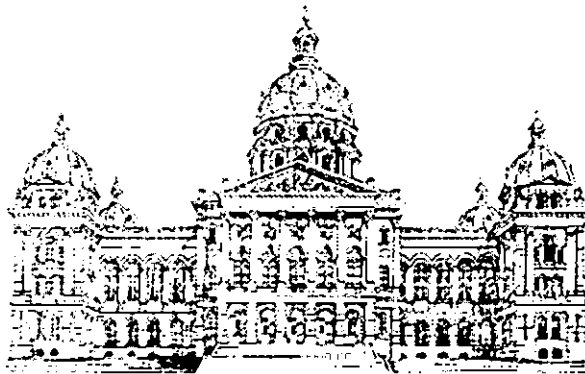


FINAL REPORT

**TASK FORCE TO STUDY
IOWA'S SYSTEM OF
STATE AND LOCAL TAXATION**



Presented to the
LEGISLATIVE COUNCIL
and the
IOWA GENERAL ASSEMBLY
January 1999

Prepared by the
LEGISLATIVE SERVICE BUREAU



Legislative
Service
Bureau

FINAL REPORT

Task Force to Study Iowa's System of State and Local Taxation

January 1999

MEMBERS and ALTERNATES

Legislators

Senator JoAnn (Douglas) Johnson*, Co-chair
Representative Dwight Dinkla, Co-chair
Senator Jeff Angelo
Senator Richard Drake
Senator Steve D. Hansen
Senator William Palmer
Representative John Greig
Representative Richard Myers
Representative Don Shultz
Representative James Van Fossen

Public Members

Mr. Gary Bilyeu (Assessors)
Mr. Steve Evans (Utilities)
Mr. Ron Geiger (Business)
Ms. Nancy Gilman (School Boards)¹
Ms. Ann Hutchinson (Cities)
Mr. Tom Jarrett (Taxpayers)
Ms. Janice Laue (Labor)
Ms. Sharon McCrabb (Counties)
Mr. Patrick Murphy (Realtors)
Mr. Jim Sage (Agriculture)²
Mr. Peter Voorhees (Taxpayers)

Public Member

Alternates

Ms. Marcella Thompson
Ms. Joan Thompson
Ms. Margaret Van Houten
Mr. Carl Benning
Mr. E.J. Giovannetti
Ms. Alexa Heffernan
Mr. Mark Smith
Mr. Grant Veeder
Ms. Helen Saylor
Ms. Heidi Vittetoe
Ms. Jane A. Miller

Contents

Committee Proceedings	p. 2
September 3, 1997, Meeting	p. 2
October 8, 1997, Meeting	p. 3
October 22, 1997, Meeting	p. 4
November 12, 1997, Meeting	p. 6
December 3, 1997, Meeting	p. 7
Progress Report	p. 8
July 8, 1998, Meeting	p. 10
August 20, 1998, Meeting	p. 11
September 16, 1998, Meeting	p. 12
October 21, 1998, Meeting	p. 14
December 7, 1998, Meeting	p. 17
Recommendations	p. 18
Written Materials Filed With the Legislative Service Bureau	p. 20

Staff Contacts

Mike Goddert, Senior Legal Counsel
(515) 281-3922

Susan Crowley, Legal Counsel
(515) 281-3430

Thane Johnson, Senior Research Analyst
(515) 281-3048

AUTHORIZATION AND APPOINTMENT

The Task Force to study Iowa's System of State and Local Taxation was established by the Legislative Council and charged to:

"study and make recommendations regarding the state and local tax systems in this state and address the goals of tax simplification, equity, and reduction. The study shall include the local property tax system, individual income tax system, taxation of corporations, financial institutions, and other business taxation, sales, services, and use taxes, and other tax-related topics deemed appropriate by the task force. The task force may contract with one or more tax consultants or experts familiar with the Iowa state and local tax systems, or for other contract assistance deemed necessary."

Creation of the Task Force was requested in H.C.R. 22. Various constituencies were suggested for inclusion as public members in the resolution and others were added by the Legislative Council. The constituency represented is listed in parentheses after the name of the public member. The public member alternates were authorized by Task Force rules to attend on behalf of an absent member and to participate in deliberations as a member. Each public member alternate is listed following the appropriate public member.

The Task Force was authorized to spend up to \$100,000 for costs of contract assistance subject to prior approval. The Task Force was to conduct the study through the 1998 calendar year.

*Senator JoAnn Johnson changed her name from JoAnn Douglas prior to the December 1998 meeting and name references in this report have been changed accordingly.

¹ Resigned 6/30/98 Not Replaced

² Resigned 8/19/98 Replaced by Jon Muller



Task Force to Study Iowa's System of State and Local Taxation

1. Committee Proceedings.

The Task Force was authorized five meeting days during the 1997 Interim and an additional five meeting days during the 1998 Interim.

Members on the Task Force were assigned to one of three subcommittees as follows:

<u>Sales and Use Tax</u>	<u>Income Tax</u>	<u>Property Tax</u>
Senator Richard Drake, Chair	Senator JoAnn Johnson, Chair	Representative Dwight Dinkla, Chair
Senator Steve D. Hansen	Senator Jeff Angelo	Representative John Greig
Ms. Janice Laue	Senator William Palmer	Representative Richard Myers
Ms. Sharon McCrabb	Representative Don Shoultz	Mr. Gary Bilyeu
	Representative James Van Fossen	Mr. Steve Evans
	Mr. Tom Jarrett	Mr. Ron Geiger
	Mr. Peter Voorhees	Ms. Nancy Gilman (Resigned)
		Ms. Ann Hutchinson
		Mr. Patrick Murphy
		Mr. Jim Sage (Jon Muller)

Meeting Dates. The meetings during the 1997 Interim were held at the State Capitol Building in Des Moines on September 3, 1997, October 8, 1997, October 22, 1997, November 12, 1997, and December 3, 1997. The 1998 interim meetings met at the State Capitol Complex in Des Moines on July 8, 1998, August 20, 1998, September 16, 1998, October 21, 1998, and December 7, 1998.

2. September 3, 1997, Meeting.

Overview. The first meeting of the Task Force started with the introduction of members and staff and then was devoted to educating the members on various subjects relating to state and local taxes. Senator JoAnn Johnson and Representative Dwight Dinkla were elected Co-chairpersons.

Director of Revenue and Finance. Director Gerald Bair of the Department of Revenue and Finance made the first presentation to the Task Force. Mr. Bair gave an overview of previous study recommendations and subsequent actions taken, tax collection aspects, and other taxpayer services, a list of differences in Iowa income tax from the federal income tax, inconsistencies existing in tax statutes as applied to various segments of the same class of taxpayers, and changes during the period from the 1986 assessment year to the 1996 assessment year in the mix of statewide taxable valuation by class of property for property tax purposes.

