



*“Be sure you put your feet in the right place, then stand firm.”*  
- Abraham Lincoln

**UPFRONT** by State Representative Dave Heaton

**Date** March 21, 2011

*Title: Agree or Not to Agree: That is the question.*

Sunday, March 20<sup>th</sup>, marked the 70<sup>th</sup> day of our shortened 100-day session. The next 30 days will be busy ones, to say the least. Bills are being exchanged by both houses which will need to be agreed upon if they are to be sent to the governor for his approval. While the end of session is in sight, the Republican-controlled House and the Democratic-controlled Senate are miles apart on appropriations and must-do bills.

Floor action has been at a snail’s pace in either house on the budget bills. We received our first Senate budget bills yesterday. They are bills that we are basically in agreement with so they will require little debate.

One problem that these bills have is that they only address the coming fiscal year. The governor and the House Majority have agreed to begin budgeting on a biennial basis. That means that our budgets must address two years instead of just one, as we have done in the past. The Senate has yet to recognize and agree with us on this issue. If we cannot find agreement with the Senate on biennial budgeting, perhaps we may send the two appropriation bills back to the Senate and the governor could send a strong message by vetoing the bills and requesting the Senate to strongly consider this new budgeting method.

The Legislature was notified of the release of the first redistricting plan on March 31<sup>st</sup>, by the Legislature Services Agency (LSA). Public hearing on the proposed plan must be held following the release. Two weeks must pass before the Legislature will be able to vote on it. All this will take time from needed legislation.

I predict many late nights lie ahead spent in debate.

Meanwhile the House and Senate are meeting in conference trying to find agreement on Senate File 209. This is a bill that combines supplemental funding that would backfill some of the effects of Governor Culver's budget cuts, with changes in tax and budget policies that would affect almost all Iowans.

Additional monies would be provided for community colleges, Department of Corrections, indigent defense, the Iowa State Highway Patrol, Department of Health (addictive disorders, community capacity, healthy aging, health, children and families and infectious diseases), and DHS to restore cuts to our mental health institutions. The monetary total of the supplemental is \$45.7 million dollars.

The bill also proposes a change in Iowa's tax policy. The proposal would couple Iowa and the Federal Tax Code so that the benefits in the Federal Code would be shared by Iowans. For instance, the biggest impact would be in the application of "accelerated depreciation." Federal law gives you the option of applying accelerated depreciation when purchasing equipment. The purchase in reality is treated almost as an expense, allowing you to deduct the total purchase in one year. Present Iowa Tax Code does not allow this and depreciation must be spread over ten years. At the present time Iowans must file two depreciation schedules when addressing their equipment. This bill will allow for just one schedule, making tax returns much less complicated.

With coupling, Iowa would treat depreciation in the same manner as federal law. This would be a huge benefit to those Iowans who would make major purchases for their farms and businesses. Other advantages Iowans would receive from coupling would be repealing the limits on itemized deductions, increase the income threshold for student loan interest, higher allowable expenses for child and dependent care credits, maintain a higher threshold and allow a phase-in for those who qualify for the earned income tax credit and other smaller benefits.

One of the areas of contention in this bill is the Senate's proposal to increase the Earned Income Tax Credit (EITC) from seven percent to ten percent. Low and some middle-class income Iowans receive a federal credit on their income. The amount of credit depends upon the number of children in the family. At the present time, families without children would receive a \$457 federal credit, and families with three or more children would receive \$5,666. If the income taxes do not utilize all of the credit, a check is issued for the difference in the form of a refund.

Iowa's share of the EITC is set at seven percent of the total federal tax credit. A couple with no children would receive \$31.99, while a family of three or more children would receive \$396.62. The same policy applies if the credits are not completely utilized up by their Iowa income tax obligations. The difference is returned by check.

The Democratic Senate would like to raise the income tax credit from seven to ten percent. The House, at the present time, is opposed to this.

The Republican House feels very strongly about their proposal to create a Tax Payers First Fund. This fund would return the ending balance of the previous year back to the tax payer in an as-of-yet unidentified method. Senate Democrats are opposed to this.

So here we are with the Legislature's first major piece of legislation. The outcome could prove to be very beneficial to all Iowans. Both sides are miles apart. Without agreement, an opportunity to move forward making life better for all could be lost.

Visitors to the Capitol this week included Neil Johnson, Betty Cruze and Maryella Johnson with the Lee County Farm Bureau.

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If you have any issues or concerns, please contact me.  
Be sure to include your name and address with any communication to my office.

State Rep. Dave Heaton, R-Mount Pleasant, represents the 91st House District, which includes all of Henry County and the northern half of Lee County.

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