



IOWANS FOR TAX RELIEF

VOICE OF THE TAXPAYER

2021 LEGISLATIVE ISSUE GUIDE



Iowans have endured a unique year. New rules and regulations have impacted our daily lives, and uncertainty has affected our finances.

Iowa has been fortunate. Conservative leadership before the pandemic allowed our state to weather the storm as well as any in the nation. Lawmakers were able to close the last fiscal year without dipping into reserve funds and passed a status quo budget for the current year.

In November, voters gave the legislature a mandate to continue getting government out of our lives and livelihoods. In other words, Iowans deserve to keep more of their hard-earned money and have the freedom to make decisions without unnecessary regulations.

Heading into the 2021 legislative session, policymakers have the opportunity to speed up scheduled tax cuts, make it easier to enter new careers, guarantee support is given to those who are genuinely in need, and increase the fiscal accountability of local governments.

Iowans deserve every opportunity to grow and prosper. When citizens make their voices heard, it's harder for bureaucrats to get away with increasing spending and creating economic burdens.

ITR will remain the voice of the taxpayer and will not relent in fighting for a better Iowa. If you have any questions about any of the information presented in this guide, please email itr@taxrelief.org.

ITR LEGISLATIVE ISSUE GUIDE

Cut the Rates..... 3-4

Iowans deserve the promised tax cuts

It's Just Hair5-6

Iowa needs to continue occupational licensing reform

Ensuring Public Assistance Program Integrity.....7-8

Iowa must ensure resources reach the truly needy

Bury the Death Tax..... 9-10

Government shouldn't favor one group over another

Taxpayer Funded Lobbyists..... 11-12

Are they really working in your best interest?

Property Taxes.....13

Federal Funds Inventory13

Regulatory Reform.....13

Donor Privacy..... 14

TIF Reform 14

Open Records Request Costs 14

CUT THE RATES!

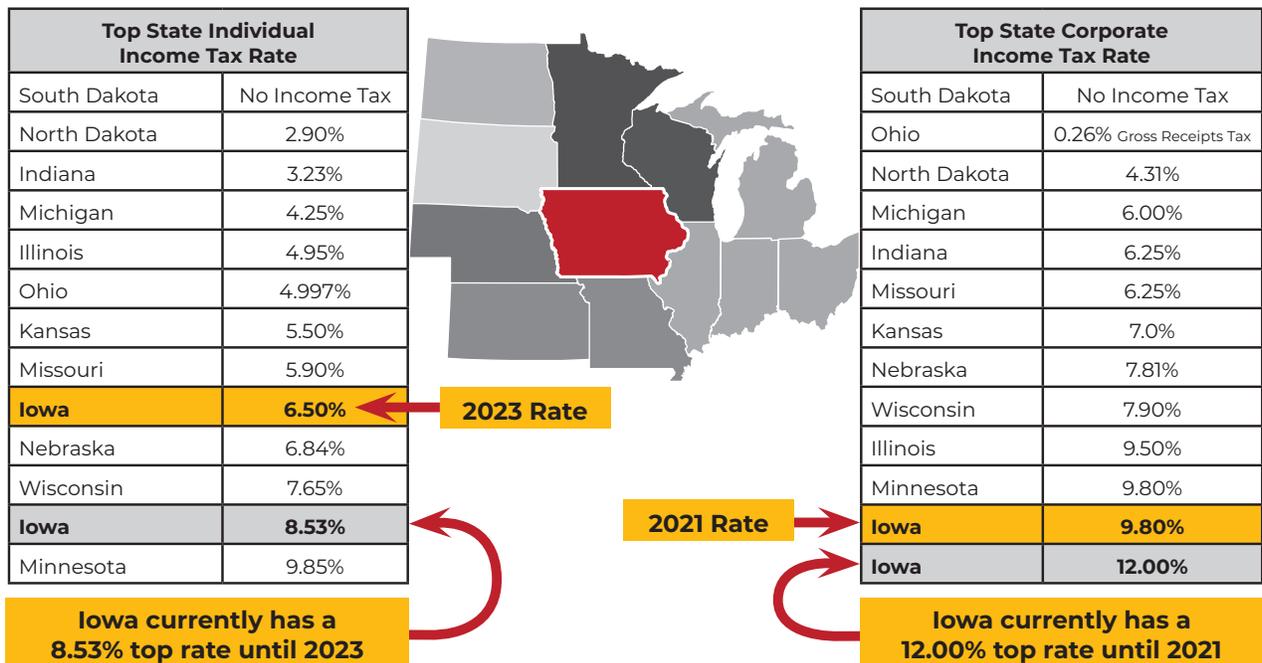
Individuals, Entrepreneurs, and Businesses VOTE WITH THEIR FEET!

