



The Watchdog



A Legislative Update from Iowans for Tax Relief

Friday, March 9

9th Week of Session

House Education Committee Votes to Make \$390 Million Sales Tax Permanent: Eliminates Your Right to Vote on Local Option Tax

BILL WOULD RAISE TAXES ON IOWANS BY \$100 MILLION AND OPEN DOOR TO PROPERTY TAX INCREASES.

This week the House Education Committee voted to pass House Study Bill 250. HSB 250 would replace the current local option tax for school infrastructure (SILO) with an additional penny of statewide sales and use tax (each additional penny of sales and use tax raises \$390 million).

Voters in all 99 Iowa counties have adopted the SILO and are collecting the tax. HSB 250 would eliminate local voters from the approval process and make the tax a permanent statewide penny.

Iowans for Tax Relief strongly OPPOSES HSB 250 (and its successors—it will receive a new bill number next week when it is referred to the House Ways and Means Committee).

WHY WE OPPOSE HSB 250

1. VOTER APPROVAL IS ESSENTIAL FOR ACCOUNTABILITY: Local voters have always been involved in the tax and spending decisions related to providing school infrastructure.

Prior to the SILO, the primary mechanism for funding new school buildings was through general obligation bonds and a 60% vote of the people was required to approve the sale of those bonds.

The vote to approve the SILO is a simple majority, but, if this legislation passes, the people will be removed from this process in any meaningful way.

It is the vote of the people, and the direct accountability this vote demands, that ensures the money is spent as promised.

Removing the people from this equation is a serious mistake.

2. HISTORY PROVES WE CANNOT PROTECT THESE FUNDS: Replacement of the SILO with a permanent statewide sales tax **will result in school districts receiving less and less money** than if the current law were allowed to remain.

Once these dollars become the property of state government for redistribution to local school districts, the demand to divert these dollars to other spending priorities will be extreme—**and they will be successful.**

In a Des Moines Register article dated February 21, 2007 it said: “The Iowa State Education Association says that, if the tax goes statewide, half the money should go to the state’s general fund to pay for things like educational programs and teacher pay.” And while the ISEA might not win the argument this year, history proves they will win in the end and these dollars will be diverted from school infrastructure spending to other state general fund purposes.

You simply cannot build a lock box strong enough. You cannot build a fence around these dollars high enough. One simple word in a bill, **notwithstanding**, is the key to any lock and the door through any fence to access these dollars.

When the next recession hits and state dollars become tight, do you honestly believe a future General Assembly will continue to send 100% of these funds to local school districts for infrastructure and property tax relief when they are having trouble funding allowable growth, human services programs, or any number of other priorities? No way. No how.



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WHY WE OPPOSE HSB 250, continued...

And once the diversions start, they will continue and they will come in ever increasing amounts. What starts as a trickle will soon become a river that will erode away the commitment to use these funds for school infrastructure.

The painful truth is this, if you want the dollars generated by the SILO to continue to be used 100% for the dual purposes of school infrastructure and local property tax relief, you must OPPOSE any attempt to bring these dollars under the permanent umbrella of state government through a statewide sales tax.

3. PASSAGE WILL MEAN FUTURE PROPERTY TAX INCREASES: The SILO has either replaced or greatly reduced the need for additional general obligation bonds in many school districts across the state. In addition, in order to secure voter approval, school districts have applied some portion of SILO proceeds to reduce existing property tax levies. The result for local taxpayers has been significant property tax relief.

The movement to a statewide sales tax will functionally put an end to this relief and will, eventually, require higher property taxes to fund new school infrastructure projects.

Why? First--when the diversions begin and the flow of state dollars to local school districts slows, school districts will shift their limited dollars away from property tax relief obligations to school construction projects. Second, once the diversions become significant, school districts will be forced to go the route of general obligation bonds (paid for by local property taxes) to pay for projects they would have previously been able to afford with SILO dollars.

If you want current SILO dollars to continue to provide local taxpayers with real and significant property tax relief, you MUST leave the decision in the hands of local voters.

4. THIS IS A MAJOR TAX INCREASE: The current SILO does not apply to use tax. The proposed legislation to make this a statewide tax includes applying the additional penny to use tax as well. The result of this decision is a bill that increases state taxes by \$100 million.

This bill is not simply about replacing an existing local tax with a permanent statewide tax, **it IS a huge tax increase on Iowans and Iowans for Tax Relief STRONGLY opposes this additional tax burden.**

A vote for this bill is a vote to raise taxes, plain and simple.

CONCLUSION

This issue has been presented to you as a simple method to take what is already occurring in Iowa (with all 99 counties participating) and simplifying the process by making it a permanent statewide tax. Nothing could be further from the truth.

The one critical factor that makes the current law work, ensures the dollars are used properly, and creates the tight bond of accountability between taxpayers and their local school boards is the requirement of local voter approval. **If you remove the people from the decision on whether or not to impose the tax, you eventually lose everything.**

Watch your mail box in the next week for our Tax Action Alert on this issue and learn how you can help us defeat this misguided legislation.

The Watchdog is a weekly update of issues which are being considered by the Iowa Legislature.

It is a service to members of Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

Comments or questions concerning **The Watchdog** should be directed to:

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