



The Watchdog

A Legislative Update from Iowans for Tax Relief



Friday, March 30, 2007

12th Week of Session

Do You Have Delinquent Tax Liabilities to the State of Iowa? New Legislation Would Create Amnesty Period for Penalty Free Payment.

AMNESTY BILL EXPECTED TO RAISE \$16 MILLION FOR STATE GOVERNMENT THIS YEAR:

As part of his revenue adjustments for the proposed Fiscal Year 2008 budget, Governor Culver called for legislation to create a tax amnesty period later this year to encourage those with delinquent tax liabilities owed to the State of Iowa to make those payments at a discounted interest rate and free of any additional criminal or civil penalties.

While it is billed as a tax amnesty period, the name is somewhat misleading in that the proposed legislation does NOT eliminate or discount any of the tax liability owed to the state. Instead, it reduces the interest owed on the back taxes and waives additional criminal or civil penalties that might otherwise be sought by the state.

House Study Bill 298 and Senate Study Bill 1168 are companion bills to create this amnesty period and both bills are ready to be considered by their respective Ways and Means Committees next week.

Based on previous experience with amnesty programs, the Governor expects the program to generate \$16 million in revenue to the state as Iowans take advantage of this rare opportunity to clear up tax debt at a discount.

Here are the specifics of HSB 298 and SSB 1168:

1. Those eligible to participate in the amnesty program are any person, corporation,

or other entity subject to any tax imposed by a law of this state and payable to this state.

2. The tax amnesty program shall apply to taxpayers that have tax liabilities delinquent as of December 31, 2006.

3. The program shall be for a period from September 4, 2007 through October 31, 2007.

4. A taxpayer who participates in the program must pay the tax liability in FULL. There is no discount on the amount of tax owed to the state.

However, a taxpayer who participates in this program and pays their delinquent tax liability in full will receive two important benefits:

First, any interest owed on the delinquent tax liability will be reduced by 50%.

Second, the Department of Revenue will waive their right to pursue any civil or criminal penalty related to the delinquent tax liability.

We believe this legislation will be approved before the end of the current Session. The \$16 million in anticipated revenue from the amnesty program is part of the budget projections of both the Governor and the Legislature. Thus, this revenue will be needed if the proposed budget is to balance.

Iowans for Tax Relief is monitoring this legislation and will provide updates in the future. If it does become law, we will make sure our members are reminded of the key amnesty dates prior to the amnesty period.



The Watchdog

A Legislative Update from Iowans for Tax Relief



IOWANS FOR TAX RELIEF SHEDS UNWANTED LIGHT ON PROBLEMS WITH HOUSE FILE 854:

The battle to prevent the biggest bait and switch on Iowa taxpayers in our state's history is heating up and Iowans for Tax Relief is working hard to expose this legislation for the bad public policy it is.

Recently, Iowans for Tax Relief released a position paper on HF 854 with a list of four major concerns related to the proposal to replace the current local option tax for school infrastructure (SILO) with a permanent statewide sales tax (at a cost of nearly \$400 million to Iowa taxpayers). See March 9, 2007 version of the Watchdog on our website: www.taxrelief.org.

Here is a summary of our position:

1. VOTER APPROVAL IS ESSENTIAL FOR ACCOUNTABILITY: Local voters have always been involved in the tax and spending decisions related to providing school infrastructure.

It is the vote of the people, and the direct accountability this vote demands, that ensures the money is spent as promised.

2. HISTORY PROVES WE CANNOT PROTECT THESE FUNDS: Replacement of the SILO with a permanent statewide sales tax **will result in school districts receiving less and less money** than if the current law were allowed to remain.

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—and they will be successful.

3. PASSAGE WILL MEAN FUTURE PROPERTY TAX INCREASES: The SILO has either replaced or greatly reduced the need for additional general obligation bonds in many school districts across the state. In addition, in order to secure voter approval, school districts have applied some portion of SILO proceeds to reduce existing property tax levies. The result for local taxpayers has been significant property tax relief.

The movement to a statewide sales tax will functionally put an end to this relief and will, eventually, require higher property taxes to fund new school infrastructure projects.

4. THIS IS A MAJOR TAX INCREASE: The current SILO does not apply to use tax. The proposed legislation to make this a statewide tax includes applying the additional penny to use tax as well. The result of this decision is a bill that increases state taxes by \$100 million.

This bill is not simply about replacing an existing local tax with a permanent statewide tax, **it IS a huge tax increase on Iowans and Iowans for Tax Relief STRONGLY opposes this additional tax burden.**

Our position has stirred the wrath of the Iowa Association of School Boards, School Administrators of Iowa, and some legislators who refuse to accept the truth that this bill is a huge tax increase and who blindly trust these dollars will be protected in a way no other dedicated fund has ever been protected in the past. Only a constitutional amendment could protect these funds long term.

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:

Jamie Hopkins, Iowans for Tax Relief, 2610 Park Avenue, Muscatine, IA 52761. Phone: (877) 913-3600 Fax: (563) 264-2413

E-Mail: itr@taxrelief.org Website: www.taxrelief.org