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HOUSE REPUBLICAN STAFF ANALYSIS

Bill: Senate File 209
Committee: Appropriations / Ways and Means
Date: July 19, 2011
Staff: Lon Anderson (1-5184) and Dustin Blythe (1-3452)

Coupling / Supplementals for FY 2011

Senate File 209 is a combination bill that includes coupling with the federal tax code and supplemental appropriations for FY 2011. The coupling reduces state revenue by \$141 million over three fiscal years and provides for \$65.7 million of supplemental appropriations for Fiscal Year 2011. The bill also creates a new Taxpayers Trust Fund to capture excess general fund revenue and return it to the taxpayers.

Conference Committee Report

Division I. Bonus Depreciation. Updates Iowa tax law to incorporate enhanced business depreciation schedules allowed under federal law beginning in tax year 2011. Bonus depreciation allows a business to claim an enhanced or bonus tax deduction for depreciation on the cost of new equipment purchases, rather than depreciating the full cost gradually.

Division II. Earned Income Tax Credit. The earned income tax credit is increased from the current level of 7% of the federal credit, to 10% of the federal credit. Applies retroactively to January 1, 2011, for tax years beginning on or after that date.

Division III. Supplemental Appropriations for FY 2011. The division provides for four supplemental appropriations for a total of \$45.7 million as follows:

- \$5.9 million for the community colleges to restore Governor Culver's cut
- \$14.2 million for the Department of Corrections (prisons, CBCs and central office) to restore Governor Culver's cut
- \$18.6 million for public defender and indigent defense to make up for the underfunding used by the Democrats to balance the budget in FY 2011
- \$2.96 million for the Department of Public Safety to restore Governor Culver's cuts with \$2 million going to the Iowa State Patrol, the rest going to administration, Narcotics Enforcement, DCI and the State Fire Marshal's Office
- \$1.2 million for the Department of Public Health to restore Governor Culver's cuts to addictive disorders, community capacity, healthy aging, healthy children & families and infectious diseases
- \$2.64 million to the Department of Human Services to restore Governor Culver's cuts to the mental health institutions
- Allows the Department of Revenue to use previously appropriated funds for tax processing

Division IV. Corrective Provision to a Prior Appropriation. This corrects the appropriation for Terrace Hill. *(This was originally in HF 45.)*

Division V. Iowa Communications Network Grant. This division allows the ICN to obtain a \$16 million grant from the federal government. This will make the network more attractive in a potential sale or lease option, which is contained in HF 45.

Division VI. Mental Health Funding and Repeal. This division appropriates \$20 million for mental health waiting lists and other mental health funding needs. Repeals the mental health code as of July 1, 2013 and states that it is the intent of the General Assembly to create a new system by that time.

Division VII. Taxpayers Trust Fund. This division creates a new Taxpayers Trust Fund. After the reserves are full to 10 percent, the first \$60 million of excess revenue is deposited into the TTF for tax relief. The fund is separate from the general fund, exempt from across the board cuts and cannot be considered by an arbitrator or in negotiations under Chapter 20.

The Governor signed all of the provisions of the bill except Divisions I and II, which provided for bonus depreciation coupling and the increase in the Earned Income Tax Credit.