Utility Taxation. The Task Force learned how the municipal utilities, electric cooperatives, and the investor-owned utilities are taxed and how each utility's tax compares to the others. The presenters were Mr. Bob Haug, Executive Director, Iowa Association of Municipal Utilities; Ms. Dawn Vance, Government Relations Director, Iowa Association of Electric Cooperatives; and Mr. Mark Douglas, President, Iowa Utility Association.



CPA Perspective. Mr. Dwayne Vande Krol, Chairperson of the Taxation Committee, Iowa Society of CPAs, provided a wish list in regard to the Iowa tax structure from an accountant's perspective. The list includes uniformity between Iowa and federal rules and amongst the various states, certainty and stability in regard to the meaning of provisions of tax statutes, and administrative ease and simplicity in taxpayer compliance.

University of Iowa. Professor Thomas Pogue of the University of Iowa provided an overview of Iowa property taxation which included the trends, problems of a narrowing base, improvement of the system, tax collections, and valuations, both taxable and exempt. Dr. Pogue also discussed public spending and taxation in relation to economic development. This involved discussing what is economic development, facts limiting potential of development policies, assessment of impacts of public policies, taxes and competitiveness, and whether business development creates jobs.

Iowa State University. Research Associate David Swenson from Iowa State University provided comparisons of certain property tax statistics during the 1989-1997 fiscal year period. These included total taxable values and total taxable values by classification, both adjusted for inflation, and a comparison of the assessed and taxable values (adjusted for inflation) of the various classes of property in rural, urban, and metro counties.

Des Moines Chamber of Commerce. Mr. Steve Zumbach and Mr. Kent Sovern, representing the Greater Des Moines Chamber of Commerce, presented an analysis of the impact of various taxes on the manufacturing industry as compared to 11 other states and the impact of the residential property tax rollbacks on commercial and industrial property taxes.

3. October 8, 1997, Meeting.

Overview. The second meeting of the Task Force continued its education of the members on the property tax including the rollback, equalization, and tax credits and the use of property tax in the school aid formula.

Property Tax Rollback. Mr. Gene Eich of the Department of Revenue and Finance discussed the history of the assessment limitations and the rollback adjustments that were made for each class of property since the 1978 assessment year. He also provided information on the effect on the rollback for residential property if the growth due to revaluation in residential property had not been "tied" to the growth due to revaluation in agricultural property. Mr. Gary Bilyeu, Story County Assessor, presented in very simple terms the concept of rollback and what it is. Mr. Eich and Mr. Bilyeu disagreed on whether the rollback has resulted in a shift in property tax burden from residential property to commercial property.

Property Tax Equalization. Mr. Eich also explained the assessment equalization process used to equalize values within each class of property and the need for it.



Task Force to Study Iowa's System of State and Local Taxation

Tentative equalization orders are sent by August 15 every odd-numbered year to local assessors. These orders are stated as a percentage increase or decrease in the aggregate values of a specific class of property and are only made if the class is valued at a +5 percent or -5 percent difference from the local assessor's aggregate value. The local assessor then applies each percentage to the appropriate class of property either uniformly or on an individual plat basis. Mr. Eich noted that equalization helps maintain an equitable assessment base among classes of property and among assessing jurisdictions, which is particularly important in terms of state aid to schools.

Property Tax Credits. Mr. Ed Henderson of the Department of Revenue and Finance commented on the state cost for the homestead, elderly and disabled, military service, agricultural land, and family farm property tax credits.

School Foundation Aid. Mr. Jon Studer of the Legislative Fiscal Bureau provided the Task Force with an understanding of the state school foundation aid program and the part that property taxes play in it. Mr. Studer presented a history of the foundation aid formula along with the percent of State General Fund budget spent for state aid -- 32 percent to 36 percent -- and the general concepts used in determining the amount of state aid and local property taxes. These general concepts include: district's basic budget, district cost per pupil, state cost per pupil, allowable growth, foundation level, foundation uniform levy, and additional levy. Mr. Studer also provided a chart listing by school district the taxable valuation and property tax rate for each district for the 1996-1997 school year. The taxable valuation per pupil varies from a low of \$77,000 to a high of \$400,000.

Advance for Increasing Enrollment. Dr. Veronica Stalker, Superintendent, Waukee Community Schools, presented her argument for reinstating the concept of providing an advance in school foundation aid for increasing enrollment. This concept had been in existence but was repealed in 1992. Dr. Stalker explained that a school district's pupil count for one year is based upon the previous year's actual count. This results in lower revenues from the state and on the local level for that year if actual pupil numbers increase. She provided the Task Force with her computations on her district's costs for new teacher/new student growth in the current year which will be underfunded pursuant to the present School Foundation Aid Program.

4. October 22, 1997, Meeting.

Overview. The third meeting of the Task Force continued its education of the members on income and property tax. Information on the income tax addressed the updating of the state's references to the federal Internal Revenue Code and its impact. Information on property tax included mental health, mental retardation, and developmental disabilities funding, payments in lieu of taxes, credit and exemption data, and tax increment financing districts.



Internal Revenue Code (IRC) Update. Mr. Carl Castelda, Mr. Loren Knapp, and Mr. Bob Rogers of the Department of Revenue and Finance discussed the state's annual IRC update. Mr. Castelda provided an introduction to the concept of the state's IRC update which involves the state conforming with certain federal changes. Mr. Knapp summarized various provisions of the federal Taxpayer Relief Act of 1997. These involved education benefits such as the HOPE tax credit, lifetime learning credit, deduction for student loan interest, and educational individual retirement accounts; child credit; capital gains changes; retirement accounts; and other income-related provisions. Mr. Rogers provided a three-year estimate of impacts on state general fund revenues resulting from the 1997 federal legislation. The estimates included estimates based upon behavioral response to the federal legislation. Two estimates were provided for each fiscal year. These involved the impact without conforming legislation by the state and the impact that would result from conforming legislation.

Mental Health Property Tax. Mr. John Pollak of the Legislative Service Bureau provided an overview of the mental health, mental retardation, and developmental disabilities (MH/MR/DD) legislation over the past few years. Changes included the capping of the county's authority to levy for MH/MR/DD services by Senate File 69 as enacted in 1995; the provision of property tax relief and its distribution to each county; and the development of county plans to manage MH/MR/DD services. Ms. Margaret Buckton of the Legislative Fiscal Bureau provided data on the history of funding for property tax relief since fiscal year 1995-1996 for MH/MR/DD services. Her discussion mentioned the distribution formulas to local counties and a chart showing the breakdown of the property tax relief distributions by county along with that county's base year expenditure.

