



House Ways and Means Committee Votes to Make Local Option Sales Tax a Permanent State Tax and Rejects Constitutional Protection

HF 2066 TAKES AWAY YOUR RIGHT TO VOTE, RAISES TAXES ON IOWA'S BIGGEST EMPLOYERS, AND GIVES STATE POLITICIANS THE POWER TO STEAL THESE FUNDS FROM LOCAL SCHOOLS:

This week the House Ways and Means Committee voted in favor of House File 2066, 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 consumer 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 use tax on Iowa businesses who buy taxable products from out of state vendors--some of Iowa's most important employers.

The Committee adopted a number of amendments (see descriptions below). **However, the Committee rejected a critical amendment that would have required the funds collected by this statewide sales tax to be constitutionally protected** from future state raids (raids that have decimated the lottery fund, tobacco fund, and senior living trust fund). This would protect these dollars in the same way the Constitution currently protects a significant portion of the road fund. Iowans for Tax Relief STRONGLY supported this amendment.

Even with the amendments adopted by the Committee, Iowans for Tax Relief STRONGLY opposes HF 2066 and the move to strip Iowans of their right to vote on this important local option tax for schools.

Here is a breakdown of Thursday's vote in the House Ways and Means Committee:

IN FAVOR (18)

Shomshor (D-Council Bluffs)
Schueller (D-Maquoketa)
Davitt (D-Indianola)
Deyoe (R-Nevada)
Forristall (R-Macedonia)
Frevort (D-Emmetsburg)
Grassley (R-New Hartford)
Huser (D-Altoona)
Jochum (D-Dubuque)
Kaufmann (R-Wilton)
Kelley (D-Waterloo)
Palmer (D-Oskaloosa)
Quirk (D-New Hampton)
Reasoner (D-Creston)
Thomas (D-Elkader)
Wendt (D-Wendt)
Wiencek (R-Waterloo)
Wise (D-Keokuk)

OPPOSED (6)

Sands (R-Columbus Junction)
Pettengill (R-Mount Auburn)
Soderberg (R-LeMars)
Struyk (R-Council Bluffs)
Van Fossen (R-Davenport)
Windschitl (R-Missouri Valley)

ABSENT (1)

Olson, Tyler (D-Cedar Rapids)

Two members of the Committee who voted to move the bill forward, Reps. Kaufmann and Quirk, have pledged to work with ITR when the bill reaches the floor to help secure the critical constitutional protection.

ADMENDMENTS APPROVED TO HF 2066 IN WAYS AND MEANS COMMITTEE

Here is a summary of the amendments approved by the House Ways and Means Committee prior to final passage of the bill:

1. Eliminates the \$53 million motor vehicle use tax that was included in the original bill. (However, HF 2066 still includes a major increase in the consumer use tax that will be paid by Iowa businesses at an estimated cost of \$40 million to \$60 million.)
2. Sunsets the law in 2029 and requires a study of school infrastructure needs five years prior to the sunset date. (We are skeptical of this provision in that there is no history of any tax that has been allowed to sunset. They traditionally become permanent and we would expect this to be true with the statewide sales tax for school infrastructure.)
3. Requires school districts to annually prepare a report documenting the specific use of the sales tax dollars they receive from this fund, including an accounting of direct property tax relief.
4. Adds a preamble to the bill that states specific legislative intent that the monies authorized by HF 2066 are to be used exclusively for property tax relief or school infrastructure projects. (Unfortunately, the inclusion of the language in this bill does nothing to prevent a future legislature from raiding these dollars for other purposes.)

HF 2066 will now become a Ways and Means Committee bill (meaning it is exempt from any legislative funnel deadline and will receive a new bill number) where it will be eligible for debate as early as late next week (however, we have no time certain for when the House might take further action on this legislation).

House Votes to Gut Iowa's Collective Bargaining Law and Put Property Tax Increases in the Hands of Union Negotiators

The Iowa House, on Thursday, passed a sweeping reform of Iowa's collective bargaining law on a party line vote (Democrats in favor, Republicans opposed). Primary among the changes are significant additions to the items for which unions can bargain. According to local government officials, passage of this bill significantly reduces the power of our local elected officials and will result in massive property tax increases (the City Manager of Des Moines estimated the bill would raise city property taxes by seven percent).

Under current law, there are a limited number of items which are mandatory subjects of collective bargaining: wages, health insurance, vacation, and sick leave. House File 2645 would expand that list to include, among other things: staffing levels, work shifts and schedules, insurance (including the determination of which company will be the carrier), and classroom size.

While estimates are not yet available, most local government officials believe the passage of HF 2645 will mean huge property tax increases, with the real decisions being made in negotiations with union leaders rather than by deliberation by our local elected bodies.

As of this writing, the bill had been messaged to the Iowa Senate where Senator Gronstal has pledged to pass the bill and send it to Governor Culver prior to leaving for the Easter weekend.

Watch next week's Watchdog for an update on both HF 2066 and HF 2645.

The Watchdog is a weekly update of issues which are being considered by the Iowa Legislature. It is a service to members of lowans for Tax Relief. Permission is granted to forward this to any interested individuals.

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