

Iowa Legislative Report  
87<sup>th</sup> General Assembly, 2018 Session  
Iowa Talented & Gifted Association  
Week 9: March 5th - March 9th, 2018  
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The second funnel will arrive for the 2018 session of the Iowa Legislature on Friday, March 16th, which means scores of bills are headed for the recycling bin. Consequently, this week both Chambers worked to send bills to each other to stay ahead of this next legislative deadline. Most days were filled with subcommittee meetings and long debates on a number of bills, spanning a wide variety of topics.

Legislators were also focused on the Revenue Estimating Conference estimate which was released Friday and delivered the good news that the Federal Tax Reform aided the state budget. The state is getting an influx of cash from federal tax reform which will potentially mitigate the need for funding cuts to state agencies and services this year. If all of the new revenue from federal tax reform is used to plug the shortfall, legislators need **to come up with at least \$10 million in cuts or adjustments — far less** than what the House and Senate previously have proposed – **in December they were looking at \$27 million**. The two chambers have yet to agree on how to cover the budget shortfall and this should make the job a little easier.

Specifically, the March **REC estimate for FY 2018** net General Fund receipts, including transfers, totals \$7.271 billion, **an increase of \$30.8 million (0.4%)** compared to actual FY 2017. The estimated changes include increases of 6.0% in gross income tax, 4.5% in gross sales/use tax, and 2.7% in gross corporate tax receipts. It also takes into account federal tax policy changes made in the federal [Tax Cuts and Jobs Act](#) and the federal [Bipartisan Budget Act of 2018](#).

The REC established an estimate of \$7.734 billion for **FY 2019**. This is an **increase of \$463.0 million (6.4%) compared to the FY 2018 estimate**. The estimated changes include increases of 5.2% in gross income tax, 3.4% in gross sales/use tax, and 14.9% in gross corporate tax receipts and takes into account the federal tax policy changes previously referenced

Both chambers have moved ahead with efforts to cut state taxes. A provision in Iowa's tax code known as **federal deductibility** means that when federal taxes go down, the amount Iowans owe in state taxes go up. Republican leaders and Gov. Kim Reynolds say the increased state revenue should be returned to taxpayers beginning in 2019.

There were not bills specific to gifted and talented education this week. We did want to call your attention to bills dealing with the so-called "backfill" reduction, that were introduced this week. Just five years ago, in 2013, the Legislature approved the the largest commercial property tax cut in Iowa history. As part of the negotiations, the law was changed to require the state to reimburse cities, counties and school districts for lost revenue that came from reducing property tax rates on commercial property.

[HSB 678](#) and the Senate version [SF 2081](#) would break that commitment to the cities, counties and schools. The House bill reduces the standing appropriation for

commercial and industrial property tax replacement claims to \$100 million in FY 2019, \$75 million in FY 2020, \$50 million in FY 2021, and \$25 million in FY 2022 and each subsequent year. The Senate version reduces the standing appropriation for commercial and industrial property tax replacement claims by one-third in FY 2019, two-thirds in FY 2020, and eliminates the appropriation in FY 2021.

Cities and counties are opposed to both bills because the state had made a commitment and the reductions are too rapid for most counties and cities to absorb without significant property tax increases or reductions in services. This could force cities to raise property taxes or make cuts to police, fire, emergency services, road and bridge maintenance, drinking water systems and other important services. Also, the reductions begin in FY 2019 and cities and counties have already set their budgets.

You can find how much your school district, city and county will lose through a searchable list posted on a legislative Iowa Senate Democratic website:

<http://www.senate.iowa.gov/democrats/2017/10/20/how-much-will-your-city-lose-if-republicans-break-property-tax-promises/>. We should also get a formal fiscal note on these bills soon from the Legislative Service Bureau. If you are concerned about the state taking back this \$152 million commitment to property taxpayers and local governments, contact your legislators to let them know how this broken commitment would impact your community. **PLEASE ADVISE RE: REGISTRATION ON THIS BILL.**

We have a bill list accompanying this report. This time next week you should have fewer bills on your list as many will be "culled" by the second funnel. Spring and the end of session will then be in site! Please contact us if you have questions! Please let us know if you have questions.