Payments in Lieu of Taxes. Speaking on behalf of the League of Cities was Ms. Chris Hensley, member of the Des Moines City Council. Ms. Hensley directed her comments to the problems faced by the City of Des Moines and her suggestions as to how to address these problems. The problems she described involve the rollback and the amount of tax-exempt property located in the city. Ms. Hensley suggested that state institutions and buildings, hospitals, and state-supported colleges enter into agreements to make payments for the cost of providing police and fire services by the city. She also suggested that sales tax receipts collected by the hospitals should be used for paying police and fire costs.

Property Tax Credits and Exemption Data. Mr. Mike Goedert of the Legislative Service Bureau explained the homestead, military, elderly and disabled, agricultural land, and family farm tax credits. He provided a chart that listed the dollar amounts paid by the state for each different credit for the fiscal year 1996-1997, how credit was determined, an approximate range for each credit, and a cursory noting of eligibility requirements. Mr. Goedert also provided data on the approximate market value of tax-exempt property for the 1994, 1995, and 1996 assessment years. These totals did not include government properties that are exempt. In addition,



Task Force to Study Iowa's System of State and Local Taxation

statewide totals of partial exempt properties for the 1989 through 1994 assessment years were provided.

Tax Increment Financing (TIF). Mr. Studer described to the Task Force the concept of using TIF districts to finance projects in certain qualified areas of a city or county. He noted the authority for TIFs has been available since 1958 but its use has grown rapidly over the past five years. Mr. Studer described the two basic reasons for using TIFs, which are for urban renewal purposes and for job training through community colleges. He explained the effect that TIFs had on other taxing jurisdictions, including school districts, and, as a result, the state. He remarked that for fiscal year 1996-1997, there are 1,453 TIF areas statewide with total incremental value of \$2.366 billion of net taxable value.

5. November 12, 1997, Meeting.

Overview. The fourth meeting of the Task Force involved presentations from hospital and utility representatives. The members were then assigned to subcommittees to focus on property taxation, income taxation, and sales and use taxation. The subcommittees met for the remainder of the meeting.

Association of Iowa Hospitals & Health Systems (IH & HS). Mr. Greg Boattenhamer and Mr. Kirk Norris of IH & HS spoke before the Task Force. According to Mr. Boattenhamer, IH & HS opposes any attempt to repeal property tax exemption for not-for-profit hospitals or to allow local governments the ability to collect service fees or payments in lieu of taxes from these hospitals because it would result in increased costs for hospital and medical services. The other portion of the presentation was an appeal for the removal of the state sales tax on private hospitals as this would help maintain Iowa's low health care costs.

Utility Property Tax Replacement. Mr. Steve Evans of MidAmerican Energy Company, and a member of the Task Force, explained a bill draft that would exempt utility property from its present method of taxation and replace it with another method based upon a tax on generation, transmission, and delivery of gas and electricity in the state. The bill draft was worked on by the utility companies, local governments, and the Department of Revenue and Finance.

Subcommittees. The Task Force members were assigned to one of three Subcommittees. Ten were assigned to the Property Tax Subcommittee, seven to the Income Tax Subcommittee, and four to the Sales and Use Tax Subcommittee.

Property Tax Subcommittee. The Subcommittee is chaired by Representative Dinkla. The Subcommittee members agreed they would focus their scrutiny of the property tax system on the source of revenue and statutory modifications affecting the source and on use of the revenue, i.e., where the revenue should be spent. Concentrating primarily on the rollback, tax credits, and classification of property, the Subcommittee developed a series of hypothetical scenarios to present to the

Task Force to Study Iowa's System of State and Local Taxation



Department of Revenue and Finance, requesting the Department to run models showing the effect of the changes in the scenarios.

Income Tax Subcommittee. The Subcommittee chairperson is Senator JoAnn Johnson. The members suggested areas that should be looked at as possible changes to the individual or corporate income taxes. These areas include a review of all individual deductions, exemptions, and credits; establishing a flat tax by setting the individual income tax at a percent of federal tax liability or taxable income adjusted to be revenue neutral; tying the corporate income tax to the individual income tax; repealing the deduction for federal taxes paid under individual and corporate taxes and reducing rates; and establishing a flat tax or graduated flat tax with an income exemption for certain taxpayers. The Department of Revenue and Finance was requested to provide information. Mr. Castelda of the Department reviewed the status of the collection of sales or use tax from purchases by those making catalog sales.

Sales and Use Tax Subcommittee. The Subcommittee is chaired by Senator Richard Drake. Senator Drake stated that a ground rule for the Subcommittee is to provide revenue-neutral proposals if sales tax reductions are desired. Mr. Grant Veeder presented a proposal to fully fund mental health, mental retardation, and developmental disability costs from State General Fund sources in lieu of property taxes. This proposal would cost approximately \$119 million initially. A possible revenue replacement for the MH/MR/DD costs would be an increase to the retail sales and use taxes. The Subcommittee also discussed the possibility of receiving taxes from direct marketers (\$13-\$15 million potential), applying access charges to the Internet, and authorizing an additional one cent local option tax. Other ideas proposed were limiting or reducing sales tax on clothing items below a certain sales price and granting a sales and use tax exemption for those medical care facilities which are not owned by government agencies.

6. December 3, 1997, Meeting.

Overview. The last meeting of the Task Force during the 1997 Interim was devoted to discussion by the three Subcommittees. Each Subcommittee met to work on its recommendations to the full Task Force or to identify areas or specifics which should be studied further during the 1998 calendar year.

Sales and Use Tax Subcommittee. The Subcommittee was chaired by Senator Steve Hansen in place of Senator Drake. The Subcommittee considered an increase in sales and use taxes to pay for the state assuming all local MH/MR/DD services costs in place of counties; an exemption from the sales and use taxes for clothing purchases, and for purchases by private for-profit and nonprofit hospitals; and an additional one cent local sales tax to be used for school infrastructure and transportation. The Subcommittee also discussed the taxation of food and grocery items, the taxation of Internet services, exemption from tax on utilities, and the problem of the taxation of catalog sales.