States with a low tax and regulatory climate will continue to be more attractive than Iowa.

Iowa's top individual income tax rate of 8.53% will be reduced to 6.5% in 2023 if:

1. State revenue grows to over \$8.3 billion (FY 2020 budget is \$7.643 billion)
2. State revenue increases at least four percent that fiscal year

If those two items don't happen, rates will remain high until those targets are met.



LEGISLATORS NEED TO:

1. REMOVE the revenue triggers
2. DELIVER the promised tax cuts
3. LOOK for additional ways to cut taxes

IOWANS DESERVE THE PROMISED TAX CUTS

Iowans for Tax Relief asks legislators to consider paths for continued tax cuts during the 2021 legislative session. In recent years, the Iowa Legislature has done a commendable job of funding the priority needs of Iowans while not unnecessarily growing the size of government. Iowans for Tax Relief supports lowering taxes through fiscally responsible budgeting, coupled with a reduction of tax credits and tax base broadening. Iowans for Tax Relief calls on the legislature to remove the triggers from the 2018 tax bill and allow lower rates to take effect. Iowans for Tax Relief also supports future individual and corporate income tax rate reductions. Iowa voters made their wishes clear by voting for fiscally responsible representation in November; now it's time to deliver.

Under conservative leadership, Iowa has moved in the right direction on taxes. In 2018, the Tax Foundation ranked Iowa as one of the worst states in the country (45th) on their State Business Tax Climate Index, a comprehensive index that considers the full tax picture of all states, including individual, corporate, sales, and property tax rates, as well as state unemployment levels. On the Tax Foundation's 2021 index, Iowa has moved up five places to 40th. Unfortunately, 40th worst is still worse than all neighboring states except Minnesota and Illinois. In fact, our neighbor to the northwest, South Dakota, comes in 2nd on the Tax Foundation's list. While there is still clear room for improvement, conservative leadership in the House, Senate, and Governor's office should be commended for their actions that have noticeably improved Iowa's national standing on taxation.

In 2018, the Iowa Legislature took on significant tax reform for the first time in decades. The bill that ultimately passed was a good first step; however, much of the tax relief in that legislation was subject to revenue triggers that must be met before lower rates are enacted. These revenue triggers create a

high bar that make it uncertain when, or if, Iowans will see the final reduced rates promised by the legislation. Understandably, triggers were utilized to protect Iowa's budget from unpredictable revenue levels in the future and to ensure the state's continued financial stability. The future, though, is here, and Iowa's financial picture is promising. We now know that Iowa can responsibly have these new rates take effect.

While Iowa's tax picture has improved, so, too, has our state's financial situation. Thanks to conservative budgeting practices, Iowa's reserve accounts are

full, and the state ended the most recent fiscal year with a surplus over \$300 million. It is time to remove the triggers from the 2018 tax bill and deliver the tax cuts promised by the legislation, as well as to consider additional avenues for cutting taxes.

During the 2020 legislative session, Governor Reynolds offered her Invest in Iowa Act as a starting point to further reduce the tax burden on hardwork-

ing Iowans. Iowans for Tax Relief supported Governor Reynolds's proposal as one of many possible ways to cut Iowans' taxes. Additional future reductions should also be considered, perhaps with the utilization of automatic rate cuts as revenue grows to levels established by the legislature.

Further, legislators should consider broadening the sales tax base or reducing tax credits as ways to achieve lower tax rates. Creating a fairer tax environment can help encourage development by leveling the playing field for all individuals who may want to do business in Iowa. The free market should pick winners and losers, not the government.

The 2020 election results offered a clear mandate from Iowa voters: they are happy with the direction that political leaders are taking this state, and they want to see the passage of more conservative policy.

Triggers were used to protect Iowa's budget from unpredictable revenue and to ensure financial stability.

