

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2663 – Statewide Local Option School Infrastructure Sales Tax (SILO) (LSB 5058 HV.1)  
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Fiscal Note Version – Revised (Revision based on April 4, 2008, REC projections)

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**Description**

House File 2663 repeals the school infrastructure local option sales tax (SILO), increases the State sales and use tax from 5.0% to 6.0%, and requires the increase to be designated for school infrastructure purposes or property tax relief. The Bill eliminates the statewide distribution per student of \$575 and replaces it with a statewide rolling average. The Bill also requires revenues generated from the increase in the State sales and use tax to be distributed to school districts based on a distribution formula used to distribute SILO funds. The Bill requires the Department of Revenue to use the FY 2008 SILO amounts by county as a base for future SILO distribution estimates and increase the county-by-county estimates by the Revenue Estimating Conference (REC) sales/use tax growth projections. Additional funds remaining from the Secure an Advanced Vision for Education (SAVE) Fund are deposited in the Property Tax Equity and Relief (PTER) Fund and will be used to provide property tax relief through the school aid formula.

The Bill keeps the motor vehicle use tax rate at 5.0%.

House File 2663 reduces the State sales and use tax to 5.0% beginning January 1, 2030, and repeals the sales and use tax for school infrastructure and property tax relief provision on December 30, 2029.

**Background**

All 99 counties have approved the school infrastructure local option sales tax. As of December 2007, a total of 24 counties have authorized extensions of SILO.

**Assumptions**

Assumptions include:

- Annual sales and use tax and SILO tax revenues will increase by 2.8% (based on the April 2008, REC growth estimate for FY 2009) for FY 2009 through FY 2014.
- Department of Revenue FY 2008 SILO estimates by county are used as a base for county and school district estimates for FY 2009 – FY 2014.
- For school aid property tax purposes, this analysis assumes a 4.0% allowable growth rate for FY 2011 through FY 2014 and the following statewide taxable valuation increases:
  - FY 2009 – 5.5%
  - FY 2010 – 4.9%
  - FY 2011 – 5.2%
  - FY 2012 – 4.8%
  - FY 2013 – 5.2%
- County level enrollments for FY 2009 are used for per pupil distributions in estimates for FY 2010 – FY 2014.
- Excess SAVE funds credited to the PTER Fund for FY 2009 will not be available for property tax relief until FY 2011.
- Excess SAVE funds credited to the PTER Fund will be deposited in mid-November and paid to school districts on July 1 of the following year. The estimated interest rate earned on the

PTER Fund is assumed to be 4.0%. The interest will be deposited in the State General Fund.

- The equipment excise tax and the State hotel/motel excise tax will remain at 5.0% and not be impacted by the increase in the Statewide sales tax rate increase.

**Fiscal Impact**

**State General Fund:** The estimated increase to the State General Fund resulting from interest earned is \$750,000 in FY 2010 and \$771,000 in FY 2011.

**Local School Districts:** The following table provides a breakdown of the sales and use tax revenues designated to the SAVE Fund and the PTER Fund. In addition, a summary of impact by school district is located on the LSA web site at: [http://staffweb.legis.state.ia.us/lfb/Docs/k-12\\_ed/silo/silo.htm](http://staffweb.legis.state.ia.us/lfb/Docs/k-12_ed/silo/silo.htm)

	<b>Estimated Sales and Use Tax Deposited to SAVE Fund</b>	<b>Estimated SILO Distribution from SAVE Fund</b>	<b>Estimated Amount Deposited from SAVE to PTER Fund</b>	<b>Property Tax Relief to School Districts</b>
FY 2009	\$ 404,913,706	372,754,952	\$ 32,158,754	N.A.
FY 2010	416,251,290	383,192,091	33,059,199	N.A.
FY 2011	427,906,326	393,921,470	33,984,856	\$ 32,158,754
FY 2012	439,887,703	404,951,271	34,936,432	33,059,199
FY 2013	452,204,559	416,289,906	35,914,653	33,984,856
FY 2014	464,866,286	427,946,024	36,920,263	34,936,432

**Sources**

Iowa Department of Revenue  
 Iowa Department of Education  
 Iowa Department of Management  
 Revenue Estimating Conference  
 LSA calculations

/s/ Holly M. Lyons

April 7, 2008

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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