Task Force to Study Iowa's System of State and Local Taxation

Income Tax Subcommittee. The Subcommittee was chaired by Co-chairperson Johnson. Mr. Castelda took the Subcommittee through Iowa's individual income tax long form and described what the various steps constitute and noted the differences from the federal income tax. Information was provided by Mr. Rogers of the Department of Revenue and Finance and Mr. Larry Sigel of the Legislative Fiscal Bureau on the estimated tax rates if Iowa's individual income tax would be made a percent of the federal adjusted gross income, federal taxable income, or federal tax liability. The computed rates were designed to be revenue neutral and were based on residents only. The Subcommittee focused its discussion on making the Iowa individual income tax simpler or more user-friendly. It was noted that the simplest approach would be to impose a percent of a taxpayer's federal tax liability as the state liability. However, it was recognized that the big drawback of this approach is the fact that the resulting rate would be 29 percent, which appears rather large.

Property Tax Subcommittee. Co-chairperson Dinkla chaired the Subcommittee. The Subcommittee focused on revising or eliminating property tax credits; allowing locals to negotiate and enforce fee-for-service agreements with tax-exempt property owners; altering the assessment process or assessment limitations; treatment of rental housing; and the effects of tax increment financing districts and tax abatements.

7. 1997 Interim Progress Report.

The Task Force reconvened in the afternoon of December 3, 1997, and, without discussion, received the reports of the three Subcommittees. Thus, the Progress Report of the Task Force consisted of these reports of the Subcommittees as follows:

- a. **Sales and Use Tax.** This Subcommittee presented the following proposals for consideration by the Task Force:
 - Increase the state sales and use tax by one cent to pay for all mental health, mental retardation, and development disabilities costs currently paid by local governments.
 - Eliminate retail sales and use tax on clothing.
 - Provide a retail sales and use tax exemption for private and nonprofit medical hospitals.
 - Authorize one additional cent for the local option sales and services tax to be used by school districts for infrastructure and transportation needs. The additional one cent would be subject to approval by a simple majority of the voters with a sunset provision.
- b. **Income Tax.** This Subcommittee presented the following proposals for consideration by the Task Force:

Task Force to Study Iowa's System of State and Local Taxation



- Consider the easiest approach to simplification of the individual income tax by taking a percent of a person's federal tax liability.
 - Consider simplifying the individual income tax through the elimination of deductions and credits and adjusting the rates or standard deduction to reflect the loss sustained by those affected by such eliminations.
 - Consider simplifying the individual income tax by using a percent of the person's federal adjusted gross income or federal taxable income.
 - Request that runs be done for various income groups and with certain characteristics to determine effects of the simplifications.
- c. **Property Tax.** This Subcommittee presented the following proposals for consideration by the Task Force:
- Consolidate the family farm property tax credit into the agricultural land property tax credit.
 - Retain the elderly/disabled and military property tax credits.
 - Examine the impact of continuing the assessment growth limitations currently on each class of property and eliminating the assessment growth limitation tie between residential and agricultural property.
 - Consider changing home rule statutes to allow local governments to negotiate and enforce fee-for-services agreements and also give consideration to further clarifying what uses of property are exempt from property tax.
 - Evaluate the continued viability of the homestead tax credit.
 - Recommend that the 1998 General Assembly evaluate and consider replacing Iowa's current method of property taxation of electric and natural gas utilities with a new system that will more effectively address the issues raised by deregulation of these utility industries.
 - Study a two-tier (developed land and undeveloped land) system of property taxation.
 - Give further study to the current system of assessment and taxation of rental housing.
 - Study tax increment financing and tax abatement programs and their effect on other local governments and school district financing.

Report Submitted. A Progress Report was submitted to the Legislative Council and the Iowa General Assembly in January 1998. The Progress Report contained descriptions of the five Interim meetings identical to that provided in items 2 through 6 of this report along with the Subcommittee's reports made during the last meeting as provided in this section.



Task Force to Study Iowa's System of State and Local Taxation

8. July 8, 1998, Meeting.

Overview. The first meeting of the Task Force during the 1998 Interim involved presentations from the Department of Revenue and Finance, the Iowa Retail Federation, and the Legislative Fiscal Bureau. The three Subcommittees established in the 1997 Interim met for the remainder of the meeting.

Department of Revenue and Finance. Mr. Castelda and Mr. Eich made remarks to the Task Force. Mr. Castelda described the legislative summaries which the department produces each year after the end of the legislative session. He also commented on a report from its Business Advisory Group that reviewed state law to identify inconsistencies in the state sales and use taxes, individual income tax, and corporate income tax. Mr. Eich discussed the property tax equalization of valuation process and responded to suggestions on a letter received from the Cedar Rapids Board of Review. This letter dealt with possible changes in the application of equalization orders issued by the department and expressed great concern with the lack of proper notification to property owners as to changes in value resulting from such applications.

Iowa Retail Federation. Mr. Chris Theisen and Mr. Roger Bomgaars, owners of retail stores in and out of state, provided examples of the problems they incur in applying the Iowa Sales Tax when selling products that may or may not be exempt from the state sales tax. The exemption occurs if the product is to be used in agricultural production. Determining the intended use of the particular product purchased presents difficulties and it was suggested that a simpler approach would be to make a broader application of the exemption to eliminate use as the determining factor.

Legislative Fiscal Bureau. Mr. Sigel provided the Task Force with fiscal impacts of the legislation enacted during the 1998 Session by the General Assembly relating to state tax laws.

Subcommittees. Upon adjournment of the full Task Force, the Income Tax, Property Tax, and Sales and Use Tax Subcommittees met to discuss what proposals would be considered by each during the subsequent meetings. These Subcommittees were the same as established for the 1997 Interim.

Income Tax Subcommittee. The Subcommittee was chaired by Co-chairperson Johnson. The members discussed obtaining information necessary for the next scheduled Subcommittee meeting on August 20. Mr. Sigel indicated that he would be completing an Issue Review dealing with income tax simplification, focusing on fully coupling with federal adjusted gross income, federal taxable income, and federal tax liability. Mr. Sigel was requested to make a presentation to the subcommittee based on the Issue Review at the August 20 meeting. Co-chairperson Johnson will be contacting Task Force member Mr. Tom Jarrett, who represents industry, regarding a presentation by Mr. Jarrett concerning his views on tax simplification at a subsequent meeting.



Property Tax Subcommittee. Co-chairperson Dinkla chaired the Subcommittee. The Subcommittee discussed variations of the proposals made for further consideration at its last meeting. These involve consolidating the family farm tax credit with the agricultural land tax credit. In regard to the military service tax credit, the Subcommittee discussed options for either eliminating immediately or phasing out this credit, simplifying the credit, or converting the credit into an income tax credit, and combinations of these. In addition, discussion included the same options for the homestead tax credit; and the uncoupling of the rollback provisions between residential and agricultural property. The Subcommittee also remarked on the financing mechanism used for city and county development known as tax increment financing. The Subcommittee sought further information on the two-tier taxation concept where land is taxed separately and at a higher rate than the improvements to the land.