Iowa's financial picture is now promising and we can responsibly have these new rates take effect.



IT'S JUST HAIR

Iowans don't need industry insiders forcing months or years of training before starting careers.

Example: 2,100 hours of school to cut or shampoo hair.

1950s:
1 in 20
WORKERS NEEDED
A LICENSE TO
WORK FOR PAY



TODAY:
1 in 4
WORKERS
NEED A
LICENSE



2ND MOST
LICENSED
STATE IN THE COUNTRY

LEGISLATORS NEED TO **REVIEW LICENSING REQUIREMENTS** **SO THEY CAN:**

- 1. Identify**
- 2. Eliminate**
- 3. Update**

**End regulations that are outdated, redundant,
and have no impact on public health or safety.**

Hair Stylists ♦ Eyebrow Waxers ♦ Sign Language Interpreters ♦ Massage Therapists

**GETTING A PAYCHECK FOR SIX MONTHS IS MUCH BETTER
THAN PAYING FOR SCHOOL FOR SIX MORE MONTHS!**

IOWA NEEDS TO CONTINUE OCCUPATIONAL LICENSING REFORM

Excessive and burdensome occupational licensing laws serve as a red tape tax that disproportionately impact Iowa's working class. These laws make it more difficult and expensive for Iowans to earn a living and fill high-demand jobs. Job licensing exists to protect the public, but in many cases, the licensing requirements, or the license itself, do not make sense. It is necessary for lawmakers to consider legislation that establishes a full review process of all of Iowa's occupational licenses to make sure that the licenses and licensing requirements currently on the books make sense and truly serve to protect the public—not just provide a bigger barrier for hardworking Iowans.

The Iowa State Legislature and Governor took a giant leap forward in the improvement of Iowa's licensing standing in 2020 with the passage of legislation that recognizes out-of-state occupational licenses for those practicing in a licensed field who choose to move to Iowa. Iowa led the way nationally by taking this aspect further by also recognizing work experience for those who live in a state that may not require a license for their current occupation. The legislation additionally eased restrictions for ex-offenders to enter licensed occupations where the respective licensing board deems appropriate, rather than permanently banning these individuals from working in licensed fields. Fee waivers were also put in place to help reduce the cost burden on low-income, first-time license applicants.

The efforts made in 2020 were monumental, but there is still progress to be made. According to a 2018 report by the Institute for Justice, Iowa is the 2nd-most licensed state in the U.S., with 24.3% of the state's workforce requiring a license to do their jobs. In the 1950s, only 5% of the workforce nationally required a license to work.

Occupational licenses that protect the health and wellbeing of citizens make sense and are practical, but onerous licensing requirements can create a barrier for Iowa's most vulnerable. Unnecessary and excessive barriers are pricing people out of the workforce.

At a legislative round table co-hosted by Iowans for Tax Relief, a business owner said with respect to job licensing: "These types of things are causing a problem for [single parents] and their kids. We need to get that under control because there's only so much an employer like me can do to help make up for the situation that, in essence, the state has put them in."

"These types of things are causing a problem for [single parents] and their kids. We need to get that under control because there's only so much an employer like me can do to help make up for the situation that, in essence, the state has put them in."

Nebraska and Ohio addressed this problem by creating a cyclical review process of all their state's occupational licenses. All licenses and licensing requirements are evaluated every five to six years to determine if the requirements, and each license itself, are necessary. Iowa

should consider similar measures, given the high percentage of the state's workforce that requires a license to do their jobs.

The Iowa State Legislature and Governor took bold efforts to improve Iowa's licensing situation last year by making it easier for skilled workers from other states to move to Iowa and continue working. It is time to take the next step for Iowans who are already living in Iowa who desire to join a licensed profession. Licensing requirements should be reasonable and designed to ensure the health and safety of consumers, but excessive requirements create an unnecessary, costly burden for hardworking Iowans. The time is now to pass legislation that reviews all of Iowa's licenses and licensing requirements to ensure that they are reasonable and best for all Iowans.

PUBLIC ASSISTANCE PROGRAM INTEGRITY



ARE ALL RECIPIENTS ELIGIBLE?



Iowa doesn't know!

