



## **Governor Culver Releases State Fiscal Year 2010 Budget; \$700 Million in Bonding and Property Tax Increases Revealed!**

This week at the Statehouse, Governor Culver finally released his proposed budget for the state. While Culver is touting a six-and-a-half percent across the board cut, the numbers do not add up.

For State Fiscal Year 2010, the Governor is recommending a state budget of \$6.211 billion, but the Governor's recommendation ends up being an increase of \$115.2 million over the previous fiscal year! Governor Culver's recommendation is the largest state budget in Iowa History.

As reported in the First Week of Session Edition of The ITR Watchdog, Governor Culver proposed a \$700 million bonding in his Condition of the State Speech. Unfortunately, for Iowa taxpayers, the Governor has not let this idea go, and has made the \$700 million borrowing proposal part of his budget recommendations. Taxpayers would be on the hook to pay back these bonds for a \$56 million annual payment for the next twenty years.

Iowans for Tax Relief **OPPOSES** bonding for expenditures which should be funded through other mechanisms. Iowans for Tax Relief prefers plans based on a pay-as-you-go concept for government infrastructure projects.

The Governor claims he is not raising taxes in his budget, but several of his recommendations will increase property taxes. First, cutting the state-funded portion of the Homestead Property Tax Credit, which will increase homeowner's property tax bills. Governor Culver also recommended capping the state-funded portion of allowable growth, which has the potential to shift as much as \$40 million to all property taxpayers.

### Property Tax Increase #1.

Governor Culver has recommended cutting the Homestead Property Tax Credit from \$99.3 million to \$49.4 million. The Homestead Property Tax Credit was created in 1937 to provide property tax relief and to encourage homeownership. To qualify for the Homestead Property Tax Credit, Iowans must own and occupy a property as a homestead, declare residency in Iowa for income tax purposes, and occupy the property for at least six months each calendar year.

Over the past three years, the Homestead Property Tax Credit has been funded at \$99.3 million level. The massive cut to the Homestead Property Tax Credit will directly affect homeowners, who are already not receiving their full property tax credit. This results directly in homeowners property tax bills increasing statewide by nearly \$50 million.

The actual value of the credit is equal to the actual levy on the first \$4,850 of value of the home. To find out how much your Homestead Property Credit is, look on your property tax statement, which will be mailed to you from your county assessor.

Iowans are encouraged to make smart homeownership decisions and Governor Culver wants to dramatically cut a tool which lowers the Iowa property tax burden, making it harder for all Iowans to stay in their homes.

#### Property Tax Increase #2.

Last year, the Governor recommended and approved 4% allowable growth for school funding. The approval of 4% allowable growth triggered an automatic property tax increase of approximately \$47 million.

On Wednesday, Governor Culver also recommended capping the state-funded portion of allowable growth, which has the potential to shift as much as \$40 million to private, commercial, and agricultural property taxpayers.

The State will fund allowable growth at approximately \$2.531 billion, which equates to the state funding allowable growth at 2% (instead of 4%). The Governor allows school districts to maintain the spending authority under the 4% figure. When state funding is cut, but the spending authority remains, school districts would be allowed to levy property taxes to fill the void left by the state.

This is just the beginning of the budget process, and Iowans for Tax Relief will continue to keep you updated through the weekly Watchdog and Special Edition Watchdogs on Legislative action on the state budget.

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### **Iowa Transparency Act of 2009 Update**

The Iowa Taxpayer Transparency Act of 2009, House File 74, continues forward through the Legislative Process.

The bill was referred to the House State Government Committee, and assigned to the subcommittee of Rep. Marcella Frevert (D-Emmetsburg), Rep. Charles Isenhardt (D-Dubuque), and Rep. Dawn Pettengill (R-Mt. Auburn).

Iowans for Tax Relief is pleased to see this important legislation move forward. We encourage you to contact your legislator to urge them to move this bill forward. If you are unsure of who your Senator or Representative is, go to our Legislative Lookup on our Website at: <http://www.taxrelief.org/legislators>

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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 Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

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