



School Tax Increase (House File 2663) Hangs by a Thread: Senate Republicans to Offer Bipartisan Compromise on Monday

SENATE MAJORITY LEADER THREATENS TO KILL PROPOSED STATEWIDE SALES TAX UNLESS MORE REPUBLICAN SENATORS COME FORWARD IN SUPPORT:

The express train that was House File 2663 came to a screeching halt this week in the Iowa Senate as a determined group of Senate Republicans refused to allow this ill conceived legislation to go forward without a fight.

HF 2663 is the proposed legislation to replace the current local option sales tax for school infrastructure with a statewide increase in the sales AND use tax. **Iowans for Tax Relief strongly OPPOSES HF 2663** and commends those Senators who have made a bold stand on behalf of Iowa taxpayers.

We oppose HF 2663 because:

1. It takes away from the people their local right to vote on the imposition of this tax. Once again, state politicians believe they know better than the local voters and this is simply one more attempt to weaken local control over local government tax and spending decisions.
2. It raises taxes on 13,000 Iowa businesses by increasing the state USE tax by 20% and more than \$40 million. While we fund giveaway programs through the Iowa Values Fund (to the tune of \$50 million of your money annually) to bribe new businesses to come to Iowa on the one hand, this proposal would increase taxes on already existing Iowa businesses by a roughly equivalent amount on the other hand.
3. It puts over \$400 million into a state fund for the purpose of redistributing the money back to Iowa school districts. Unfortunately, this money will NOT be constitutionally protected and would be a target for diversions to other purposes by future state politicians. Every other fund created by state government has seen its proceeds diverted to projects other than those for which it was created, this fund will be no different.

A full Senate vote was scheduled for HF 2663 this last Wednesday (April 16) but was postponed when it was clear only three or four Republican Senators were showing interest in supporting the legislation.

We complement the work of Senators Larry McKibben (R-Marshalltown) and Jeff Angelo (R-Creston) for having the courage to stand on the tracks and ensure their colleagues were fully aware of the negative ramifications of HF 2663.

At a news conference yesterday (April 17), Senate Majority Leader Mike Gronstal said HF 2663 would be dead for the year if more Republicans failed to come forward in support. He said at least eight to 10 Republican votes would be necessary to bring the bill forward.

Iowans for Tax Relief, along with our colleagues at National Federation of Independent Business--IA, Iowa Association of Business and Industry, Iowa Taxpayers Association, and Associated Builders and Contractors of Iowa will continue to work to encourage Senate Republicans to resist this assault on local control and big tax increase on small businesses.

CONGRATULATIONS to the thousands of Iowans and members of Iowans for Tax Relief who flooded the Iowa Senate switchboard with messages in opposition to HF 2663. Your work has made a huge difference and will continue to do so. **Iowa Senate phone number: 515-281-3371.**

Senate Republicans to offer bipartisan compromise to HF 2663, continued...

SENATE MINORITY LEADER RON WIECK SCHEDULES MONDAY NEWS CONFERENCE TO OFFER BIPARTISAN ALTERNATIVE TO HF 2663:

Iowa Senate Minority Leader Ron Wieck (R-Sioux City) has scheduled a 9:00 a.m. news conference in his office on Monday (April 21) to announce an alternative to HF 2663 that he believes will have the support of all, or nearly all, members of his Republican caucus.

The details of that proposal are not yet public. Members of the Iowans for Tax Relief lobbying team intend to attend the meeting.

The school funding equity issues that supporters of HF 2663 are seeking to correct can be addressed WITHOUT having to steal away Iowans right to vote on this tax and WITHOUT having to raise taxes on Iowa businesses. If such a plan becomes viable, Iowans for Tax Relief will enthusiastically support a true compromise and encourage our friends in the Legislature to support its passage.

COMING WEEK MIGHT BE THE LAST FOR THE LEGISLATURE THIS YEAR. MANY TAX ISSUES STILL IN PLAY:

There are indications this will be the last week of the 2008 Session of the Iowa General Assembly. This coming Tuesday, April 22, is the last day Legislators receive per diem expense money and generally signals the beginning of the shutdown period for the year.

Three bills of concern to Iowans for Tax Relief remain eligible for discussion yet this year, but there is little real likelihood any of the three will make it through the process before the Legislature goes home.

House File 2671: This bill would give all Iowa cities the authority to impose a five percent franchise tax on the utility bills of their residents. It would also allow 10 cities in a pilot project to impose an additional local option sales tax, an unlimited tax on cigarettes and tobacco products, and a new “property tax like” service charge on non profit hospitals, churches, and other non profit organizations.

Iowans for Tax Relief OPPOSES HF 2671. The lead sponsor of this legislation, Rep. Tyler Olson (D-Cedar Rapids) has held two subcommittees on HF 2671 but it has not been considered by the full House Ways and Means Committee.

Senate File 2421: This bill would give the City of Davenport (and ONLY the City of Davenport) the ability to raise a local option sales tax for the purpose of providing a free college education to every eligible child within the city limits of Davenport. The tax could be imposed if approved by the local voters.

Iowans for Tax Relief OPPOSES SF 2421. Limiting this proposal to just one city is simply not feasible and how long before rural Iowans cry “foul” and demand sales tax rich urban areas share the revenue so their children get the same benefit?

The Senate began debate on SF 2451 yesterday (April 17) but it was deferred when some Senators asked for additional time to craft potential amendments to the bill. Further Senate action on SF 2451 is possible.

Senate Study Bill 3243: This bill would (1) create a local option income tax to be imposed by Iowa cities after an affirmative vote of the people in a local election, (2) allow the use of some of the revenue generated from this tax increase for commercial and industrial property tax relief, and (3) place a floor on the residential rollback percentage for property tax assessment.

Iowans for Tax Relief OPPOSES SSB 3243. Higher local income taxes will hurt Iowa’s ability to compete for new business development and job growth. In addition, the imposition of a rollback floor could result in higher residential property taxes. While still eligible, we do not expect any further action on SSB 3243.

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:
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