



The Watchdog

A Legislative Update from Iowans for Tax Relief



Friday, April 13, 2007

14th Week of Session

Taxpayers, Labor Unions, and Business Groups All Agree: Statewide Sales and Use Tax for Schools (HF 854) is BAD Public Policy!

GROUPS LINE UP TO OPPOSE THIS \$100 MILLION TAX INCREASE AND KEEP POWER TO APPROVE THE TAX WITH LOCAL VOTERS:

Groups from across the political spectrum have found common ground on House File 854, the proposed legislation to replace the school infrastructure local option tax (SILO) with a permanent statewide increase in the state sales and use tax.

For more details on the proposed legislation, see our March 9 version of *The Watchdog* by going to our website: www.taxrelief.org

Just this week three key business organizations, a business taxpayer group, and another labor union registered NO on HF 854. While the groups might not all oppose the bill for the same reasons, they all agree HF 854 is bad public policy and should be defeated.

It is exceedingly rare for such disparate groups to agree on proposed legislation, but HF 854 is such bad public policy that a unique coalition of interests has aligned on the same side to defeat the bill and leave the current law in its place.

Here are a list of ALL the organizations who have joined Iowans for Tax Relief in opposition to HF 854:

Taxpayer Organizations

1. **Iowans for Tax Relief** (all taxpayers)
2. **Iowa Taxpayers Association** (business taxpayer organization)

Labor Unions

1. **Iowa State Education Association** (the teachers' union)
2. **AFSCME Iowa Council 61** (largest government employee union)
3. **Iowa Federation of Labor, AFL - CIO**
4. **Communications Workers of America**
5. **United Transportation Union**

Business Organizations

1. **Iowa Association of Business and Industry**
2. **National Federation of Independent Business -- IA** (small business organization)
3. **John Deere Company** (one of Iowa's largest employers)

Also of note, a former supporter of HF 854, the **Master Builders of Iowa**, withdrew their support for the bill late last week and changed their registration to Undecided.

Iowans for Tax Relief strongly OPPOSES HF 854 because:

1. It raises state taxes by \$100 million over the current SILO law.
2. It takes away the right of local voters to approve this tax and makes permanent \$400 million in sales and use taxes.
3. It will lead to property tax increases when future Legislatures raid this fund (like they have every other earmarked fund) and force these expenses on local property taxpayers.



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TAX "AMNESTY" LEGISLATION MOVES FORWARD THIS WEEK WITH SENATE PASSAGE:

Legislation that would provide Iowa taxpayers with delinquent tax liabilities a period of "amnesty" to encourage payment of those taxes was passed by the Iowa Senate this week.

Senate File 580 received bipartisan support when it was approved last Monday on a 48-2 vote. The bill now goes to the Iowa House where a companion bill, HF 893, has been approved by the House Ways and Means Committee and is sitting on the House Debate Calendar and is eligible for debate by the full House of Representatives.

If approved by the Iowa House and signed by the Governor, SF 580 would allow:

1. Those eligible to participate in the amnesty program to be any person, corporation, or other entity subject to any tax imposed by the state and payable to this state.
2. The tax amnesty program to apply to taxpayers that have tax liabilities delinquent as of December 31, 2006.
3. The program for the period from September 4, 2007 through October 31, 2007.
4. A taxpayer who participates in the program to pay the tax liability in FULL. There is no discount on the amount of tax owed to the state.

However, a taxpayer who participates in this program and pays their delinquent tax liability in full will receive two important benefits:

First, any interest owed on the delinquent tax liability will be reduced by 50%.

Second, the Department of Revenue will waive their right to pursue any civil or criminal penalty related to the delinquent tax liability.

AMENDMENT OFFERED TO ACCELERATE PHASE OUT OF STATE TAX ON SOCIAL SECURITY BENEFITS:

As a result of legislation adopted last year by the Legislature and signed by the Governor, the state tax on social security benefits will be completely phased out by 2014. This bill was a major victory for Iowans for Tax Relief.

Now, a group of House lawmakers are attempting to accelerate the phase out by three years through an amendment to House File 883.

Representative Steven Lukan (R-New Vienna) is lead sponsor of amendment H-1709 to HF 883 (a bill designed to transform the Iowa Earned Income Tax Credit into a refundable tax credit).

Rep. Lukan's amendment would accelerate the complete phase out of the tax based on the following schedule:

<u>Tax Year</u>	<u>Percent of Social Security Income that is Taxable</u>
2007	68%
2008	60%
2009	40%
2010	20%
2011	00%

Iowans for Tax Relief supports H-1709.

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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