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IFP: Balance, Fairness, Economy Weigh Against House Plan

The Iowa Fiscal Partnership today released the following public statement on property-tax provisions being proposed as a Ways & Means Committee amendment to the omnibus budget bill in the Iowa House, HF697. The bill is the subject of a public hearing tonight at the State Capitol:

We are almost six weeks into overtime on this session of the Iowa Legislature and still, Iowans do not have a fiscally responsible budget proposal. The House Ways & Means amendment to the omnibus budget bill compounds the problem. While property-tax cuts are lower in the current proposal than proposed earlier, making a bad bill less bad is not a good foundation for public policy.

This proposal would obligate future General Assemblies to deliver on unsustainable choices. It promises increases in state funding to schools despite the experience of the last two years. It proposes a steadily rising standing appropriation of up to \$150 million in property tax replacement funds to replace local revenues lost to cuts in commercial and industrial property assessments.

A 25 percent reduction in commercial property taxes, and implications for other property taxes, will have two principal effects. First, it will almost certainly exceed the promised standing appropriation for replacement funds for local governments, and therefore may jeopardize needed local services as cuts are forced. Second, it will cause the residential share of tax base and taxes paid to rise, at the same time Iowa lawmakers have been giving the lion's share of tax benefits to businesses and to the very wealthy. This additional business perk is unwarranted.

Importantly, the promises for schools and other local governments are only that — promises. There is no assurance that the replacement funding will be there, yet the assessment cuts for commercial property will remain. Indeed, history has shown such promises are not guarantees.

One thing has not changed in the weeks since the previously scheduled April 29 adjournment of this session: Iowa needs a balanced approach to its budget. Iowa cannot afford new tax cuts at a time critical services are not adequately funded — particularly when the proposed cuts will do nothing to enhance Iowa's competitive standing or encourage economic growth and put Iowans to work. Those are the realities of tax policy, even if they do not always fit the political themes of the moment. Legislative leaders often have spoken of the need to avoid "phasing in" any state spending obligations but to only fund programs when there is the funding available to finance them over time. The same needs to hold for any tax policies.

As we stated in [late April](#), "Any tax policy changes in the final days of the legislative session should improve the revenue side of the ledger after devastating budget cuts of recent years. Tax changes should improve tax fairness while helping the economy." The Ways and Means amendment does neither.

The Iowa Fiscal Partnership is a joint budget and tax policy initiative of two nonpartisan, Iowa-based organizations, the Iowa Policy Project in Iowa City and the Child & Family Policy Center in Des Moines.