LEGISLATORS NEED TO PROTECT RESOURCES FOR THOSE WHO QUALIFY BY:

- 1. Making verification easier** for recipients and Department of Human Service workers
- 2. Start using** the National Accuracy Clearinghouse
- 3. Regularly removing ineligible individuals**

**COMMONSENSE REFORM WILL ENSURE THE
INTEGRITY OF IOWA'S PUBLIC ASSISTANCE PROGRAMS**

ENSURING PUBLIC ASSISTANCE PROGRAM INTEGRITY

Medicaid spending is the second-largest expenditure in the Iowa budget, behind only K-12 school funding. Nearly one in five Iowans receive Medicaid benefits. Considering that this piece of the budget accounts for such a large portion of Iowa's tax revenue, accuracy should be of the utmost importance. Unfortunately, while the error rate for Iowa Medicaid is unknown, the error rate of the administration of the Supplemental Nutrition Assistance Program (SNAP) shines a light on just how high that error rate may be.

On July 30, 2019, the U.S. Department of Agriculture (USDA) fined the State of Iowa \$1.79 million due to a high error rate in the disbursement of SNAP benefits. In Fiscal Year 2018, Iowa's SNAP error rate was over 10 percent, with overpayment occurring nearly nine percent of the time and underpayment occurring over one percent of the time. This puts Iowa's SNAP overpayment rate at fifth highest in country, fourth if Washington, D.C., is excluded, and Iowa's overall error rate was sixth highest in the country.

Current federal administrative rule requires that all states participate in the National Accuracy Clearinghouse for SNAP benefits by December 2021 per the 2018 Farm Bill. The National Accuracy Clearinghouse is a databank that is capable of flagging individuals who may be receiving benefits in multiple states. The software program that allows states to comply with this administrative rule is also capable of verifying identity, employment information, and assets at the click of a button.

USDA rule only mandates the use of the National Accuracy Clearinghouse for SNAP benefits, but the software may also be used to automate checks for those receiving Medicaid. This is a logical extension of an extremely useful tool that would help reduce the unrealistic workload on DHS workers and help

reduce human error, as well as reduce the hassle of providing paperwork as often by most individuals receiving public assistance. Verification checks could also increase in frequency with the reduction of workload on DHS workers, creating greater real-time accuracy than the present system allows.

Presently, all verification checks at the Iowa Department of Human Services (DHS) are performed manually. This means that workers at DHS are required to contact 10-12 individuals daily to check all recipients annually. If DHS were to use the National Accuracy Clearinghouse software, workers would only need to contact individuals flagged by the system. If trends in other states are used as a guide, roughly 15 percent of public assistance recipients would be flagged for a verification check. Further, individuals utilizing public assistance would be required to submit documentation much less frequently, easing the burden on those following the law. To clarify, if an

individual is flagged, benefits are NOT automatically terminated; it is simply a prompt to DHS to follow up with the individual because there is a discrepancy in their file.

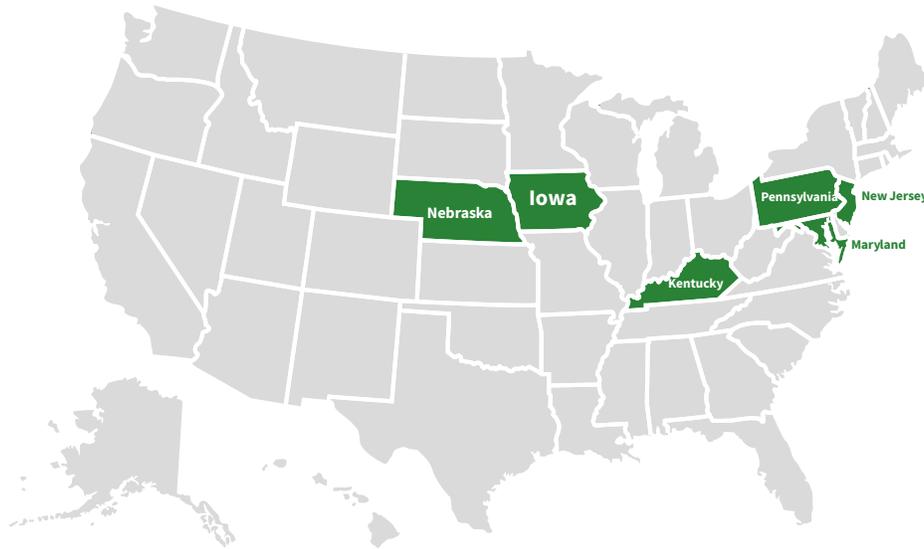
As stated, Iowa has been fined by the federal government for the state's large SNAP error rate. This is largely due to human error—human error that could be greatly reduced by the utilization of software that streamlines public assistance verification and puts the state in compliance with federal rule. The benefits of this software could be extended to all state-delivered public assistance to help reduce fraud while also reducing the heavy workload on DHS employees responsible for verifying eligibility. Simply put, this is a commonsense reform that would help ensure the integrity of Iowa's public assistance programs while helping with the delivery of resources to those in need.

