

House File 2095 - Introduced

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BY MASCHER

A BILL FOR

1 An Act creating a compact with certain other states to phase
2 out corporate welfare.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 280.1 Compact to phase out
2 corporate welfare.

3 1. This chapter may be cited as the "*Compact to Phase Out*
4 *Corporate Welfare*".

5 2. This compact to phase out corporate welfare shall be
6 entered into with any state and the District of Columbia if a
7 state or the District of Columbia enacts enabling laws and this
8 compact in substantially the following form:

9 3. *Article 1 — Membership.* Any state and the District of
10 Columbia may become a member of this compact.

11 4. *Article 2 — Definitions.* As used in this section,
12 unless the context otherwise requires:

13 a. "*Company-specific grant*" means any disbursement of funds
14 by the state to a particular company via property, cash, or
15 deferred tax liability.

16 b. "*Company-specific tax incentive*" means any change in
17 the general tax rate or tax valuation offered or presented to
18 a specific company that is not available to other similarly
19 situated companies, including any tax incentive that is part of
20 a special agreement negotiated with an official of the state
21 government.

22 c. "*Corporate welfare*" means any company-specific or
23 industry-specific disbursement of funds by a state or local
24 government to a particular company or a particular industry in
25 the form of property, cash, deferred tax liability, or reduced
26 tax liability.

27 d. "*Located in any other member state*" means any office
28 space, manufacturing facility, or company headquarters that is
29 physically located in another member state, whether or not the
30 company has additional real property in the member state.

31 e. "*Member state*" means any state or the District of
32 Columbia that has enacted this compact.

33 5. *Article 3 — Findings.* The member states find all of the
34 following:

35 a. Corporate welfare as an economic development policy is

1 among the least effective uses of taxpayer dollars.

2 *b.* Local and state leaders are in a prisoner's dilemma
3 where it is in all member states' interest to stop corporate
4 welfare altogether and to create a level playing field for
5 all employers; however, each level of government has the
6 incentive to subsidize companies through corporate welfare
7 which generates a race to the bottom.

8 *c.* Member states' cooperation to phase out all forms of
9 corporate welfare, both company-specific and industry-specific,
10 is required to free government leaders from the prisoner's
11 dilemma.

12 *d.* While it will take years to build a national consensus to
13 phase out all forms of corporate welfare, member states must
14 begin to phase out the most egregious and destructive forms of
15 corporate welfare as soon as practical where member states can
16 reach an agreement to do so.

17 *e.* Companies should grow and potentially relocate to other
18 states based on the general condition of the state, including
19 but not limited to more modern infrastructure, an educated
20 workforce, a clean environment, and a favorable tax and
21 regulatory climate, and not based on corporate welfare.

22 *f.* Company-specific tax incentives and company-specific
23 grants fuel business inequality as only the largest businesses
24 tend to receive the company-specific tax incentives and
25 company-specific grants.

26 *g.* A national board of appointees from member states is
27 created to come to a consensus and to draft improvements to
28 this compact.

29 *h.* This compact shall utilize a collaborative approach
30 to build a national consensus for a better, fairer economic
31 development policy for all member states.

32 6. *Article 4 — Corporate welfare offered to companies in*
33 *other member states.*

34 *a.* Each member state shall agree to refrain from offering or
35 providing any company-specific tax incentives, company-specific

1 grants, or other distribution of funds prohibited under this
2 compact to any company currently located in any other member
3 state.

4 *b.* Each member state shall agree to refrain from offering
5 or providing funds for corporate headquarters, manufacturing
6 facilities, office space, or other real estate developments for
7 any company currently located in any other member state if that
8 facility, headquarters, or office space will relocate to the
9 offering member state.

10 7. *Article 5 — Exclusions.*

11 *a.* Workforce development grants that are used by companies
12 to fund employee training are not subject to this compact.

13 *b.* Company-specific grants awarded before the effective date
14 of this compact shall not be subject to this compact unless any
15 changes to the terms and conditions of the grant occur on or
16 after the effective date of this compact.

17 8. *Article 6 — Withdrawal.* Any member state may withdraw
18 from this compact with six months advance written notice to the
19 chief executive officer of every other member state.

20 9. *Article 7 — Enforcement.*

21 *a.* The chief law enforcement officer of each member state
22 shall enforce this compact.

23 *b.* A taxpaying resident of any member state has standing in
24 the courts of any member state to file suit asking the court to
25 require the chief law enforcement officer of that member state
26 to enforce this compact.

27 10. *Article 8 — National board of states to determine next*
28 *steps.* A board of member states is established. The chief
29 executive officer of each member state shall appoint one
30 member to the board. The board shall accept appointees from
31 nonmember states. The board shall convene at least annually,
32 elect officers from the board's membership, establish rules and
33 procedures for the board's governance, and publish an annual
34 report in December that suggests improvements to this compact.
35 The board shall seek input from member states, organizations

1 and associations representing state legislators, taxpayers, and
2 subject matter experts on improvements to the compact.

3 11. *Article 9 — Construction and severability.*

4 a. This compact shall be liberally construed to effectuate
5 its purposes. If any phrase, clause, sentence, or provision of
6 this compact is declared by a court of competent jurisdiction
7 to be contrary to the Constitution of the United States, or
8 otherwise invalid, the remaining provisions of this compact
9 shall not be affected.

10 b. If this compact is held to be contrary to the
11 constitution of any member state, the compact shall remain in
12 full force and effect as to the remaining member states and in
13 full force and effect as to the affected member state as to all
14 severable provisions.

15 EXPLANATION

16 The inclusion of this explanation does not constitute agreement with
17 the explanation's substance by the members of the general assembly.

18 This bill creates a compact with certain other states to
19 phase out corporate welfare.

20 The bill defines "corporate welfare" as any company-specific
21 or industry-specific disbursement of funds by a state or local
22 government to a particular company or a particular industry in
23 the form of property, cash, deferred tax liability, or reduced
24 tax liability.

25 The bill provides that any state and the District of Columbia
26 may become a member of the compact and that member states need
27 to cooperate to phase out corporate welfare for the reasons
28 outlined in the bill.

29 The bill requires each member state to agree to refrain from
30 offering or providing corporate welfare to a company currently
31 located in any other member state. Each member state must also
32 agree to refrain from offering or providing funds for corporate
33 headquarters, manufacturing facilities, office space, or other
34 real estate developments for any company currently located
35 in any other member state if that manufacturing facility,

1 headquarters, or office space will relocate to the member state
2 offering the incentives.

3 The bill excludes workforce development grants used by
4 companies to fund employee training and grants awarded to
5 companies before the effective date of the compact.

6 The bill provides that any member state may withdraw from
7 the compact with six months prior written notice to the chief
8 executive officer of every other member state.

9 The bill requires the chief law enforcement officer of each
10 member state to enforce the compact. The bill provides that
11 any taxpaying resident of any member state has standing in the
12 courts of any member state to file suit to ask the court to
13 require the chief law enforcement officer of that member state
14 to enforce the compact.

15 The bill establishes a board of member states. The
16 appointees to the board and the duties of the board are
17 outlined in the bill.