Sales and Use Tax Subcommittee. The Sales and Use Tax Subcommittee was chaired by Senator Drake. The Subcommittee discussed the sales tax exemption for items used in agricultural production. The Subcommittee asked for a fiscal impact analysis of requiring the payment of tax on these items with farmers having to file for a refund of tax paid. In addition, a listing of the manner in which South Dakota and Nebraska taxes items used in agricultural production was requested. Mr. Theisen and Mr. Bomgaards were asked to make their recommendations as to how they would like this exemption to be simplified.

9. August 20, 1998, Meeting.

Overview. The Task Force held its second meeting of the 1998 Interim, seventh meeting overall, on August 20, 1998. The Task Force received presentations from member Gary Bilyeu on suggested Task Force recommendations involving primarily property and sales taxes and from Mr. Sigel on tax burden comparisons from the 50 states.

Sales and Use Tax Subcommittee. The Sales and Use Tax Subcommittee was chaired by Senator Drake. The Subcommittee reported there is consensus that no increase in sales tax is desired by the Subcommittee. They also discussed the existing agricultural-related sales tax exemption. They discussed the list of tax-exempt items and agreed that the list needs to be clarified. They also discussed the need for greater coordination by the Department of Revenue and Finance in administration of the tax exemptions.

Income Tax Subcommittee. The Property Tax Subcommittee was chaired by Co-chairperson Johnson. The Subcommittee discussed approaches for simplification of the state income system. This included simplifying the state income tax forms and reducing the number of income brackets. The Subcommittee also discussed the Illinois income tax law which ties together increases or decreases in income tax rates for corporate and individual taxpayers.



Task Force to Study Iowa's System of State and Local Taxation

Property Tax Subcommittee. The Property Tax Subcommittee was chaired by Co-chairperson Dinkla. The Subcommittee discussed options for elimination of the homestead credit (all at once or a phase-in), with those state revenues saved being spent on increasing the state's share of mental health funding. In terms of that plan, they also discussed the possibility of needing more money to lessen the impact on residential owners. The Subcommittee also discussed eliminating the military tax credit with the \$2 - \$3 million in state dollars spent on other programs benefiting veterans. The Subcommittee also discussed Tax Increment Financing (TIF) in Urban Renewal Areas. It was decided that further discussion would be on hold until the League of Cities presents the results of its survey on TIFs. Finally, the Subcommittee discussed allowing cities the authority to negotiate or impose a fee for protective services for those organizations/property which are currently exempt from paying property tax (according to the League of Cities, government property, educational institutions, or places of worship would still not be charged these fees).

10. September 16, 1998, Meeting.

Overview. The third meeting of the Task Force during the 1998 Interim, eighth meeting overall, involved presentations from the Legislative Fiscal Bureau, the Iowa Operators of Music and Amusements, and the Iowa Automatic Merchandising Association. The three Subcommittees met for the remainder of the meeting.

Legislative Fiscal Bureau. Mr. Sigel presented an Issue Review paper to the Task Force on income tax simplification. The presentation involved options for altering Iowa's tax base to more closely equal the federal computations. Three options would be to tie Iowa's computation directly to the federal adjusted gross income, the federal taxable income, or the federal taxable liability. In addition, the topics of a flat tax rate or reduced Iowa tax brackets were discussed. Key decisions need to be made if simplification is done by means of coupling with federal adjusted gross income, taxable income, or tax liability, e.g., capital gains taxation, federal tax deduction, and married filing separate on combined return.

Iowa Operators of Music and Amusements (IOMA). Mr. Clyde Knupp, President of AM Vending and member of the board of directors of IOMA, addressed the major concern of the coin machine industry which is the local option sales tax. The problem occurs because a typical retailer sets a price for an item and then adds on the state and local sales tax amount. However, the vending machine retailers have definite pricing restraints due to the fact that the minimum amount that is inserted is either five cents or 25 cents. This means that any local option tax imposed will either be "eaten" by the retailer or the cost of the item will be increased by the minimum amount that may be inserted. The former reduces the profit of the retailer while the latter option will make the business less competitive. Mr. Knupp suggested that the vending industry would be better served by either putting a cap on the sales tax and excluding sales from local option taxes or by developing a "special" tax for all coin-operated equipment.



Iowa Automatic Merchandising Association (IAMA). Mr. William Hurley, member of the board of governors of IAMA and legislative counsel for the national association, also commented on the problems facing vending companies in regard to sales taxes. He noted that the foremost characteristic in operating vending machines is that vending machine operators cannot precisely collect the tax, from the customer. The operator must deduct the tax from the stated retail price and not just add the tax to the price like other retailers. In order to collect the tax, the vending machine operator must increase its prices in increments of five cents or 25 cents depending on the insertion amount. Excessive competition makes it hard to increase the price. He emphasized that there are precedents for exemptions from the local system sales tax and that the vending industry should be considered as another.

Income Tax Subcommittee. The Income Tax Subcommittee was chaired by Co-chairperson Johnson with all other members present. Mr. Sigel discussed an analysis of proposals requested by the Subcommittee that involve simplification by coupling Iowa income tax computation closer to the federal computations, e.g., using federal adjusted gross income, taxable income, and income tax liability. The analysis was done following the principles that considered firstly, overall revenue neutrality and secondly, revenue neutrality between income groups and filing status. He emphasized that the Subcommittee should not rely on the neutral tax rate(s) provided in the analysis since more analysis needs to be done in order to estimate these rates. The Subcommittee further considered what public policy is sought by simplification, the feasibility of eliminating federal income tax deduction, the need to know the costs or benefits of present Iowa income tax deductions and credits, and possible elimination of marriage penalty as part of simplification.

Sales and Use Tax Subcommittee. Senator Drake chaired the meeting of the Sales and Use Tax Subcommittee. Other members present were Senator Hansen and Ms. Sharon McCrabb. Senator Drake asked Mr. Clyde Knupp representing the Iowa Operators of Music and Amusement and Mr. William Hurley representing the National Automatic Merchandising Association to restate their request concerning an exemption from the local option sales taxes.

The Subcommittee members discussed the tax equity problems and whether or not an exemption should be made retroactive to those counties who have already voted to impose a local option tax. Senator Drake asked Mr. Mel Hickman, representing the Department of Revenue and Finance, to obtain what departmental statistics are available regarding the number and types of coin-operated machines from which sales taxes are collected.