Every dollar lost to waste, fraud, or abuse is a dollar that cannot go to fund services for those with genuine and urgent needs.

BURY THE DEATH TAX

**Iowa is one of only six states
with an Inheritance Tax**

As of 2020



Spouses, children, and parents are excluded from the inheritance tax. Nieces and nephews, siblings, and business partners all have to pay up.

**Government shouldn't tax some people
but not others in the same circumstance.**

**THE SOLUTION IS SIMPLE.
LEGISLATORS NEED TO:**

Completely eliminate the inheritance tax for

EVERYONE.

**THIS WILL HELP SMALL
BUSINESS OWNERS AND YOUNG FARMERS.**

IOWA: A GREAT PLACE TO LIVE; NOT A GREAT PLACE TO DIE

Death and taxes may be the only two certainties in life. The problem in Iowa is that our state combines those two certainties in the form of a tax bill for heirs in certain situations. As one of just six states in the country to still impose an inheritance tax, Iowa bills non-lineal descendants when the total value of an estate exceeds \$25,000. This means that spouses, children, and even parents are excluded from paying the inheritance tax, while nieces and nephews, siblings, domestic partners, and business partners of the deceased are all required to pay. Iowa is a great place to live and raise a family, but it is not a great place to die.

The inheritance tax is a tax paid by the person who receives assets upon the death of another. In Iowa, this often means a niece or nephew who inherits a share of the family farm from an uncle who never married will be faced with finding hundreds of thousands of dollars to hold onto land that's been in their family for generations. Iowa's inheritance tax hits entrepreneurs, too. If unrelated partners build a business together and one of them dies, the deceased partner's half of the business would be subject to the inheritance tax if they choose to leave their portion to their business partner.

Whether it's a family farm or a small business, the person who receives the asset may end up with a really difficult decision if they don't happen to have lots of cash on hand: sell part of the farm or business to pay the tax bill, or take on more debt to be able to pay the state.

Individuals with large estates frequently hire accountants and attorneys to help guide them through the transfer of wealth process. With

the help of these professionals, individuals find ways to protect their assets to the best of their ability, with the use of trusts or other estate planning tools. Individuals with smaller estates that exceed the extremely low threshold of just \$25,000 may not have the financial means or connections to wealth management professionals to protect their assets upon their death.

Further, Iowa's inheritance tax discourages individuals with large estates but no lineal decedents from spending their retirement in Iowa. These individuals may choose to leave Iowa altogether simply to protect the assets they have

spent a lifetime working to earn. Warm-weather states like Florida and Arizona do not have inheritance taxes. Neighboring states of South Dakota, Missouri, and Wisconsin also have no inheritance tax. In fact, not even tax-happy California has an inheritance tax.

Difficult decision: sell part of the business or farm to pay the tax bill or take on more debt to be able to pay the state.

In 2019, the Legislative Services Agency projected that Iowa would receive about \$87 million in revenue from the inheritance tax in Fiscal Year 2021. In a budget nearing \$8 billion and a surplus over \$300 million from the previous fiscal year, eliminating the inheritance tax is not something that will have an insurmountable impact on reasonable state expenditure levels.

Deceased individuals have already paid taxes on their assets. The individuals they choose as heirs should not be forced to pay taxes on those same assets again. It is time that Iowa stops stealing from the grave by making our state, which is a great state to live and raise a family, a better state in which to die. It is time to bury Iowa's death tax.

TAXPAYER-FUNDED LOBBYISTS

Lobbyists contracted by local governments are not subject to open records laws.

Who Hires Taxpayer-Funded Contract Lobbyists?

