



State Tax Revenues Sluggish; Budget Hole Imminent

Iowa taxpayers were notified of more alarming news about the condition of the State of Iowa finances this week. The non-partisan Legislative Services Agency (LSA) reported the twelve-month total tax revenue for the state continues to fall, which means when the next state budget year begins in July, the state will not have the money lawmakers anticipated at the close of the Legislative Session.

The [LSA report](#) underscores the state revenue information which was released at the beginning of June. The Monthly State Revenue Memo reported State General Fund tax revenue for the budget year fell 12.4 percent in May 2009 compared to May 2008. The tax revenue drop in May followed a 15 percent plunge in April.

All of these numbers indicate unless there is a significant turnaround in June, state revenue will not meet the estimate for the current budget year, which ends on June 30th. While the month of June is more than half over, the final revenue numbers are still unknown.

If state revenues do not meet the estimate, the state budgets for both this year and the next will be out of balance and the State of Iowa will not have enough money to cover expenses. Due to the irresponsible spending of the 2009 Legislative Session, there is already an estimated one billion dollar budget gap facing lawmakers when they return to Des Moines in January.

Although bad economic times have made headlines, the truth is the Legislature has increased the size of the state budget exponentially over the past three years. Instead of cutting wasteful spending and eliminating duplicative programs, the Legislature and the Governor increased spending and added new programs.

The Iowa Department of Economic Development is scheduled to spend \$25,000 in July to host a corporate party at a golf tournament in Illinois. The \$765 million I-Jobs Program was created this year for unspecified infrastructure, road, and technology projects. At the same time, Legislators voted against cost-saving measures such as suspending the purchase of more state-owned cars and reducing state-funded cell phone plans and blackberry devices for state employees.

The out of control and reckless spending has put Iowa taxpayers in jeopardy of massive tax increases. During the past Legislative Session, the Democratic Leadership in the State Capitol proposed eliminating federal deductibility. No matter how the proposal was written, Iowans would have been forced to send more of their money to the state by paying a tax on a tax. With these same lawmakers facing a budget deficit, it is even more likely they will take this chance to eliminate one of your largest income tax deductions.

Because Iowa Law does not allow the state to run a deficit, lawmakers could be forced to correct a budget imbalance this fall. It is important you continue to contact Governor Culver, your Senator, and your Representative to let them know tax increases are not the way out of the budget catastrophe they created. Lawmakers still need to hear Iowans oppose eliminating federal deductibility and cannot afford government taking more out of the family budget.

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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.

Comments or questions concerning The Watchdog should be directed to:

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