



**UPDATED
BILL SUMMARY**

**Statewide Sales Tax
for School
Infrastructure
HF 2663**

Status of Bill: House Calendar
Committee: Education (14-9) Ways and Means (18-6)
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BACKGROUND

Currently, schools can impose, with voter approval, a one cent local option sales tax for school infrastructure or property tax relief. The local option tax can be imposed for up to ten years. The local option tax has now been adopted in all 99 counties, with Linn and Johnson counties approving the vote in 2007. HF 2663 is proposing that this tax be shifted from a local option to a permanent statewide penny for school infrastructure needs.

In 2003, the Legislature created the initial Secure an Advanced Vision for Education Fund (SAVE). Counties that authorized the local option sales tax deposited monies into the fund. The purpose of the fund was to create a more equitable system of school infrastructure funding. Once all the counties had approved the School Infrastructure Local Option Tax (SILO), the money would be equitably distributed out to the counties. Linn and Johnson counties can keep all their money for 5 years before going into the SAVE. Other counties, which passed a SILO before 2003, were allowed to keep all their money until the initial 10 years expired.

However, schools that approved the SILO before April 1, 2003, with a sales tax capacity per pupil below the guaranteed school infrastructure amount receive its pro rata share of the local sales and service tax receipts plus a supplemental school infrastructure amount. Schools that approved the SILO on or after April 1, 2003, or schools that approved the continuation of the SILO, receive an amount equal to its pro rata share of the local sales and services tax up to the guaranteed school infrastructure amount. If the schools pro rata share is less than its guaranteed school infrastructure amount, then it will receive an additional amount equal to its supplemental school infrastructure amount.

The fund specifies that schools are not allowed to receive more than the guaranteed school infrastructure amount, and even if they receive a supplemental amount, they are not to exceed the guaranteed school infrastructure amount in succeeding years. This bill is addressing the issue of schools in jeopardy of not reauthorizing the SILO as well as equity for schools and property tax relief.

SUMMARY

House File 2663 raises the state sales and use tax from five to six percent. The increased revenues are deposited into a new Secure an Advanced Vision for Education Fund (SAVE) to be distributed to all school districts. These state revenues are to replace existing School Infrastructure Local Option taxes (SILO). All existing local sales and services taxes are repealed. A statewide amount per pupil will be calculated annually.

Repeal and Purposes. Strikes the current SILO sunset date of December 31, 2022. Maintains existing revenue distributions for counties above the average, including Linn and Johnson counties, until their existing grandfather provisions or first 10-year-SILO have expired. By 2013, all districts across the entire state will be completely in the pool. The purpose of money distributed to school districts remains the same: infrastructure, Physical Plant and Equipment Levy (PPEL), Public Educational and Recreational Levy (PERL), property tax relief, and demolition work.

Revenue Purpose Statement. Continues to require a revenue purpose statement by each school district to establish use of revenues. The current bill allows a school board to utilize an existing revenue purpose statement or change the revenue purpose statement. The bill removes the reverse referendum for the revenue purpose statement. Instead, no referendum is required if the new purpose is property tax relief. If the board of directors intends to use the funds for other purposes than those listed in an existing revenue purpose statement or other than property tax relief, the board has to adopt a new revenue purpose statement and submit it to the voters.

The new revenue purpose statement must be submitted directly for approval by the voters prior to 60 days of the expiration of the existing revenue purpose statement. There is also a requirement that in the event that the new revenue purpose statement is not approved, neither a new revenue purpose statement nor the same unapproved revenue purpose can be submitted for a vote within a six month time period from the previous election.

If the revenue purpose statement is not approved, sales tax revenues will be used for infrastructure related property tax relief, in the following order:

1. Bond Levies and all other debt levies
2. Regular and voter-approved PPEL
3. PERL
4. Schoolhouse tax levy
5. Any authorized infrastructure purpose.

Secure and Advanced Vision for Education Fund (SAVE). Places SAVE fund in new code section and maintains the existing use of property tax relief and infrastructure. Maintains current split of 5 cents state tax revenue to the state general fund and 1 cent to the SAVE fund. Requires Department of Revenue to calculate the statewide tax revenues per student, also known as the rolling average, on an annual basis for distribution of funds to school districts. The statewide revenue is divided by enrollment. Strikes the ceiling of \$575 per student for distribution of funds that is current law. With Linn and Johnson counties rolling into the statewide pool at the end of their 5 year SILO, every county will be on the rolling average in 2014. The estimated rolling average in 2014 will be \$865.

Property Tax Equity and Relief Fund. Creates new fund for property tax relief for distribution to schools. The fund is under the department of management and includes non-reversion language of the monies. Any funds left over from the distribution of the per pupil amount will be distributed into this fund and be used for the purposes of reducing the property tax levy. This would be in addition to the reduction in the property tax levy that the department of management already appropriates. The estimate for 2011 is \$24.8 million that will be distributed out of the fund. With another \$24 million in current law, the total in property tax buy down for 2011 is \$50 million.

Use Tax and Technical Changes. Currently, the use tax is not collected for SILO. Under HF 2663, any use tax for motor vehicles or the Road Use Tax Fund (RUTF) would not be affected. These considerations will be part of the TIME-21 issue. Several technical changes are included in the bill for department of revenue considerations. These would include how the money is deposited into the funds, transferred appropriately, and then distributed to the school districts out of the funds.

Considerations. Under the current SILO, there are four exemptions from the local option tax: the sale of equipment by the department of transportation, hotel/motel rooms, pay television service or direct-to-home satellite service, and auto rentals. HF 2663 would keep the current exemptions from the state sales tax, leaving these four items at the five percent rate. The department of revenue suggested that the exemptions be consistent with any law change to the state sales tax, but the committee did not adopt these changes.

Sunset Date. The one cent state sales and use tax is repealed December 31, 2029. The state sales tax would revert back to the five percent.

Intent Language. The bill includes intent language stating that it is the intent of the General Assembly that the increase of the state sales and use tax from five to six percent is to be used solely for the purposes of providing revenues to local school districts for school infrastructure and property tax relief.

Differences between HF 854 (2007 session) and HF 2663 (2008 session)

Policy	HF 854	HF 2066
Expanded tax base net increase consumer use tax (\$40 M) minus residential utility tax savings (\$12 M) net \$28 million	Deposits into the SILO pool	Deposits into a new Property Tax Equity and Relief Fund
State Appropriation for property tax equity	Not mentioned	Maintained phase-in to \$24 million by 2010 and deposits into the new Property Tax Equity And Relief Fund
Future vote to change the purpose	No reference	Requires 2/3 majority of future legislature to change