sector economic growth that can support predictable revenue for government services is a sound business tax climate.

ITA has established these guiding principles of sound tax policy to assist legislators and regulators in undertaking tax reform or in making changes to tax law:

NEUTRAL

The tax system should exert minimal impact on the spending and decision-making of businesses and individuals.

COMPETITIVE

A sound tax structure should support our state's economic growth initiatives and help create a good business climate.

FAIR

The tax code should be fair and equitable. Horizontal equity is achieved when similarly situated taxpayers are treated the same.

SIMPLE

Tax law should clearly and plainly define what taxpayers must pay and when. Statutes and regulations should be transparent and encompass ease in understanding, compliance and administration.

CONSISTENT

Iowans deserve consistency, certainty and predictability in the tax code. A stable, diversified tax structure helps achieve a more predictable revenue flow.

Sound Budgeting Principles

The ITA Committee on Accountable Government reviews budget proposals and final budget action at several specific points each year and makes its findings public.

The eight sound budgeting principles highlighted below are incorporated into ITA's annual analysis. The goal of the annual review is to encourage public officials, fiscal policy developers and legislators to develop fiscally stable, sustainable, balanced and affordable budgets each year.

A sound budget development process does the following:

- **AVOIDS** the use of one-time or time-limited sources for ongoing expenses.
- **AVOIDS** implementing new programs for a partial fiscal year.
- **AVOIDS** multi-year accelerating commitments.
- **AVOIDS** new automatic, or "standing," appropriations.
- **ACCURATELY** determines revenue & expenses.
- **ALIGNS** expenses and revenue in the same fiscal year.
- **AVOIDS** shifting program funding to property taxes or fees.
- **AVOIDS** diversion of funds statutorily authorized for a specific objective to other purposes.

Basic Principles

Growth and prosperity depend on an attractive business climate to support creating jobs, expanding tax revenues and maintaining services for all Iowa citizens. Policymakers are encouraged to do all they can within state government to control spending and avoid unnecessarily increasing the tax burden of Iowans.

Fiscal responsibility can be accomplished by the following basic principles:

ACCOUNTABILITY

Government agencies and officials must be accountable and accessible to their employers—the taxpayers.

EFFICIENCY

ITA supports a performance-based budgeting process encouraging a full review of all state programs and promoting funding of those programs to achieve measurable results.

EQUITY

Equity requires comparable tax policies and principles for similarly situated taxpayers.

PROMOTION OF GROWTH

Tax policy must support the state's economic growth initiatives and goals.

SIMPLICITY

Tax law and administrative rules must be clear and concise. This allows for cost-effective compliance by taxpayers.

STABILITY

Iowa's tax structure must be predictable and stable for both taxpayers and governments.

TAXPAYER INVOLVEMENT

Taxpayer involvement in the regulatory and legislative development process will lead to better and more thoughtful tax policy.