Property Tax Subcommittee. The Property Tax Subcommittee was chaired by Co-chairperson Dinkla. The Subcommittee addressed the following items:

- **County Tax Increases.** The Subcommittee discussed recent media reports regarding significant county tax increases in certain counties. Mr. John Easter of the Iowa State Association of Counties stated that his association needs more



Task Force to Study Iowa's System of State and Local Taxation

time to analyze the situation before concluding either that these are one-time increases or whether significant increases will continue to occur.

- **Tax Increment Financing.** The Subcommittee heard a presentation from Ms. Tracy Kasson, Iowa League of Cities, on the results of a survey on tax increment financing (TIF) conducted by the League. The Subcommittee discussed the use of TIFs for residential construction and whether cities should report to the state on utilization of TIFs. The consensus of the Subcommittee is that the state needs to implement a data collection system on TIFs in urban renewal areas and should delay any substantive changes to that law until the state has a collection of data to utilize, with the exception that there should be ongoing discussion relating to more stringent requirements on expiration of TIF areas.
- **Homestead Credit.** Mr. Sigel presented a fiscal analysis of the impact of eliminating the homestead property tax credit and using the state appropriation for the homestead credit to fully fund mental health costs. The current state cost for this credit is approximately \$112 million.
- **Residential Rollback.** The Subcommittee discussed the issue of the residential rollback and its statutory tie to the rollback on agricultural property. On behalf of Mr. Bilyeu, Ms. Thompson submitted proposed legislation that would decouple the agricultural and residential valuation increases. The Subcommittee reconvened after the full Task Force had adjourned to continue the discussion on the property tax rollback.
- **Exempt Property.** The Subcommittee briefly discussed allowing cities to collect payments in lieu of taxes on exempt property. Staff was requested to obtain legislation drafted by Representative Jacobs on the subject.

11. October 21, 1998, Meeting.

Overview. The fourth meeting of the Task Force during the 1998 Interim involved presentations related to the recently issued Uniform Property Tax Statement Study Report and to the income tax proposal by Task Force member Tom Jarrett. The Property Tax and Income Tax Subcommittees met during the remainder of the meeting.

Uniform Property Tax Statement. Mr. David Jamison, Story County Treasurer, and chairperson of a study committee created in accordance with a 1997 Iowa law, discussed the study committee's findings related to the process by which a uniform property tax statement may be developed and used by all counties. He noted that there is at present some uniformity since about 90 counties use one of two software systems for generating the statements. He commented that the approach taken by the study committee involved three parts with the first being a review of the tax statement design by identifying the essential data elements and then drafting a form layout. Next was to identify Iowa Code changes that would be needed and, finally, was to develop an implementation strategy which consisted of

Task Force to Study Iowa's System of State and Local Taxation



identifying obstacles and advantages, recommendations, and a time line for implementation. Some of the benefits for the taxpayers are an increased awareness of tax dollar distribution, increased accountability, and better understanding of trends and tax cycles. Mr. Jamison indicated that the study committee's recommendations involve a five-year time line during which counties would move toward uniformity, mandating a minimum data set that would be contained on the statements, and providing a one-time state appropriation for computer hardware and software changes.

Income Tax Simplification Proposal. Mr. Jarrett, a Task Force member, discussed his income tax simplification proposal. The proposal would base Iowa's individual income tax on federal adjusted gross income and reduce the number of brackets to three with the highest rate remaining at 8.98 percent. The number of lines on the Iowa return would be reduced from 75 to 18. Detailed discussion of the proposal occurred during the Income Tax Subcommittee meeting.

Property Tax Subcommittee. The Property Tax Subcommittee heard a presentation from Mr. Grant Veeder and the Iowa State Association of Counties addressing the significant property tax increases occurring in some counties.

- **County Budget Reserves.** Mr. Veeder also addressed the issue of county budget reserves. He said that, as a general rule, the smaller the county, the larger percentage of the budget is needed as reserves. He stated that the situation needs to be studied on a county-by-county basis and perhaps the citizens of each county should decide whether their county is holding too much in reserves. He also stated that there has been an increase in law enforcement and county attorney budgets because of the increased illegal drug activity in the state. Mr. Veeder also stated that county officials in his county are looking more at the tax bills of individual taxpayers rather than the total tax askings. The members discussed whether it is feasible to try to deal legislatively with the issue of county reserves. The members also discussed the possibility of the state offering financial incentives to local governments to increase efficiency in the provision of services.
- **Residential Apartment Buildings.** The members also heard a presentation from the Landlords of Iowa and specifically Mr. David Barker of Iowa City. Mr. Barker discussed the classification of residential apartment buildings as commercial property and the negative effects that classification has on both landlords and renters. He also spoke against the proposed rule changes proffered by the Department of Revenue and Finance involving classification of condominiums for purposes of property taxation. Subcommittee members discussed the problems wrought by the residential rollback, including the fact that it encourages owners of commercial property to search for loopholes in the law that would allow it to be taxed as residential property.
- **Property Tax Rollback.** The Subcommittee members also discussed a presentation by Task Force member Jon Muller, Iowa Farm Bureau, on



Task Force to Study Iowa's System of State and Local Taxation

assessment limitations, i.e., the residential rollback. Members discussed whether the assessment limitation link between residential property and agricultural property should remain in the law. They also noted a larger issue is that cities are struggling with a lack of available revenues. The Subcommittee members also discussed the possibility of easing the financial strain on local governments by ridding them of some mandates that they are currently funding.

- **Additional Subcommittee Meeting.** The Subcommittee members arranged to hold a Subcommittee meeting on November 12, 1998.

28E Agreements. At the November 12 meeting, the Subcommittee heard from Mr. Kent Sovorn of the Greater Des Moines Chamber of Commerce and Ms. Susann Siebke, who is the chairperson of the Shared Services Focus Group. The Focus Group is one of five focus groups formed as part of a local government property tax study called the Mayor's Select Committee. The Shared Services Focus Group is looking at issues related to limitations that hinder the providing of joint services by local governments. The focus group is looking at not only saving money but increasing services and the efficiency of providing services. The importance of the uses of chapter 28E agreements which allow for the joint providing of services was discussed along with the possible need for incentives to increase the use of chapter 28E agreements. The focus group is scheduled to have a final report in mid-December.

Issue Proposals. Proposals on various issues were discussed at the meeting and it was decided that final action would be taken on a number of these proposals at the December 7 meeting of the Subcommittee. These proposals involved issues related to:

- Property tax limitations.
- Placing a cap on the percentage of reserves for local governments.
- Extending the time for local governments to distribute a uniform property tax statement.
- Reporting forms for tax increment financing districts (TIFs).
- Payments in lieu of taxes (PILOTS).
- Changes in levy rates.
- Residential rollbacks.
- Mental health funding.
- Allowing cities to reclassify multiple-unit housing as residential.

