

Iowa Leaders “Inches” Apart on Budget but “Miles Apart” on Property-Tax Reform

Written by Lynn Campbell
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Governor Terry Branstad and legislative leaders were “a few inches away” Monday from agreeing to a state budget, but were “miles apart” on their competing property-tax plans, according to a key Democratic leader.

The Iowa legislature this week entered its seventh week of overtime, with less than three weeks remaining to come to resolution and avoid a state-government shutdown.

Iowa Senate Appropriations Chair Bob Dvorsky (D-Coralville) announced a key development Monday morning in reaching a budget deal that could bring adjournment to the 2011 legislative session. Senate Democrats agreed to spend less than \$6 billion in the budget year that begins July 1, which is nearly \$400 million less than they originally proposed.

“Last week, we took a significant step in the negotiations by agreeing to the general-fund spending limit proposed by the House Republicans,” Dvorsky said. “This week, the negotiations will focus solely on the details of each of the separate spending bills.”

In his weekly news conference, Branstad said property-tax reform and replacing the Iowa Department of Economic Development with a new public-private partnership must be part of the final deal.

“I am encouraged that progress is being made, but I also feel very strongly that that progress

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needs to include the new Partnership for Economic Progress – so we have that marketing tool to help us bring in the businesses and jobs – that it includes reducing the commercial and industrial property tax and limiting other property taxes,” he said. “Those things are critically important for us to have a successful session.”

Branstad called reducing property taxes for businesses a “critical priority” that must happen this year. He said Iowa ultimately must lower its commercial property tax from 100 percent to 60 percent of assessed valuation to create jobs and be competitive with other states.

“For more than 30 years, we’ve kicked the can down the road, and each year, there are a few more empty storefronts and office buildings along that road,” Branstad said. “We will not see this session end without property-tax reform.”

The Iowa House this past week approved a scaled-back plan for property-tax relief that would cut commercial and industrial property taxes by 25 percent, rather than Branstad’s proposed 40 percent. The plan also would reduce property taxes by \$340 million over five years, rather than the original \$800 million to \$1 billion. It would provide local governments with \$250 million to compensate for their loss of property-tax revenue. And it includes a new, lower limit on residential and agricultural property-tax increases, from 4 percent down to 2 percent.

Branstad’s line in the sand on property taxes hit a sour note with Senate Democrats, who have pushed for a far more modest plan that would create a property-tax credit for businesses at a cost of \$50 million to the state in Fiscal Year 2013. The cost would grow incrementally to \$200 million over four years if state revenue increases by at least 4 percent in each of those years.

“With just a few days until the fiscal year ends – and in the face of a potential government shutdown – Governor Branstad should focus on our number-one priority: passing a balanced, responsible state budget before July 1,” Dvorsky said. “Instead, the governor today threatened to hold the state budget hostage by issuing an 11th-hour ultimatum that the legislature approve a massive tax cut for out-of-state corporations, one which will dramatically increase property taxes on homeowners.”

The strong rhetoric came despite Monday not being the first time Branstad has made it clear that property taxes are a priority for him in the 2011 legislative session. Dvorsky reiterated that

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Senate Democrats believe their plan would provide more help to Iowa’s Main Street businesses than the governor’s plan, and do so without raising residential property taxes.

“Although we are a few inches away from reaching an agreement on the state budget, our competing property-tax plans are miles apart,” Dvorsky said.

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