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Budget would boost property taxes

By JASON CLAYWORTH
jclayworth@dmreg.com

Iowa homeowners would pay an average of \$63 more a year in property taxes because Gov. Chet Culver has recommended reducing payments to local governments, according to an estimate by the Iowa State Association of Counties.

Culver's budget proposal would cut nearly \$50 million from the state's reimbursements to local governments for the homestead property tax credit in the fiscal year that begins July 1. The program, intended to encourage home ownership, received \$99.2 million in the current year.

"This is a big deal," said Bill Peterson, director of the counties association. "The impact is that there could be a vast majority of homeowners seeing a tax increase."

In addition, Culver has recommended cutting a mental health property tax credit by \$1.4 million in the coming year and another \$6.1 million the following year. That tax break, which would total \$87.5 million, helps counties pay for mental health services that are chronically short of cash.

Culver this week said his budget proposal included no tax increases. Critics, however, say reducing tax breaks has the same effect as raising taxes.

"Governor Culver can say what he wishes, but if it walks like a duck and quacks like a duck, it's a duck," a press release from the fiscally conservative Iowans For Tax Relief said Thursday. "Governor Culver is forcing increased property taxes on the very people who are struggling to pay their home mortgages in these difficult economic times."

Republican House Minority Leader Kraig Paulsen, R-Hiawatha, also compared the governor's proposal to a tax increase.

Democrats, meanwhile, said it's too early to determine what proposals of the governor's they might support. House Majority Leader Kevin McCarthy, D-Des Moines, said that lawmakers are looking for alternatives to some cuts and that there is potential for adjustments so some numbers aren't so dire.

The property tax break is funneled through local governments. City and county officials will ultimately decide if they will somehow absorb a great share of the cost or if they must raise taxes, said Phil Roeder, a spokesman for the governor.

"One item in his budget would impact the property tax credit, which in turn could impact local government," Roeder said. "However, in this time when government and businesses alike are tightening their belts, communities are going to need to make decisions locally about how to manage this issue."

City officials are reviewing the governor's recommendations. Even if the cuts don't directly affect city budgets, they almost guarantee a tax increase on residents, Des Moines City Councilwoman Christine Hensley said.

"I don't know what the money amount is for Des Moines but, obviously, we're concerned," she said.

Lori Reynolds, executive director for the Iowa Federation of Families for Children's Mental Health,

said the cuts to mental health services may lead to more expensive consequences such as increased prison rates and homelessness.

"I understand we have to do budget cuts, but don't do it at the risk of somebody's life," Reynolds said.

Additional Facts

Culver's budget proposal

AMONG BIGGEST: Despite cuts, Iowa's general fund budget is projected to be among the biggest in the state's history in the fiscal year that begins July 1, according to the fiscal services division of the nonpartisan Legislative Services Agency. A preliminary summary of the governor's recommendations shows the general fund will grow from \$6.062 billion to \$6.198 billion.

ADDED ACCOUNTS: Much of the growth in the general budget is due to incorporating accounts such as the Senior Living Trust Fund that had previously been outside of the general budget. That plan adds a total of \$203.7 million to the general fund.

OVERALL DIP: When all state spending in all accounts is factored, spending will dip 6.3 percent from \$7.607 billion to \$7.128 billion between this fiscal year and the one starting July 1, the LSA said.