- **Cities**
- **Counties**
- **School Districts**
- **Taxpayer Funded Associations**

If property tax dollars are paying for lobbying activities, you deserve to know exactly how that money is being used.

Citizens must have transparency to be able to hold their local governments accountable.



TAXPAYER-FUNDED LOBBYIST TRANSPARENCY

Are they really working in your best interest?

Did you know your property tax dollars are used to lobby legislators? Not only this, but you may never know exactly what taxpayer-funded lobbyists are promoting. Holding local elected officials accountable for the efforts of their lobbyist is difficult, particularly when they work with legislators behind the scenes.

Many cities, counties, and school districts hire lobbyists. Other lobbyists are hired through associations and organizations like the Iowa League of Cities. Dues for, and training through, these organizations are paid for with your property tax dollars. It's challenging to determine exactly how many property tax dollars are funding lobbying because the communications between local governments and their lobbyists are not transparent.

Lobbyists who are *contracted* by cities and counties are not subject to open records laws. If a city or county hires an employee to lobby, that *employee* would be subject to open records laws, but a contract employee is not. Further, some of the associations funded by tax dollars, like the Iowa League of Cities and the Iowa State Association of Counties, are not subject to open records laws. If your property tax dollars are paying for lobbying activities, you deserve to know exactly how your money is being used.

Lobbyists must declare official positions, and those are public record; however, much more happens behind the scenes than an official position indicates. There are talks to draft legislation which sometimes go nowhere. There are also internal discussions to decide what lobbyists support or oppose. Citizens deserve

to know what local elected officials are using their money to advocate for or against because sometimes, the positions taken by lobbyists representing local governments or associations of local governments take stances that are not in the best interest of the taxpayers.

Sometimes, the positions taken by taxpayer funded lobbyists are not in the best interest of the taxpayers.

Some of the most prominent opponents to last year's property tax transparency bill were local governments and associations of local governments. The property tax bill passed last year simply required an affirmative vote and a second public meeting for local governments to increase their budgets above two percent. This measure did not prohibit local governments from raising taxes. Instead, it made the process of raising taxes more transparent for property taxpayers so they would have a better opportunity to voice their opinions on the matter.

Contract lobbyists paid with taxpayer dollars and associations of local governments hiring lobbyists should be subject to the same open records laws as public employees. The people deserve the opportunity to learn how their money is spent and determine if that use is genuinely in their best interest. Citizens must have transparency to be able to hold their local governments accountable.

Citizens must have transparency to be able to hold their local governments accountable.

Property Taxes

Iowans for Tax Relief will continue to fight for legislation that helps property taxpayers and oppose legislation that negatively impacts property tax bills.

The Iowa Legislature passed property tax reform measures into law in 2019. The adopted changes require public notice and an extra hearing if a municipality's or county's new budget is 2 percent greater than the previous year's budget. While this was a great step forward, few Iowans have taken advantage of this new process to voice their concerns.

An additional reform that could help empower more Iowans is a "truth in taxation" system similar to that utilized by the State of Utah. Utah requires parcel-specific notifications to be sent to property

taxpayers if the rate in consideration is above the calculated certified tax rate and shows them what their bill would be if the budget in question passes. In Iowa, this would be a rate above the 2 percent growth allowed by the 2019 legislation. In sending direct notification to property owners, they will be empowered to voice their opinions when it is possible to have their voices heard—not after the fact when they receive their property tax bill. Most Iowans do not follow their local governments' agendas on a weekly basis and are unaware of the budget process. They may not know when or where they may oppose a tax increase imposed on them by their local elected officials, and it is necessary that they are given the tools to make their voices heard.

Federal Funds Inventory

Roughly half of Iowa's budget consists of money from the federal government. While it may seem like a great idea to accept all of the tax dollars Washington, D.C. will send us, this money often comes with strings attached that can drive up costs for state government. Federal programs can also be eliminated, and when Iowans are used to programs created through federal grants, the state is hesitant to cut them—so legislators continue to fund the programs entirely with state dollars.

