



# Iowans for Tax Relief

and Tax Education Foundation

2610 Park Avenue • Muscatine, IA 52761  
Phone 563-288-3600 • Toll-Free 877-913-3600 • Fax 563-264-2413  
itr@taxrelief.org • www.taxrelief.org

February 8, 2008

## Officers

### Dean Kleckner

Honorary Chairman

### David M. Stanley

Chairman

### Robert H. Solt

Vice Chairman

### Cloyd E. Robinson

Vice Chairman

### Jeffrey R. Boeyink

President

### Edward D. Failor, Jr.

Executive Vice President

### Edward D. Failor, Sr.

Senior Counsel

### Peter E. Voorhees

Finance Chairman

### Christopher W. Nichols

Information Services Director

### Daniel G. Steele

Operations Director

### Kathleen M. Koberg

Political Director

## Board of Directors

Jeffrey A. Bean  
Anthony T. Berardi  
Jeffrey R. Boeyink  
David G. Dickey  
William C. Dix  
Edward D. Failor, Jr.  
Edward D. Failor, Sr.  
John G. Giblin  
Hugh S. Greig  
Dean Kleckner  
James M. Kurtenbach  
Kimberly Lehman  
Scott D. Newhard  
Dr. Donald P. Racheter  
Cloyd E. Robinson  
Robert H. Solt  
David M. Stanley  
Jean Leu Stanley  
Jane Svoboda  
Ray A. Taylor  
Peter E. Voorhees  
R. Scott Weiser  
Herbert A. Wilson

Dear Senator or Representative:

Since its inception, the local option sales tax for school infrastructure (SILO) has raised hundreds of millions of dollars to build, repair, and maintain Iowa school buildings. In doing so, SILO has undoubtedly saved significant property tax dollars as many major construction projects have been funded by sales tax that would have otherwise been paid for through additional property tax collections.

When legislation to create the SILO was introduced, Iowans for Tax Relief took a position of neutrality on the issue. While we could not take a position in support of creating this new tax, we remained neutral because the tax could only be approved by a direct vote of the people and we saw the opportunity to use the SILO to promote meaningful property tax relief.

Now, however, there is a strong movement to change this law, to remove the critical citizen input that has made it a successful partnership between voters and local school boards, and to severely jeopardize the continued ability to use these dollars for real property tax relief.

### **That is why we write today to state our continued opposition to the proposed legislation to make the SILO a permanent statewide tax.**

Enclosed is a copy of the January 25, 2008 version of our member newsletter called *The Watchdog*. This publication provides an excellent summary of our public policy concerns regarding the proposed statewide sales tax. There is no reason to restate those positions in this letter.

However, on two points we want to provide additional information and emphasis.

**1. The proposed statewide sales tax IS a tax increase on Iowa consumers and many Iowa businesses:** due to our participation in the Stream Lined Sales Tax Compact (a move ITR strongly opposed, but lost when it was included in the Grow Iowa Values Fund legislation) we are not allowed to charge different rates for state sales tax and state use tax.

This is not the case for local option sales taxes. For those taxes, it is allowable to charge one rate for the local sales tax and exempt the local use tax. This is the case with the current SILO.

When we move from the SILO to a permanent statewide tax, we are forced to also add the additional penny to the statewide use tax and estimates suggest this additional tax will generate \$120 million in new revenue to the state.

Roughly half of this tax increase will be paid by consumers, those who purchase vehicles. **Passage of the statewide school infrastructure tax will add one percent to the purchase price of every vehicle sold in the state of Iowa—a \$200 tax increase for those purchasing a \$20,000 vehicle.**

The other half will be paid by Iowa businesses that purchase goods from out of state vendors who do not otherwise collect Iowa sales tax. Those Iowa businesses faithfully remit use tax to the state and this proposed tax increase will raise their cost of doing business in Iowa by roughly \$60 million (which explains the fact the Iowa Association of Business and Industry, the National Federation of Independent Business—Iowa, and John Deere all oppose the statewide school infrastructure tax).

**2. Any attempt to scoop funds from the new school infrastructure pool is NOT likely to be coupled with the bill's passage, but in other legislation:** there are a number of Legislators who have pledged to pull their support for this legislation if there is an attempt to scoop dollars for other purposes. Unfortunately, it is highly unlikely such a scoop will be a part of the actual legislation.

More likely, if this proposed legislation were approved and signed by the Governor, a scoop will come in the form of the 10<sup>th</sup> budget bill, or something similar. Those who believe the 2/3 majority in language in the bill will protect the funding pool are mistaken. The law could require a unanimous vote to raid the fund and it would be just as susceptible to "notwithstanding" language in a 10<sup>th</sup> budget bill (just as has been done in the past to avoid the 3/5 majority required in the budget limitation law on numerous occasions).

**The only way to truly protect these funds would be to couple the effective date of the new law to the adoption of a constitutional amendment that protects the funds in the same manner as road use funds.**

Those who scoff at the notion these funds will be raided need merely examine the history of each and every earmarked revenue source or funding pool created by Iowa state government. Name ONE fund that has been left untouched? It is not possible. Even the constitutionally protected revenue sources in the Road Use Tax Fund have been susceptible to past raids.

There isn't a constituency group in the lobby that does not relish the opportunity to get their hands on a share of the proposed new school infrastructure fund. At least the Iowa State Education Association (ISEA) is honest about their intent. They have openly asked for at least 50% of the proposed revenue from this statewide tax to be diverted to other educational purposes within the general fund (see attached copy from their website).

Even if they don't get their hands on these resources this year, they and many, many others will be back each and every year to make a claim on these resources and there is absolutely no doubt a future legislature will eventually succumb to the pressure.

It is beyond our comprehension why school districts and the constituency groups supporting this legislation want to set themselves up for an annual battle to protect these dollars. It is so unnecessary to take this huge risk when the equity some desire will occur over time with the pooling requirements of current law and the local option funds can safely remain in the hands of local school districts and the voters who approved their collection.

On behalf of our more than 50,000 members, we ask you to OPPOSE this proposed legislation and SUPPORT retention of the current law. The current law provides hundreds of millions of dollars for school construction. The current law provides significant resources for real property tax relief. Simply put, the current law works and should be allowed to continue to do so.

Sincerely,

J

Jeffrey R. Boeyink  
President

Enclosures: *The Watchdog*, January 25, 2008  
ISEA 2008 Legislative Priorities (reprinted from their website)

