



The Watchdog

A Legislative Update from Iowans for Tax Relief



Friday, February 9, 2007

5th Week of Session

Iowans for Tax Relief Launched Program to Keep Federal Deductibility: Iowa Legislators Hear from Thousands of Iowans!

SENATE MAJORITY LEADER GRONSTAL SAYS FEDERAL DEDUCTIBILITY IS OFF THE TABLE THIS YEAR:

Iowans for Tax Relief used Super Bowl Sunday as the launching point for a major media campaign to protect federal deductibility in the new Iowa General Assembly.

Statewide radio ads began airing Sunday afternoon (Feb. 4) and targeted television ads started Monday morning (Feb. 5) with a simple message to Iowans: if you want to keep federal deductibility you need to contact your Legislators and tell them so.

You can hear our radio spots and see our television ad by visiting our website at www.taxrelief.org (the ads are posted on the front page).

Members of Iowans for Tax Relief received a Tax Action Alert late last week with detailed information on this issue and a variety of ways in which they could become involved.

Each of the 150 members of the Iowa General Assembly received, on Monday, a personal letter from the President of Iowans for Tax Relief outlining our organization's strong position in support of federal deductibility along with supporting research and recent polling information.

Our members, and Iowans all across the state, responded in the thousands with emails, postcards, and personal phone calls to their Legislators in Des Moines. Here are some of the results:

1. House members received so many phone messages from local constituents their voice mail boxes quickly filled to capacity and many callers were kicked back to the House phone receptionists.

The Chief Clerk of the Iowa House was forced to make a number of announcements to House members during the week asking them to clean out their mail boxes so they could continue to receive new voice mail.

2. Iowa Senators do not have voice mail and Senators are either asked to take the calls directly or are given written messages.

By Wednesday afternoon the volume of calls from Iowans in support of federal deductibility was so great Senate leaders directed the Senate phone receptionists to suspend phone transfers to Senators and simply take a tally of those calling for each Senator.

The receptionists were instructed to tell callers "federal deductibility was off the table and would not be coming up this year."

3. In an interview yesterday with Fox 17 News in Des Moines, Senate Majority Leader Michael Gronstal (D-Council Bluffs) said the Senate had no intention of eliminating federal deductibility and the issue was "off the table" for the year.

Assuming this holds true, **the members of Iowans for Tax Relief have won a major victory** and federal deductibility is safe (for at least one more year).



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VICTORY ON FEDERAL DEDUCTIBILITY, continued...

It has been many years since Iowans for Tax Relief has been compelled to engage in a lobby effort of this magnitude. With your help, our effective message and call volume were noticed by Legislators, lobbyists, and the news media.

However, until the Legislature adjourns and goes home for the year, we will remain vigilant and prepared for any additional work that might be required on this issue.

But for today, congratulations to all our members and to the thousands of Iowans who made their voices heard this week on this very important issue.

This is the purpose for our organization's existence--to identify key pro-taxpayer issues, to educate the public on these key issues, and to give citizens multiple methods for making their collective voices heard at the State Capitol.

OTHER IMPORTANT ISSUES THIS WEEK:

Iowa Department of Revenue proposes new sales tax on digital downloads: Four years ago the Iowa Legislature and Governor Vilsack agreed to exempt digital downloads (whether for individual or business use) from state sales tax.

The decision was made for two primary reasons: 1) any tax on digital downloads through the internet would be extremely difficult to collect, and 2) the state did not want to engage in tax policy that might have the effect of stifling internet commerce.

This year the Iowa Department of Revenue is proposing the state impose sales tax on digital downloads by individuals (business would to keep its exemption).

Examples of digital downloads listed in **House Study Bill 106** are: "audiovisual works, audio works, books, computer software, or ring tones that are sold as digital products...when sold to an individual for the individual's own use and consumption."

Iowans for Tax Relief played a key role in the legislation that created the original exemption. The Department agreed to the legislation as part of an understanding with ITR and key legislative leaders we would support the state's continued full participation in the proposed Streamlined Sales Tax Compact.

Now, it appears, the Department is moving away from this agreement.

Taxation of items that are not tangible personal property is difficult. Taxation of items that are not tangible personal property and are downloaded from the internet from businesses that lack physical presence in Iowa (which would include the vast majority of digital download providers on the internet) is virtually impossible.

The Department estimates the state would collect from \$4 million to \$5 million from this new tax. However, the cost of attempting to collect this tax could easily exceed the actual tax collected.

Also, as with other attempts to collect sales tax on internet sales, revenue estimates have been wildly overstated when compared to actual taxes collected.

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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