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To Our Members:

No. 126

February 21, 2008

Protect Your Right to Vote on Local Option Tax for School Buildings! STOP a Car Tax Increase!

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. The 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 otherwise would have been paid for by raising property taxes.

But now there is heavy pressure to replace the SILO with a permanent one-cent sales and use 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 **raise property taxes.**

Here is why we **support** the **local option** and **oppose House File 2066** that would impose a permanent statewide tax:

1. THIS IS A CAR TAX INCREASE: HF 2066 will increase the cost of cars and trucks by one percent. The current SILO local option tax does not apply to use tax (this is the tax you pay on vehicle purchases; it is much like the sales tax you pay on other products). **Under this bill the state use tax would be increased from 5% to 6%.**

This means a \$20,000 vehicle will cost the consumer an additional \$200--a direct hit on hard-working Iowa families. For a middle-income family of four, a \$200 tax increase on their car might be equal to a week's worth of groceries. **This bill is a big tax increase on Iowans.**

2. 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, new school buildings were funded primarily by general obligation bonds. A 60% vote of the people is required to approve the sale of those bonds. The vote to approve the SILO is a simple majority but, if HF 2066 passes, the people will be removed from this process in any meaningful way.

3. HISTORY PROVES WE CANNOT PROTECT THIS FUND: Replacing the 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 **\$480 million.** Once the state government gets its hands on this big honey pot, good intentions to send this money for local school buildings will fade. The demands to divert these dollars to other spending priorities will be extreme—**and they will be successful.**

A Des Moines Register article dated January 10, 2008 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. These dollars will be diverted from local school infrastructure to state politicians' priorities for other state general fund spending.

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We need your help to defeat HF 2066 and keep your right to vote on the local option tax for schools!

Organizations representing school boards, school administrators, and many others are working hard to take away your right to vote and to 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 and send the message to your Legislators to vote NO on HF 2066 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 2066.

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

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 grab these dollars and spend them for anything else.

The school infrastructure fund will be held in the leakiest bucket in state government!

Only an amendment to the Iowa Constitution, similar to the language that protects dollars designated for Iowa's road system, is strong enough to provide permanent protection. Supporters of this statewide tax have been unwilling to make HF 2066 conditional on the adoption of a Constitutional Amendment.

The painful truth is this: if you want the dollars generated by the 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.

4. HF 2066 WILL MEAN FUTURE PROPERTY TAX INCREASES: In order to secure voter approval of the local option tax every 10 years, most school districts have applied some part of SILO proceeds to reduce existing property tax levies. The result for local taxpayers has been some property tax relief.

Since voters no longer would have a voice in approving the tax, local school boards would have less incentive to include property tax relief in the mix for using the funds. And while HF 2066 does attempt to provide property tax relief through the school foundation formula, a significant state raid on 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 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.**

Our Message to Iowa Legislators:

1. **No car tax increase:** HF 2066 adds a new penny of use tax (not now collected by the SILO) on car and truck purchases and will raise the price of all vehicles by one percent.
2. **Voter approval is essential for accountability:** The only way to make sure this money is used for school buildings or property tax relief is to keep the people's right to vote on this tax.
3. **History proves we cannot protect this fund:** Trusting state government with these dollars is a huge mistake. Like other special funds before, the money will be gradually diverted from school buildings and property tax relief – and consumed by political priorities.
4. **Passage of HF 2066 will mean future property tax increases:** When the dollars to local school boards are diverted and taken away, the only way to pay for new school buildings will be through bonds that are repaid with **higher** property taxes.

How You Can Help: Your Personal Action Checklist!

- CALL YOUR STATE REPRESENTATIVE AND SENATOR, TODAY!** Talk to them or leave a message. Use one of the above messages to make your opinion clear.
Iowa Senate: 515-281-3371 Iowa House: 515-281-3221

If you don't know who is your Representative or Senator, go to our Website at **www.taxrelief.org** and use its "Legislator 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 26-cent stamps, and mail them TODAY!

Place a
26 cent
stamp
here

The Honorable State Senator _____
State Capitol Building
Des Moines, IA 50319

Dear Senator _____:

February 2008

PLEASE defend my right to vote on the local option sales tax for schools, defeat the car tax increase, and vote NO on HF 2066.

1. **No car tax increase:** This bill adds a new penny of use tax (not now collected by the SILO) on car and truck purchases and will raise the cost of all vehicles by one percent.
2. **Voter approval is essential for accountability** – and is the only way to make sure these dollars are used for school infrastructure or for property tax relief.
3. **History proves we cannot protect this new state school infrastructure fund:** The pressure to divert this money to other uses will be tremendous and impossible to stop.
4. **Passage of HF 2066 means future property tax increases:** When the dollars to local school boards are diverted and taken away, new school buildings will be financed through bonds that are repaid with HIGHER property taxes.

Print Name

Street Address

City, State, Zip

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Print Name

Street Address

City, State, Zip