Additionally, there is a lack of transparency and understanding regarding maintenance of effort requirements for federal grants. During the

budgeting process legislators are frequently informed that there is a maintenance of effort agreement for a program, but it is not always clear exactly what that agreement is, leading legislators to mistakenly believe that state funding can never be reduced when this may not be the case. Additional clarity is needed on potential end dates for federal funds as well, so legislators can anticipate the ending of a federal program and aren't surprised when federal money is eliminated. These improvements would help ensure that legislators have the best tools to use your tax dollars as efficiently and effectively as possible.

Regulatory Reform

Legislators should consider methods of reducing state regulations to more reasonable levels to help Iowa grow and prosper, both for businesses and consumers.

Administrative rules serve to supplement law where interpretation is left in question. Some administrative rules are reasonable and necessary, but as the number of rules grows as the scope of government increases, these rules can become overly complex and burdensome. Too many regulations drive up the costs of doing business beyond what is reasonable

to protect health and safety, and those costs hinder economic growth and increase prices for consumers.

Iowa does require legislative review of administrative rules, but as regulations continue to increase, the ability to thoroughly review every rule becomes extremely difficult. According to a 2019 Mercatus Center study, Iowa has 160,000 restrictive terms, such as "must," "shall," and "may not," in state regulations. This is more than every neighboring state except Illinois, which is notorious for being a high regulation state.

Donor Privacy

Individuals who make charitable donations deserve to be able to do so privately. Some individuals do not want to be bombarded with requests for donations, so they wish to donate without recognition to preserve their anonymity. Other individuals may wish to donate to a cause that is not politically popular, and they deserve to do so without fear of harm to themselves or their families.

The First Amendment protects the freedom of

association, which was reaffirmed by the Supreme Court in the 1958 NAACP v. Alabama case where the State of Alabama tried to suppress the civil rights movement by requesting member lists from the NAACP, and chilling speech by not protecting the privacy of donors to nonprofit organizations undermines this First Amendment protection. It is imperative that the state act to preserve the privacy of donors to nonprofits and reinforce the rights granted under the First Amendment.

Tax Increment Financing (TIF) Reform

Tax increment financing (TIF) is an economic development tool used by local governments. TIF is primarily used in the form of property tax abatements or reductions to spur investment. It can be a great mechanism for addressing blight and encouraging development in an area in a community that may otherwise be unfavorable.

Unfortunately, an increasing number of communities are using TIF to incentivize development in desirable areas in order to compete with neighboring communities for new businesses. When property tax dollars are being used in this manner, the taxpayer

loses, as local governments are subsidizing growth that would have likely occurred organically at the taxpayers' expense.

The scope of TIF desperately needs to be addressed. Using TIF for the original intent of addressing blighted areas is reasonable, but the increasing use of TIF for broader economic development is extremely concerning. Cities, and in turn, the taxpayers, are being held hostage with their own tax dollars to pay for development that would occur naturally if cities no longer had to financially compete against each other with tax incentives.

Open Records Request Costs

In order for government to be accountable to the people it serves, transparency is imperative. Taxpayers deserve to know exactly how elected officials and their employees are using tax dollars and their power in their public service. The potential for public scrutiny helps encourage public officials and employees to make decisions in the best interests of the public. Further, while most government officials are good actors and well-intentioned, mistakes can and do happen, and those mistakes must come to light so they may be rectified. Regrettably, there are also bad actors who do not have the best interests of the public in mind, and it is imperative that they too are held accountable. Whether decisions made behind the scenes are legal but potentially unpopular, ethically questionable, or even blatantly illegal, it is important for citizens to have access to open records so that they may hold their government and the people who work within the government

framework accountable.

Unfortunately, accessing open records has become difficult in some situations. Under the guise of "legal review," some local government entities are charging exorbitant fees for multiple rounds of legal review, sometimes to the tune of hundreds of dollars per hour of review. While charging to cover the cost of an open records request is reasonable so as not to shoulder the taxpayer with the cost burden, multiple anecdotes have surfaced, particularly in cases where the information contained within the open records may have proven politically damaging, where local government entities seem to have used inflated legal review fees to block access to public records. The Legislature should consider taking action to prevent local government entities from tacking on excessive fees to ensure that open records truly are open.



IOWANS FOR TAX RELIEF
— VOICE OF THE TAXPAYER —

7601 Office Plaza Drive North, Suite 140, West Des Moines, Iowa 50266

Email - itr@taxrelief.org

Website - taxrelief.org