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To Our Members:

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Help Protect Your Right to Vote on Local Option Tax for School Buildings and Property Tax Relief!

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. SILO has undoubtedly saved significant dollars for Iowa property taxpayers, because many major school construction projects have been funded by local option sales tax that would have otherwise been paid for by raising property taxes.

But now there is a strong push to replace SILO with a permanent one-cent statewide sales tax increase. This change would **remove the essential citizen input** that has made SILO a successful partnership between voters and local school boards, and would lead to **higher property taxes on Iowans.**

Here is why we support the local option and oppose HF 854 that would make this a permanent statewide tax:

1. VOTER APPROVAL IS ESSENTIAL FOR ACCOUNTABILITY: Iowa's historical practice involves the local voters in the tax and spending decisions related to providing school infrastructure.

Prior to SILO, new school buildings were funded primarily by general obligation bonds. A 60% vote of the people is required to approve those bonds.

The vote to approve SILO is a simple majority, but if HF 854 passes, the people will be removed from this process in any meaningful way. The proposed reverse referendums and votes on "spending purpose plans" are **not** substitutes for the voters' decision that actually authorizes collection of the tax.

SILO expires after 10 years unless it is renewed by the vote of the people. This keeps school boards accountable to the voters and ensures the money is spent as promised.

Taking away the people's right to vote on this local option sales tax is a serious mistake.

2. HISTORY PROVES WE CANNOT PROTECT THIS MONEY: Replacement of SILO with a permanent statewide sales tax **will result in school districts receiving less and less money** than if the current SILO law is allowed to continue. Each penny of statewide sales and use tax now

collects **\$390** million. Once the state government gets its hands on this big honey pot, good intentions to send this money to local school districts will fade. The demand to divert these dollars to other spending priorities will be extreme — **and they will succeed.**

A *Des Moines Register* article dated February 21, 2007 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. These dollars will be diverted from local school buildings to other state general fund spending.

You cannot build a fence around these dollars high enough. You cannot build a lock box strong enough. One simple word in a bill — **notwithstanding** — will open the door for spending diversions.

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

We need your help to defeat HF 854 and keep your right to vote on the local option tax for schools!

Iowans for Tax Relief stands alone in this battle. Organizations representing school boards, school administrators, and many others are working hard to take away your right to vote and replace your local option sales tax with a permanent statewide tax.

Our lobbyists are good, but they cannot do it alone. We need you, our members, to get involved in this debate and send the message to your Legislators to vote NO on HF 854 and protect your right to vote on the local option tax for schools. Please use your Personal Action Checklist on the next page. Make your voice heard and help defeat HF 854!

Why we oppose the statewide sales tax increase, continued...

And once the diversions start, they will continue in ever-increasing amounts. What begins as a trickle will soon become a river that will erode away the commitment to use this \$390 million sales tax increase for school infrastructure.

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

3. HF 854 WOULD MEAN FUTURE PROPERTY TAX INCREASES: SILO has either replaced or greatly reduced the need for more general obligation bonds in many school districts. In addition, in order to secure voter approval every 10 years, 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.

Replacing SILO with a statewide sales tax would take away this relief and would eventually require higher property taxes to pay for new school infrastructure projects.

Why? First, when the inevitable 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 to school construction projects. Second, once the diversions become significant, school districts will be forced to use 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 proposed one-cent state sales tax would collect **\$390 million**, and that is **\$100 million more** than SILO will collect in all 99 counties.

Why? Because SILO applies only to the sales tax and does **not** apply to the use tax. The permanent statewide tax under HF 854 would include both the sales tax and use tax. **That means this bill is a \$100 million tax increase** beyond what SILO will collect.

HF 854 does not simply replace an existing local tax with a permanent statewide tax. It is a **huge tax increase on Iowans. A vote for this bill is a vote to raise taxes, plain and simple.** Don't let the politicians do this to you! Help Iowans for Tax Relief **defeat** this big tax hike!

Our Message to Iowa Legislators:

- 1. Voter approval is essential for accountability.** The only way to make sure these dollars are used for school buildings or property tax relief is to keep the people's right to vote on this tax.
- 2. History proves we cannot protect these funds.** Trusting state government with \$390 million of new money would be a huge mistake. Like other special funds before, the money will be gradually diverted from local school buildings and property tax relief – and gobbled up by state government.
- 3. Passage of HF 854 would mean future property tax increases.** When the dollars to local school boards are reduced, new school buildings will be financed through general obligation bonds that are repaid with **higher** property taxes.
- 4. HF 854 is a \$100 million tax increase on Iowans,** beyond what SILO collects. This bill would raise both the sales tax and use tax, but SILO does not apply to the use tax.

How You Can Help: Your Personal Action Checklist!

- CALL YOUR STATE REPRESENTATIVE AND SENATOR, TODAY!** Talk to them or leave a message. Tell them: Vote NO on HF 854. Use one of the above messages, in your own words, to support your request. **Iowa Senate: 515-281-3371 Iowa House: 515-281-3221**
- If you don't know who your Representative or Senator is, go to our Website at **www.taxrelief.org** and use its "Legislative Lookup" feature — or use the ITR 2007-2008 Legislative Directory we sent you in early January.
- SEND AN E-MAIL MESSAGE.** You can find your Senator or Representative's e-mail address using the "Legislator Lookup" feature on our Website.
- SEND THE ENCLOSED POSTCARDS.** This is another good way to make your voice heard. Add your Legislators' names, sign the postcards, put on 24 cent stamps, and mail them TODAY!