



The Watchdog

A Legislative Update from Iowans for Tax Relief



Tuesday, May 1, 2007

Final Week of Session

Iowans for Tax Relief Thwarts Last Ditch Effort to Raise State Use Tax by \$100 Million and Take Away Your Right to Vote on Local School Tax

ITR RADIO AND GRASSROOTS PHONE EFFORT FORCES SENATE COMMITTEE TO ABANDON TAX INCREASE PLANS:

The final week of any legislative session is normally full of surprises and 2007 was no different. Senate Democrat leaders made an 11th hour effort to revive "dead" legislation to make the current local option tax for school infrastructure (SILO) a permanent statewide sales tax and to raise the state use tax by \$100 million.

Iowans for Tax Relief has aggressively opposed similar legislation in the House and it considered the legislation dead for the year going into the final week.

However, when budget negotiations between the Legislature and Governor reached a stalemate early last week, the debate was renewed as some sought the use tax increase in the proposed legislation as a potential revenue source to finalize the FY 2008 budget.

When word of a potential deal on this issue reached our lobbyists last week, an immediate plan of action was implemented to put intense grassroots pressure on members of the House and Senate.

Statewide radio ads began airing on Thursday (April 26) and soon after the switchboards in the House and Senate were jammed with incoming calls from Iowans demanding a NO vote on the proposed legislation.

In less than two days, more than 2,300 phone calls were transferred to Capitol switchboards -- an unprecedented outpouring of voter anger.

On Friday morning (April 27), Senate Ways and Means Chairman, Joe Bolkcom (D-Iowa City), introduced Senate Study Bill 1361.

SSB 1361 would:

1. Replace the current SILO with a permanent statewide sales tax;
2. Eliminate your right to vote on the local option sales tax for school infrastructure and make permanent nearly \$300 million in annual sales tax collections;
3. Increase the state use tax by \$114 million with \$54 million going to road construction, \$24 million going to school construction, and \$36 million scooped for the state general fund for additional state spending.

For many legislators, the scooping of \$36 million to feed the appetite of state government was a deal breaker. That fact, combined with the loud and clear message delivered by our ads and phone callers, convinced the entire Senate Republican caucus to oppose SSB 1361.

Lacking any Republican support for this tax increase proposal, Senate Democrats quickly abandoned SSB 1361 and announced it dead (finally) for the 2007 session.

This was a great victory for Iowans for Tax Relief, our members, and all Iowa taxpayers.

Couple this successful effort with our earlier program to raise awareness of the need to protect federal deductibility and it is fair to say Iowans for Tax Relief had a successful 2007 session. Thank you to all our members who responded to our Tax Action Alerts and made the difference!



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DIGITAL DOWNLOAD TAX FAILS TO WIN LEGISLATIVE APPROVAL. I-TUNES AND RING TONES REMAIN TAX FREE:

Efforts by the Iowa Department of Revenue to tax personal digital downloads failed when the Senate receded from its earlier position and approved House File 923, the House version of the Department's policy and technical corrections bill, that did NOT contain the proposed new tax.

As originally conceived by the Department, the bill proposed language to create a new state sales and use tax on digital downloads for personal use. Specifically, the bill would have imposed a five percent tax "upon the sales price of audiovisual works, audio works, books, computer software, or ring tones that are sold as digital products and that are sold by subscription, digital code, or in some other manner and delivered electronically for temporary or permanent retention when sold to an individual for the individual's own use and consumption."

In real terms, the bill would have taxed downloaded ring tones, software, music, books, and other such products that are now readily available through the internet and other electronic services. **The anticipated new revenue to the state from this tax increase was in excess of four million dollars.**

As reported in the April 20, 2007 edition of *The Watchdog*, the House Ways and Means Committee stripped the digital download tax from its version of the bill. This week the full House approved the revised bill and the Senate eventually followed suit. The bill was approved by both Chambers minus the new tax.

This is another victory for Iowans for Tax Relief and Iowans who enjoy downloaded music, I-Tunes, books, and other electronic media.

FINAL BILL OF THE SESSION CREATES NEW LEGISLATIVE PROPERTY TAX STUDY COMMITTEE:

At the start of the 2007 session of the Iowa Legislature there was one issue on which the Governor, House leaders, and Senate leaders all agreed -- the need to reform and lower taxes on commercial property.

Unfortunately, the only legislation of any significance to receive the approval of both Chambers was language to authorize the creation of another study committee.

Senate File 601 included language that creates a Legislative Property Tax Study Committee tasked with developing a new plan for local government finance in time to submit it to the General Assembly prior to January 5, 2009.

The Committee will be comprised of 10 voting members (five from the House and five from the Senate) and a host of non voting members from local government associations, taxpayer associations, and various departments of state government.

The Committee is authorized to hire outside consultants to aid their work over the course of the next two years.

With the creation of this new study committee, serious efforts to reform and relieve commercial (and all) property taxes will be pushed off until the 2009 session of the Iowa Legislature as we wait for the committee recommendations.

On the upside, Iowans for Tax Relief successfully stopped an effort to raise residential property taxes by establishing a floor on the residential rollback percentage. Legislation to create such a floor passed the Senate but died in the House.

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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