



House Education Committee Votes to Make the Local Option Sales Tax a Permanent State Tax and to Raise Taxes on Car Purchases

HF 2066 TAKES AWAY YOUR RIGHT TO VOTE, RAISES THE TAX ON CAR AND TRUCK PURCHASES, AND WILL EVENTUALLY LEAD TO BIG PROPERTY TAX INCREASES:

This week the House Education Committee voted in favor of House File 2066 (<http://coolice.legis.state.ia.us/Cool-ICE/default.asp?Category=BillInfo&Service=Billbook&ga=82&menu=text&hbill=HF2066>), a bill that 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 about \$400 million).

Voters in all 99 Iowa counties have adopted the SILO and are collecting the tax. HF 2066 would eliminate local voters from the approval process and make the tax a permanent statewide penny. In addition, HF 2066 increases the state use tax by a penny (the use tax is exempt from the current SILO) and that will result in a huge tax increase by raising the price of cars and trucks by one percent and increasing the use tax on Iowa businesses who buy taxable products from out of state vendors.

House rules require HF 2066 to be renumbered as a House Education Committee bill (we will provide you with the new number next week) and will be assigned to further committee action in the House Ways and Means Committee.

Here is a breakdown of Wednesday's vote in the House Education Committee:

IN FAVOR (14)

Wendt (D-Sioux City)
Abdul-Samad (D-Des Moines)
Bukta (D-Clinton)
Chambers (R-Sheldon)
Cohoon (D-Burlington)
Dolecheck (R-Mt. Ayr)
Foege (D-Mt. Vernon)
Heddens (D-Ames)
Kaufmann (R-Wilton)
Kelley (D-Waterloo)
Palmer (D-Oskaloosa)
Wienczek (R-Waterloo)
Winckler (D-Davenport)
Wise (D-Keokuk)

OPPOSED (9)

Mascher (D-Iowa City)
May (R-Spirit Lake)
Boal (R-Ankeny)
Forristall (R-Macedonia)
Gayman (D-Davenport)
Miller, L. (R-Bettendorf)
Raecker (R-Urbandale)
Staed (D-Cedar Rapids)
Tymeson (R-Winterset)

WHY IOWANS FOR TAX RELIEF OPPOSES HF 2066

1. THIS IS A CAR TAX INCREASE: This legislation will increase the cost of cars and trucks by one percent. The current local option tax does not apply to use tax (this is a tax you pay on vehicle purchases that is much like the sales tax you pay on other products). **Under this bill the state use tax would be increased from five to six percent.**

This means a \$20,000 vehicle will cost the consumer an additional \$200--a direct hit on hard working Iowa families. While a \$200 increase might not sound like much to some, to a middle income family of four a \$200 tax increase on their car might well be the equivalent of a week's worth of groceries. This is no small concern!

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

WHY IOWANS FOR TAX RELIEF OPPOSES HF 2066, continued...

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 spending decisions on their local school infrastructure.

3. 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 January 10, 2008 it said: **“Leaders of the Iowa State Education Association, the state’s largest teachers union, have said that if the tax goes statewide, half the money should go to the state’s general fund 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.

And once the diversions start, they will continue and they will come in ever increasing amounts and what starts as a trickle will soon become a river that will erode away the commitment to use these funds for school infrastructure. **The school infrastructure fund will be held in the leakiest bucket in state government!**

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.

Only an amendment to the Iowa Constitution, similar to the language that protects the dollars designated for Iowa’s road system, is strong enough to provide permanent protection. Supporters of the SILO have been unwilling to make it a condition to the passage of HF 2066.

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.

4. 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 some property tax relief.

Repeal of the SILO will leave local boards with less incentive to include property tax relief in the mix for using the funds. And while HF 2066 does attempt to provide some property tax relief through the school foundation formula, a raid of the school infrastructure fund will quickly end this relief and force school districts to use property tax dollars to pay for some portion of their infrastructure needs.

HF 2066 also allows school districts to borrow money in anticipation of receiving the state infrastructure funds. If a district borrows money based on the assumption they will receive \$600 per pupil and a state raid on the infrastructure fund reduces the state subsidy to \$400 per pupil, **the balance of that cost will fall squarely on the backs of local property taxpayers.**

NEXT STEPS

Iowans for Tax Relief will be waging an all-out campaign to stop this legislation. Watch for our **Tax Action Alert** next week and stay tuned to our website at www.taxrelief.org to get all your issue updates and action alerts.

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:
Iowans for Tax Relief, 2610 Park Avenue, Muscatine, IA 52761. Phone: (877) 913-3600 Fax: (563) 264-2413
E-Mail: itr@taxrelief.org Website: www.taxrelief.org