Income Tax Subcommittee.

- **Jarrett Proposal.** A draft proposal prepared by Mr. Jarrett was submitted to the members for discussion. Mr. Jarrett proposed that the basis for Iowa's income tax would be the federal adjusted gross income with three brackets at 2.3 percent, 6.5 percent, and 8.98 percent. He said the three brackets suggested should be viewed as a point of discussion and these could be expanded to more. In response to concern that the effect of the proposal would be to increase the



tax liability on the \$10,000–\$30,000 income range, he stated that adjustment could be made in other areas such as the standard deduction or individual credits to eliminate any increase. He emphasized that this proposal would reduce the number of lines on the tax return from 75 to 18 and that the various credits could be listed on separate forms for those to whom they apply. This would not clutter up the return with additional lines which many do not use. Mr. Jarrett's proposal also computes the value of the married filing separate on a combined return as a credit so that this filing status could be eliminated. The credit would amount to 2.5 percent of the lower earned income of the spouse.

- **Department Comments.** Mr. Castelda of the Department of Revenue and Finance had some concerns and other comments. He noted that some income included in federal adjusted income tax cannot be taxed by Iowa, there is no provision for school district income surtax, and transitional provisions may be required. Mr. Castelda added that the proposal may speed up the process time, would probably not eliminate auditors and could result not in the elimination of department staff, but possibly in the transfer of responsibility.
- **Other Information.** Mr. Sigel provided additional data that was requested previously by the Subcommittee members. This information included the impact that the deduction of federal income taxes has on residents compared to nonresidents; the average federal tax deduction as a percent of federal adjusted gross income; an analysis of the effects of condensing the individual income tax brackets; the cost of various Iowa income tax credits; and a summary of 1995 tax year return data by various components.

12. December 7, 1998, Meeting.

Overview. The fifth and last meeting of the Task Force during the 1998 Interim involved the presentation to the full Task Force of the reports of the three Subcommittees which met during the day and the making of recommendations by the voting members (legislative members only) of the Task Force.

Sales and Use Tax Subcommittee. Senator Drake chaired the Subcommittee. Also in attendance were Senator Hansen, Ms. Laue, and Ms. McCrabb. They discussed requests for simplifications and exemptions from earlier meetings and discussed revenue losses resulting from existing sales and use tax exemptions. A report was later presented which indicated that exemptions enacted since fiscal year 1995–1996 represent a cumulative loss of \$27,792,500 to the state general fund. The Subcommittee made no recommendations to the full Task Force.

Income Tax Subcommittee. Co-chairperson Johnson was the chairperson of the Subcommittee. Also present were Senators Angelo and Palmer, Representatives Shoultz and Van Fossen, and Mr. Jarrett. Mr. Sigel presented some additional tax model runs related to a reduction in the number of tax rate brackets and allowing a two-earner credit under the individual income tax. Much discussion was had on the proposed five rates and brackets which would result in taxpayers paying no



Task Force to Study Iowa's System of State and Local Taxation

additional income tax compared to the present rates and brackets. The two-earner credit options included allowing a credit equal to a specific percent of the lower-earning spouse, creating a maximum credit amount, and creating an "average" two-earner credit. The Subcommittee discussed other simplification suggestions. The Subcommittee made recommendations to the full Task Force which were approved in total by the Task Force voting members and are listed below.

Property Tax Subcommittee. The Property Tax Subcommittee members finalized recommendations which they had been preparing over the course of the 1998 interim. The Subcommittee discussed local governments reporting to the state on the use of tax increment financing in urban renewal areas and approved a specific list of information items that should be included in the reports. The Subcommittee also discussed the best way to use state funds to provide property tax relief and agreed to include in its recommendations to the full Task Force proposals relating to school funding and to mental health/mental retardation/developmental disabilities services funding. The Subcommittee also discussed payments in lieu of taxes, monthly payment of property taxes as a way to decrease the amount of budget reserves needed by counties, and repeal of the assessment limitation tie between residential property and agricultural property.

Task Force Discussion. After receipt of the reports of the Sales and Use Tax Subcommittee, Income Tax Subcommittee, and Property Tax Subcommittee, including each Subcommittee's recommendations, the full Task Force discussed and made its recommendations (see below). During the discussion of the Subcommittees' recommendations, the Task Force chose not to consider as its recommendations two recommendations from the Property Tax Subcommittee. These were recommendations that cities be authorized to impose a fee for police and fire services for those organizations' property which are currently exempt from paying property tax, except government property, educational institutions, and places of worship (voting against five Senators and one Representative) and the repeal of the tie between the assessment limitations for residential property and agricultural property (voting against five Senators and two Representatives).

13. Task Force Recommendations.

Income Tax. The Task Force, in its aim of simplifying the Iowa individual income tax system, makes the following recommendations:

- A proposal simplifying the Iowa individual income tax form using federal adjusted gross income as a starting point shall be submitted by the Department of Revenue and Finance and the Legislative Fiscal Bureau working jointly.
- Any income tax change shall hold taxpayers harmless, i.e., no taxpayer should have an increase in tax liability over that under the present system.
- The progressivity of the present Iowa individual income tax system shall be maintained.

Task Force to Study Iowa's System of State and Local Taxation



- The current provisions providing for elimination of the marriage penalty shall be maintained. The current married filing separate option should be replaced by a two-earner credit table that maintains the progressivity of the Iowa individual income tax system.
- The number of income tax rate brackets should be reduced to not more than five.

Property Tax.

Reporting/Budgeting. The Task Force recommends that:

- The General Assembly enact legislation requiring reporting by cities and counties on tax increment financing in urban renewal areas created pursuant to Iowa Code chapter 403. The Department of Management shall collect the reports and shall make the information available to the Legislative Fiscal Bureau for summary, analysis, and dissemination to the General Assembly. Reporting forms incorporating the following 10 elements shall be developed by the Department of Management in consultation with the Iowa League of Cities, the Iowa State Association of Counties, and the Iowa Association of School Boards:
 - A listing and description of projects within an urban renewal area.
 - A description of the original purpose for establishing the urban renewal area.
 - The establishment and expiration date of the urban renewal area.
 - The designation under which the urban renewal area was established.
 - The base year valuation of the urban renewal area.
 - A description of the amount of incremental values.
 - A description of the use for the increment funding.
 - The number of companies that have located in each urban renewal area.
 - The number of urban renewal projects that have been completed.
 - The type and length of financing for urban renewal projects.
- The General Assembly not take action to reenact a property tax limitation on counties similar to the limitation that sunset in fiscal year 1997-1998. Enactment of a property tax limitation without proper passage of time for the state to study property tax trends is ill-advised.
- The General Assembly allow counties more time (five years) to develop and implement statewide use of a uniform property tax statement.
- Counties' cash management policies be reviewed by the state and the counties with a view to enhancing cash flow for counties and eliminating the need for excessive cash reserves by implementing more frequent payment of property taxes.

