



## UEN Call to Action Mar. 1, 2018 SF 2383 Senate Tax Cuts

**Background:** Tax relief has been a priority for Republican Leaders for a long time. As the trifecta of power is in place, pent up demand for some action has worked its way through the Senate in the form of SF 2383.

SF 2383 was introduced last week, with a subcommittee and Ways and Means Committee both approving the bill on Feb. 22, then debated on the Senate floor on Feb. 28. A complicated 167-page bill was completed in the Senate in essentially four working days.

According to the nonpartisan LSA staff analysis, published in the Fiscal Note, <https://www.legis.iowa.gov/docs/publications/FN/925227.pdf>, the income tax cuts alone are estimated to lower tax year 2019 Iowa personal income taxes by \$696.5 million. That number grows to a reduction of \$1,031.5 million by 2023.

Changes to the sales tax base are estimated to increase revenue to the State General Fund by \$22.4 million in FY 2019. These changes also impact the SAVE fund, by an estimated 3.6% increase, growing to \$14.3 million more SAVE revenue by FY 2023.

Although the FY 2019 impact is frightening enough, showing a reduction of \$207.8 million, that number balloons to \$777 million in FY 2020. The details of each section of the bill are included, with the net impact of the changes shown in this table from the Fiscal Note, page 8:

<b>State and Local Revenue Impact</b>						
Projected Change Compared to Current Law (In Millions)						
<b>State General Fund Revenue Impact</b>						
Item	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Individual Income Tax	\$ -0.6	\$ -209.7	\$ -770.8	\$ -901.6	\$ -937.7	\$ -979.4
Corporate Income Tax	0.0	-14.1	-56.3	-103.8	-206.1	-267.4
Franchise Tax (Banks)	0.0	-10.8	-31.3	-32.5	-33.6	-34.8
Franchise Tax Credit	0.0	5.2	15.2	15.7	16.3	16.9
Franchise Tax (Credit Unions)	0.0	0.0	4.4	4.6	4.8	4.9
Moneys and Credits Tax	0.0	0.0	-0.8	-0.8	-0.9	-0.9
Sales/Use Tax	0.0	18.8	55.0	61.6	67.0	72.9
Tax Credit Changes	1.2	2.8	7.6	15.5	21.2	24.3
<b>General Fund Revenue Impact</b>	<b>\$ 0.6</b>	<b>\$ -207.8</b>	<b>\$ -777.0</b>	<b>\$ -941.3</b>	<b>\$ -1,069.0</b>	<b>\$ -1,163.5</b>
<b>Local Government Revenue Impact</b>						
Item	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
School Income Surtax	\$ 0.0	\$ 0.0	\$ -24.7	\$ -31.1	\$ -32.2	\$ -32.6
School Infrastructure (SAVE) Fund	0.0	3.6	10.7	12.0	13.1	14.3
Local Option Sales Tax	0.0	2.9	8.4	9.5	10.3	11.3
Moneys and Credits Tax	0.0	0.0	-0.8	-0.8	-0.9	-0.9
<b>Local Government Revenue Impact</b>	<b>\$ 0.0</b>	<b>\$ 6.5</b>	<b>\$ -6.4</b>	<b>\$ -10.4</b>	<b>\$ -9.7</b>	<b>\$ -7.9</b>

**Iowa's Urban 8:** Cedar Rapids, Council Bluffs, Davenport, Des Moines, Dubuque, Iowa City, Sioux City, and Waterloo

**UEN Associates:** Cedar Falls, College, Ft. Dodge, Linn-Mar, Marshalltown, Mason City, Muscatine, Ottumwa and Southeast Polk

The UEN has not traditionally joined the conversation on tax policy, unless it directly impacts schools, such as the state penny for school infrastructure, but this impact is so severe, the future capacity of the state General Fund will not be sufficient to fund education. The UEN is registered opposed to this bill.

### Talking Points:

- **State revenue estimates have been missing the mark.** This suggests a problem with revenue policy, such as tax credit growth outpacing regular revenue growth.
- **Tax Reform should be revenue neutral** or even generate revenue until adequate resources exist to pay for essential state services and priorities. A good benchmark is to compare with other states. Iowa education should be funded at the national average.
- **Tax Reform requires balance:** The funding formula could accomplish this even with state tax reduction if there was a corresponding increase in the local contribution to school funding. Instead, recent changes to the formula have gone the other direction, with the state taking over even more of the funding per pupil.
- **Revenue and Expenditure decisions** should not be made in a vacuum. Planned expenditure reductions must be contemplated before the revenue stream is reduced.
- **Trickle down analysis must be thorough:** formulas that estimate economic impact of tax cuts often don't consider the economic loss of not funding education. Examples include paying for school construction which creates economic activity in the community, or results in general fund savings for energy efficiency, etc. Teaching and other education jobs generate purchases and taxpayers, homeowners and community volunteers, in every Iowa community. The same issue happens with jobs. Although some may estimate an increase in employment due to tax relief, they typically ignore the loss of jobs that tax revenue previously funded.

### Advocacy Actions:

- Contact your state senator, and respectfully ask them their plan for a balanced budget and adequate school funding if this bill becomes law. You can also call the Senate Switchboard during the week, (515) 281.3371 and ask to speak to your Senator or leave a message for them to contact you.
- The House has just begun consideration of the Governor's tax package. Contact your representative, and ask how they will proceed with the competing interests of tax reform and funding for state priorities, including education. How will they protect education funding to guarantee a successful future for every Iowa student? You can also call the House Switchboard during the week, (515) 281.3221 and ask to speak to your Representative or leave a message for them to contact you.
- Find your legislator here: <https://www.legis.iowa.gov/legislators/find>
- Remember "gentle persuasion applied relentlessly". Thank legislators for the things they've already accomplished, such as transportation and formula equity, for things in the works, such as SAVE and flexibility. Thank them for SSA to the governor and sparing K-12 in deappropriations.

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