

F I N A L R E P O R T
TAX STRUCTURE SUBCOMMITTEE

January, 1983

The Tax Structure Subcommittee of the Senate and House Standing Committees on Ways and Means was authorized by the Legislative Council on May 26, 1982 to conduct during the 1982 interim a review of the tax structure of the State of Iowa and its political subdivisions and a comprehensive study of alternative revenue sources to the present tax structure of the state and its political subdivisions pursuant to Senate Concurrent Resolution 136. Senate Concurrent Resolution 136 was adopted by the Sixty-ninth General Assembly. The members of the Subcommittee include the following:

Senator Emil J. Husak, Co-chairperson
Representative Hugo Schnekloth, Co-chairperson
Senator Rolf V. Craft
Senator Edgar H. Holden
Senator Mick Lura
Senator William D. Palmer
Representative Ned F. Chiodo
Representative Darrell R. Hanson
Representative James D. O'Kane
Representative Robert H. Renken

The Subcommittee held its first meeting on November 10, 1982 to handle organizational matters and receive testimony from Dr. Steve Gold of the National Conference of State Legislatures. Dr. Gold presented information on the state tax structure and how it compares with tax structures of other states. During the afternoon session, Dr. Gold reviewed provisions of the Economic Recovery Tax Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 and the impact of this federal legislation on state tax revenues. In reviewing the state tax structures, Iowa's tax effort is less than the national effort, attributable primarily to Iowa's 3% sales tax. A summary of Dr. Gold's statements regarding ERTA and TEFRA is that ERTA had a negative impact on state revenues and TEFRA reduced the amount of the impact.

The Subcommittee held its second meeting on December 17, 1982. At this meeting, the Subcommittee requested testimony concerning the impact of House File 2171 on state revenues and the impact of reduced agricultural land values on residential property value if there is little or no growth in agricultural land values. Invited to appear were representatives of the Iowa Department of Revenue, Iowa State Association of Assessors, Iowa Farmers Union, Iowa Farm Bureau Federation, Iowa Manufacturers Association, Iowa Taxpayers Association, Iowa Association of Realtors, Association of Community Organization for Reform Now, Iowans for Tax Relief, League of Iowa Municipalities, and Iowa State Association of Counties. Copies of the testimony received from these organizations are available in the office of the Legislative Service Bureau.

The Subcommittee held its third and final meeting on Wednesday, January 19, 1983. At this meeting, the Subcommittee discussed various proposals submitted by Subcommittee members at the meeting for inclusion in the final recommendations of the Subcommittee. The Subcommittee's final recommendations are as follows:

1. That a county finance bill should be adopted which will restructure county funds.

2. That funding of local government should be allowed through a tax mechanism other than local property taxes.

3. That the penalty on delinquent property taxes presently at an annual rate of 12% should be increased to 15%.

4. That the concept of "fair play" is endorsed which provides for the reimbursement of local governments for the costs of programs implemented pursuant to state mandate.

The Subcommittee also agreed that the state's reliance on a graduated personal income tax, coupled with a low sales and use tax rate which exempts food and drugs makes Iowa's tax structure nonregressive.

The Subcommittee further agreed that the property tax effort of local government in this state is in the medium range of other midwestern states, all of which tend to rely more heavily upon property taxes than other sections or regions of the country.

Minutes of the meetings of the Tax Structure Subcommittee are on file in the Legislative Service Bureau.