

Subcommittee on Revenue Problems

of the

Senate Committee on Cities and Towns

NOTE: The following is an excerpt from the minutes of the Subcommittee's third meeting, held December 6, 1969, submitted to the Legislative Council as the Subcommittee's report of its interim activities.

"The Subcommittee reviewed the ideas, suggestions and recommendations recorded in the two previous meetings at which the following organizations were represented by:

1. Senator Walsh, Chairman of Cities and Towns Committee, Senate
2. Mr. William Forst, Director of Department of Revenue
3. Mr. Ballard B. Tipton, Administrator for Property Tax, Department of Revenue
4. Representatives of the Governor's Economy Committee assigned to finances of cities and towns
5. Mr. Ken Henke, Director of Municipal Affairs, State of Iowa
6. Mr. Robert Hayes, League of Iowa Municipalities
7. Mr. Sid Gross, representing Farmers Union

and agreed to authorize the Chairman, Senator Kosak, to make the following report to the Iowa Legislative Council and request Iowa Legislative Service Bureau to prepare legislation for presentation to the Senate Cities and Towns Committee and the Iowa Legislature:

1. Any additional funds available from state economy should be distributed to the Cities and Towns on the basis of population.
2. Implement Home Rule by removal of all millage limitations.
3. We would suggest and support removal of the 30 mil. property tax limitation in Cities and Towns.
4. Remove all limitations of functional funds for Cities and Towns.
5. In order to afford additional alternative for Cities and Towns, Counties and other Municipalities to finance their major priority of services requested by their people, the committee suggest and supports 'Local Option Taxes' to permit by referendum only, and by majority vote of the people the following:

- A) Sales and Use Tax
- B) Gross payroll tax with refund credit for property tax paid such as, 'homestead exemption' to what ever amount the people of the municipality decide
- C) Vehicle Tax
- D) Other local option taxes if authorized by referendum.

Chairman Kosek made the general statement that we are not increasing taxes, we are making it possible for the Cities and Towns, Counties and other Municipalities to completely exercise more Home Rule in financing top priority services to the people of their communities.

Senator Palmer made a motion that the above statements be approved by the committee, seconded by Senator DeHart. Carried unanimously."

(Included with the Subcommittee's report submitted to the Council was an exhibit entitled "Collection of Local Non-property Taxes by the State", a photocopy of which is attached.)

COLLECTION OF LOCAL NON-PROPERTY TAXES BY THE STATE

Over the past few years an increasing number of states have authorized local governments to levy non-property taxes as a means of securing additional revenues. Today many cities, counties, and even school districts levy the same kinds of taxes that are levied by the state. In order to levy such taxes, local governments typically have set up tax collection machinery which creates added administrative costs and increases the cost of tax compliance to the tax-paying public, while at the same time the effectiveness of local tax collection is hampered because of the limited local funds available for tax administration.

In the sales tax field, states such as California, Illinois, Mississippi, New Mexico, and Utah have, for some time, authorized a state agency to collect locally levied sales taxes. In addition to sales taxes, a number of states permit local governments to levy taxes on income, gasoline, alcoholic beverages, cigarettes and tobacco, amusements, motor vehicles, and others. During 1963, Colorado enacted broad legislation which would permit a state agency to collect any non-property tax for a local government where the state and local government levy the same tax.

The suggested legislation below is based on the Colorado statute. It should clearly be noted that this legislation does not in any sense constitute an authorization for local government to levy non-property taxes. It merely provides for a procedure where the state, on a reimbursable basis, can collect local government non-property taxes where such taxes are otherwise authorized by state law.

Suggested Legislation

[Title should conform to state requirements]

(Be it enacted, etc.)

1 *Section 1. Authority to contract.* The director of [tax department] is hereby authorized to
2 negotiate and contract with any political subdivision of the state for the purpose of arranging for the
3 collection by the [tax department] of any tax levied by a political subdivision of the state which is al-
4 so levied and collected by the [tax department] for the state. Such agreements shall include a fee to
5 be paid by the political subdivision to the [tax department] in such amount as may be necessary fully
6 to cover the cost of collection of the local portion of the tax by the [tax department.] Pursuant to
7 the agreement the director shall transmit to such political subdivisions on or before [date] all taxes so
8 collected on behalf of such political subdivisions less the agreed upon collection fee.