

STANDING COMMITTEES ON WAYS AND MEANS

The Legislative Council on July 9, 1969, authorized the formation of three joint interim subcommittees of the Senate and House Ways and Means Committees, to study:

1. Personal property tax replacement
2. Replacement of personal property tax in the school aid formula
3. Taxation of banks and other financial institutions

The latter subcommittee was not in a position to make a report to the Legislative Council on December 16-17. The reports of the other two subcommittees appear on the following pages.

Report to the Iowa Legislative Council

by the

Subcommittee on Property Tax Replacement in School Aid Formula
December 17, 1969

The "school aid formula" subcommittee of the Ways and Means committee has held six meetings to this date. We were charged, basically, with studying alternatives to property taxes in school financing and have attempted to follow this course of study even though many related subjects have been mentioned. We have, however, considered two other areas pertinent to school financing and will quite possibly make recommendations in these areas. These would be that somewhat stricter limitations be placed on school spending and that the State change its school aid system to a minimum foundation plan.

In attempting to determine alternatives to property taxes for school purposes we have relied heavily upon the findings and judgements of other groups having interest and information in education and taxation. We have been in touch with the Governor's Advisory Committee on Education and at our last meeting, Monday, December 15, met with their subcommittee on school finance. We have solicited presentations from organizations representing, as nearly as practical, all segments of our tax-paying society and have had general approval of the emphasis of our study. We have also asked the counsel of those who work professionally in the areas of our study. We have accumulated a great amount of material pertaining to the educational side of our study but have had some real difficulties in trying to obtain data about locally applied income taxes.

We determined early in our study that an income tax on the school district level, was the only tax that could be a residual tax in the manner that property tax is presently a residual tax. We have determined from our study, although there are some problems, that this approach is feasible for individual taxpayers. We have reluctantly come to the conclusion that this method of taxation could be applied to corporation income only with great difficulty and that we can probably maintain the property tax as industry's contribution to school funding. We are presently in the process of completing this study.

The committee was unanimous in the feeling that school budget limitations might be part of the answer to problems of taxes for school support. We may make some recommendation to our standing committees on this subject at a later date.

This committee will almost certainly propose a bill which would change the present school aid method to a basic foundation plan in connection with some of the features of the 1967 system. The basic difference being that the states' sharing of school costs be only up to the basic limit rather than being a percentage of per pupil costs regardless of amount.

We will present recommendations concerning a ceiling on property taxes for school financing purposes and we will present recommendations for the alternative method of taxation.

We have not reached the point that we can make these proposals specific although we feel that we are approaching this point. We have had some real difficulties in answering some of the questions raised by our study but feel that the time and effort would be well spent pursuing them further. We therefore respectfully request that the "school aid formula" subcommittee be permitted to call one additional meeting before the beginning of the 1970 legislative session.

Respectfully submitted,

Norman Roorda, Chairman