A BILL FOR

1 An Act creating a compact with certain other states to phase out corporate welfare.
2
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
Section 1. NEW SECTION. 280.1 Compact to phase out corporate welfare.

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

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

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

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

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

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

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

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

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

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

   a. Corporate welfare as an economic development policy is
among the least effective uses of taxpayer dollars.

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

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

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

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

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

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

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

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

a. Each member state shall agree to refrain from offering or providing any company-specific tax incentives, company-specific
grants, or other distribution of funds prohibited under this
compact to any company currently located in any other member
state.

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

7. Article 5 — Exclusions.
a. Workforce development grants that are used by companies
to fund employee training are not subject to this compact.
b. Company-specific grants awarded before the effective date
of this compact shall not be subject to this compact unless any
changes to the terms and conditions of the grant occur on or
after the effective date of this compact.

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

9. Article 7 — Enforcement.
a. The chief law enforcement officer of each member state
shall enforce this compact.
b. A taxpaying resident of any member state has standing in
the courts of any member state to file suit asking the court to
require the chief law enforcement officer of that member state
to enforce this compact.

10. Article 8 — National board of states to determine next
steps. A board of member states is established. The chief
executive officer of each member state shall appoint one
member to the board. The board shall accept appointees from
nonmember states. The board shall convene at least annually,
elect officers from the board’s membership, establish rules and
procedures for the board’s governance, and publish an annual
report in December that suggests improvements to this compact.
The board shall seek input from member states, organizations
and associations representing state legislators, taxpayers, and subject matter experts on improvements to the compact.

11. *Article 9 — Construction and severability.*

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

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

**EXPLANATION**

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

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

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

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

The bill requires each member state to agree to refrain from offering or providing corporate welfare to a company currently located in any other member state. Each member state must also agree to refrain from offering or providing funds for corporate headquarters, manufacturing facilities, office space, or other real estate developments for any company currently located in any other member state if that manufacturing facility,
headquarters, or office space will relocate to the member state offering the incentives.

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

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

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

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