



## House Rejects Constitutional Protection for School Building Funds: Votes to Raise Taxes on 13,000 Iowa Businesses by Over \$40 Million

### HOUSE VOTES TO TAKE AWAY THE RIGHT OF LOCAL VOTERS TO APPROVE THE SALES TAX FOR SCHOOL BUILDINGS AND LEAVES SCHOOL INFRASTRUCTURE FUNDS AT THE MERCY OF STATE POLITICIANS:

This Wednesday, April 9, the Iowa House approved House File 2663 on a vote of 59-41. HF 2663 is the legislation that would eliminate the local option sales tax for school infrastructure and replace it with a statewide increase in the sales and use tax. **Iowans for Tax Relief strongly OPPOSES HF 2663.**

For weeks our lobbyists have been working on a compromise plan that would accelerate the distribution of local option infrastructure dollars to provide immediate and enhanced equity in infrastructure funding between schools in sales tax poor and sales tax rich counties. The plan also included a contingent effective date for the implementation of the statewide tax to be triggered by the affirmative vote of the people on a constitutional amendment that protected the infrastructure funds with a constitutional limit on the use of those funds.

**House Amendment H-8458** was offered by Rep. Greg Forristall (R-Macedonia) and contained the proposed compromise provisions as outlined above. If adopted, H-8458 would have given Iowans one last opportunity to vote on the sales tax for school infrastructure and would have led to constitutional protection for this \$400 million fund--limiting its use to school infrastructure and property tax relief.

The Iowa Constitution currently protects motor fuel tax and motor vehicle registration fees and limits their use to the building and maintenance of our state's road system. **If roads are deserving of constitutional protection, our view was that money dedicated to school buildings and property tax relief are equally (if not more) deserving of the same protection.**

Passage of this amendment would have meant future state politicians would NOT be able to divert these critical resources to other uses, as has been done with every other big (and small) state fund in the past.

Iowans for Tax Relief strongly SUPPORTED H-8458. Unfortunately, 55 Representatives turned their backs on this protection and, instead, decided to leave these funds at the mercy of the very same state politicians who have raided and diverted funding from every state fund ever created. The vote on H-8458 was 44 in favor, 55 opposed.

### Republicans who Voted AGAINST Constitutional Protection

Rep. Clel Baudler (R-Greenfield)  
Rep. Cecil Dolecheck (R-Mount Ayr)  
Rep. Clarence Hoffman (R-Denison)  
Rep. Jeff Kaufmann (R-Wilton)  
Rep. David Tjepkes (R-Gowrie)  
Rep. Walt Tomenga (R-Johnston)

### Democrats who Vote FOR Constitutional Protection

Rep. Swati Dandekar (D-Marion)  
Rep. Geri Huser (D-Altoona)  
Rep. Dolores Mertz (D-Ottosen)  
Rep. Nathan Reichert (D-Muscatine)

House passes HF 2663, continued...

**WHY WE OPPOSE HF 2663:**

**1. The proposed statewide sales tax IS a net tax increase on most Iowa businesses:** Due to our participation in the Streamlined Sales Tax Compact, Iowa is not allowed to charge different rates for state sales tax and state consumer use tax.

This is not the case for local option sales taxes. For those taxes, it is allowable to charge one rate for the local sales tax and exempt the local use tax. This is the case with the current SILO.

When we move from the SILO to a permanent statewide tax, we are forced to also add the additional penny to the statewide use tax on purchases Iowa businesses make of goods from out of state vendors who do not otherwise collect Iowa sales tax.

**13,000** Iowa businesses faithfully remit use tax to the state and **this proposed tax increase will raise their cost of doing business in Iowa by \$40 million or more.**

Any property tax relief that is contained in the bill, even as temporary as it might be, will be distributed among all property taxpayers and classes. Thus, businesses hit with this major increase in the use tax will in no way be held harmless by the minuscule property tax relief they might receive.

**2. Voter approval is essential for accountability:** Local voters have always been involved in the tax and spending decisions related to providing school infrastructure.

Voter approval ensures the dollars are spent as promised. Voter approval ensures a portion of these funds are used to offset local property taxes. And it is voter approval that will ensure these dollars will continue to be used for these two important purposes, rather than diverted for other uses.

Voters in all 99 counties may well have voted to impose this tax, but, the ballot issue for which they voted was for a **local** tax to be controlled by their local board, not a statewide tax to be controlled by the State Legislature. **This is a critical difference and a vote for HF 2663 is a vote to break this good faith contract with the people.**

**3. Short of a constitutional amendment, these funds CANNOT be protected from future efforts to divert their use to other purposes.**

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.

**The only way to truly protect these funds would be to couple the effective date of the new law to the adoption of a constitutional amendment that protects the funds in the same manner as road use funds.**

The battle now moves to the Iowa Senate where we expect a vote as soon as Monday (April 14) or Tuesday (April 15). If you wish to express your view on HF 2663, call your Senator at: 515-281-3371.

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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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