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TO: House Republican Representatives
FROM: Research Staff
DATE: January 15, 2010
RE: Tax & Fee Increases

On January 12, 2010, Governor Culver proclaimed that since his first day in office, he has balanced the budget every day without raising taxes. However, the facts state otherwise. Below is a list of taxes and fees signed by the Governor since taking office.

- School Foundation Formula –Across the Board Cut * 1.5% ATB was done in December 2008, implemented in FY09 – has the potential to be a \$33 million property tax increase.
- School Foundation Formula – Across the Board Cut * 10% ATB was done in October 2009, implemented in FY10 – has the potential to be a \$250 million property tax increase.
- Allowable Growth – * Done in 2007 Session, implemented in FY09 – \$47.8 million.
- Allowable Growth – * Done in 2008 Session, implemented in FY10 – \$33.8 million.
- Allowable Growth – * Done in 2009 Session, implemented in FY11 – 58 million.

2009

- Increase in Filing Fees (SF 478), these civil filing fees include: domestic abuse, dissolution of marriage, paternity, modification of a dissolution decree, adoption, appeal in small claims, mechanics lien, statutory lien, certificate and seal, title of real estate, simple misdemeanor, scheduled violation (court appearance is required), scheduled violation (court appearance not required), appeal of a simple misdemeanor to the district court, clerk of district court (tax as a court cost), criminal penalty surcharge. – \$16.7 million
- Repeal of Livestock Production Tax Credit (SF 478) – \$2 million

- Increase of Childcare Regulation Fees (SF 478) The fee would be between \$150 and \$187 annually. By 2013, child care providers would be required to be licensed by the state.
- Increase Contractor Registration Fees (SF 478) – increases contractor registration fees, from \$25 every other year to \$50 every year.
- Increase in Hunting and Fishing Licenses fees (SF 478) – \$1.7 million
- Increasing fees on Franchises (SF 478) allows cities to levy a fee based upon a percentage of gross revenues generated from sales of the franchisee within the city not to exceed 5%. Utility companies will absorb this tax by passing the expense onto the consumer in the form of higher electricity bills. *total cost unknown.
- Eliminating casual sales tax exemption on sales of ATV's (SF 478) – sales tax revenue to increase \$560,000 FY10, \$570,000 FY11, \$600,000 FY12.
- Expanded Property Tax Levy Authority (SF 81) – creates a new \$30 million “emergency” property tax potential for Iowa schools – \$30 million.
- County Recorder Fee Increase – (SF 465) – \$2.4 m for FY10 & FY11.
- Commercial fishing, turtle harvesting and roe harvesting license fee increases (HF 722) – \$471,000.
- Pharmacy support personal fee – created a registration for pharmacy support personal. The bill did not create a fee for registration, but it did give the Board of Pharmacy the authority to establish a fee by administrative rule. *total cost unknown.
- Elimination of the charitable tax deduction under the Endow Iowa program – (SF 478) – Endow Iowa is designed to increase philanthropic activity to enhance quality of life for Iowans.
- Nursing Home Quality Assurance Assessment – SF 476- The bill creates a daily assessment on nursing home beds, to be paid to the state. The increase in expenses for nursing home residents on Medicaid allows the state to draw down additional federal funds. The new federal funds are then paid to the nursing homes as part of a higher daily reimbursement rate for Medicaid. The annual amount generated from the fee would be \$30 million. To reduce the impact on private pay residents, the state will front-load payments to nursing homes prior to the assessment going into effect. At this point, the federal government has not approved the assessment.
- Elimination of the ability for corporations to carry back Iowa net operating losses (SF 483). This will cost Iowa employers \$18 million in FY 10, \$27 million in FY11 and \$11 million in FY12.

2008

- Water Withdrawal Fee Increase – (HF 2672). gives the Environmental Protection Commission and the DNR authority to establish annual water withdrawal and use permit fees that will collect up to \$500,000 annually.
- Cut state funded weighting for students receiving home school assistance by \$7.3 million resulted in one-year authority for school districts to levy property taxes to recoup these state aid loss. (HF 2700). Potential cost: \$7.3 million for FY09
- Increased the state sales and use tax from 5% to 6% - (HF 2663). The bill eliminated the School Infrastructure Local Option Sales Tax and replaced it with an increase in the state sales and use tax effective July 1, 2008. Primarily this is an increase on approximately 13,000 Iowa businesses who are required to pay an additional 1% when the business purchases something subject to the Iowa Use Tax.
- Repealed the start-up business state income tax deferral – (SF 2400). Start-up businesses were able to defer state corporate income taxes for the first three years. The potential tax increase was estimated to be \$100,000.
- Mental Health Funding property tax increase – (SF 2425). Required counties to levy at least 90 percent of their maximum amount for mental health levy beginning in FY2010. For some counties, this will mean raising property taxes to qualify for mental health funding. *no fiscal note.
- Phase-out of the wage-based tax credit – (HF 2700). In 2007, wage-based tax credits were cut by \$6 million, reducing them from \$10 million to \$4 million. The bill phases out the remaining \$4 million, resulting in a tax increase on the Iowa companies utilizing the tax credits.
- Underfunding property tax credits – (HF 2700) contained the funding for property tax credits (Homestead tax credit, Ag Land and Family Farm), which were underfunded \$40 million.

2007

- Cigarette Tax Increase – * Done in 2007 Session, \$33.5 million implemented in FY07 & \$107.5 million implemented in FY08.
- Propane Education Fund – (HF 556). establishes a state propane education and research council, which would be funded by a surcharge of 1/10th of one cent on each gallon of propane sold. The Council would fund education and safety programs related to the propane industry. Control of the council would be held by propane distributors, who

would also have the power to raise the fee on each gallon of propane. *Total Cost Unknown

- Registration for Associate Real Estate Appraisers – (SF 137). creates a process for registration of Associate Real Estate Appraisers. The bill gave the Real Estate licensing board the authority to establish the fees for registration.*total cost unknown
- Cemetery Code Revision – (SF 559). amended various provisions of the Iowa Code governing funerals and cemeteries. Among the changes enacted were to give the Insurance Commissioner the power to set licensing fees. Those were set in Code prior to passage of the bill.*total cost unknown .
- Cigarette Fire Safety Standards – (HF 718). requires cigarettes sold in Iowa after January 1, 2009 to meet certain fire safety standards. The state would adopt the standards established by the state of New York, and require cigarette producers to pay a fee for the state to ensure they comply with the requirements.\$115,000.
- Pharmacy Regulation – (SF 67). makes a number changes to the code chapters governing pharmacy. The bill also creates a new license for limited drug and device distributors and charging a fee for the license. *total cost unknown.
- Game Bird Wildlife Habitat Fee – (SF 558). increases the wildlife habitat fee by \$3. Generates an estimated \$700,000 annually.
- Mandates teacher librarians, counselor and nurses allowing districts to pay for these teachers from property taxes for one year. (SF 277) Cost: unknown.
- New administrative sharing weighting creates monetary incentive for districts to combine services with other districts or cities and counties. This “cost-savings” expenditure raises property taxes. (SF 477) Potential cost: \$1 million - \$6 million
- New universal 4-year old public preschool legislation allows school districts to use any K-12 levy to fund and establish the preschool. (SF 877) Cost: Unknown