Use of State Funds for Property Tax Relief. The Task Force recommends that the state should provide property tax relief by means of the state assuming



Task Force to Study Iowa's System of State and Local Taxation

costs currently borne by local governments without diluting local control as follows:

- The General Assembly increase the state's share of funding for Mental Health, Mental Retardation, and Developmental Disabilities (MH/MR/DD) services and require savings to counties to be passed through to taxpayers.
- The General Assembly provide that property tax relief be allocated via the school aid formula, which has a direct effect on a majority of property taxpayers.
- The General Assembly provide that property tax relief be allocated to fund school district mandates that currently rely almost entirely on property taxes, such as talented and gifted programs, at-risk programs, and special education.

14. Written Materials Filed With the Legislative Service Bureau.

a. September 3, 1997, Meeting.

- Department of Revenue and Finance -- Summary of Testimony.
- Iowa Utility Association -- Summary of Testimony.
- Iowa Association of Municipal Utilities -- Summary of Testimony.
- Iowa Association of Electric Cooperatives -- Summary of Testimony.
- Dr. Thomas Pogue -- "Iowa Property Taxation: Overview" and "Public Spending, Taxation, and Economic Development: An Outline of Issues."
- Mr. David Swenson -- Photocopies of overlays used in presentation.
- Greater Des Moines Area Chamber of Commerce -- "A Comparison of Business Taxes for Central Iowa Manufacturers" and "Impacts of Residential Property Tax Rollbacks on Commercial and Industrial Property Taxes."
- Task Force Rules.

b. October 8, 1997, Meeting.

- Department of Revenue and Finance -- Summary of Testimony on assessment limitations; press release on equalization.
- Mr. Gary Bilyeu -- "Rollback -- What Is It?"
- Mr. Jon Studer -- Materials providing overview of the Iowa School Foundation Aid Formula; Iowa Department of Education memorandum describing other states' school financing methods; Iowa school district taxable valuation and tax rate data; and FY 1997 Iowa school district funding components.
- Dr. Veronica Stalker -- Summary of Testimony and supporting documentation.

Task Force to Study Iowa's System of State and Local Taxation



- c. **October 22, 1997, Meeting.**
 - Department of Revenue and Finance -- "Estimates of Fiscal Impact on General Fund Receipts from 1997 Federal Legislation" and a summary of selected provisions from the federal Taxpayer Relief Act of 1997.
 - Mr. John Pollak -- Summary of Testimony.
 - Ms. Margaret Buckton -- Summary of Testimony.
 - Ms. Christine Hensley -- Summary of Testimony.
 - Mr. Mike Goedert -- Property Tax Credits and Tax-Exempt Property.
 - Department of Revenue and Finance -- Information on selected property tax credits and 1996 "Tax-Exempt Property Report."
 - Legislative Fiscal Bureau -- "Tax Increment Financing (TIF)."
- d. **November 12, 1997, Meeting.**
 - Mr. Greg Boattenhamer -- Written Testimony.
 - Mr. Steve Evans -- Overlays from Testimony; Utility Company Property Tax Replacement Bill Draft.
 - Tax Letters from the Department of Revenue and Finance.
- e. **December 3, 1997, Meeting.**
 - Rollback percentages and property valuations from Department of Revenue & Finance.
 - Differences in Iowa Income Tax from Federal Income Tax by Department of Revenue & Finance.
 - Impact of Coupling State Income Rates to Federal AGI, Taxable Income and Tax Liability by Larry Sigel, Legislative Fiscal Bureau.
 - Iowa Income Tax Concepts by member Tom Jarrett.
- f. **July 8, 1998, Meeting.**
 - Department of Revenue and Finance -- Emphasizing Tax and Finance Issues -- 1998 Legislative Summaries, Business Advisory Group -- Inconsistencies in Tax Statutes and Assessment Equalization.
 - Cedar Rapids Board of Review Letter.
 - Theisen Stores Statement.
 - Legislative Fiscal Bureau -- General Funds Receipts Through Fiscal Year 1998, All Funds Revenue Report and Executive Summary of Certain Enacted Legislation.
- g. **August 20, 1998, Meeting.**
 - Comparative State Tax Information, Larry Sigel, Legislative Fiscal Bureau.
 - Memorandum -- Ten Steps to a Better Property Tax System, Gary Bilyeu.
 - *Farmers Sales Tax Guide* (prior to meeting).
 - Iowa-Nebraska Equipment Dealers Association booklet (prior to meeting).
 - Equalization Timing Cycle (prior to meeting).



Task Force to Study Iowa's System of State and Local Taxation

h. September 16, 1998, Meeting.

- Legislative Fiscal Bureau -- Income Tax Simplification.
- Iowa Operators of Music and Amusements Statement -- Mr. Clyde Knupp.
- Iowa Automatic Merchandising Association Statement -- Mr. William Hurley.
- Iowa Tax Study by Institute on Taxation & Economic Policy.
- Iowa League of Cities -- Results of Tax Increment Financing Survey, Ms. Tracy Kasson, Report.

i. October 21, 1998, Meeting.

- Uniform Property Tax Statement Study Report by Iowa State County Treasurer's Association (prior to meeting).
- The Impact of Iowa Assessment Limitations by Iowa Farm Bureau Federation (prior to meeting).
- Individual Income Tax Simplification Study submitted by Tom Jarrett.
- Data requested by Income Tax Subcommittee submitted by Larry Sigel, Legislative Fiscal Bureau.
- Iowa State Association of Counties Statement.
- Cost of Vending Machine Sales Tax Exemption submitted by Larry Sigel, Legislative Fiscal Bureau.

j. December 7, 1998, Meeting.

- Report of Sales and Use Tax Subcommittee.
- Report of Income Tax Subcommittee.
- Report of Property Tax Subcommittee.
- Cost of Sales Tax Exemptions enacted since FY 1996.
- Additional Income Tax Model Runs, Larry Sigel, Legislative Fiscal Bureau.
- Property Tax Rollback/Ag Tie Examples, Larry Sigel, Legislative Fiscal Bureau.
- School Aid Funding Formula, Representative John Greig.

32341C