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Branstad says he'll ask penny rise in sales tax

Will outline his budget plans today

Lawmakers say boost is aimed for April 1

By DAVID YEAPSEN and TOM WITOSKY

Special Staff Writers
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Gov. Terry Branstad told state legislators and officials Thursday night that he will recommend a one-cent increase in the state sales tax today.

The Statehouse politicians, who asked not to be identified, said they were told Branstad will make the sales tax pitch when he delivers his budget message at 10 a.m.

Branstad aides refused to confirm or deny the reports. But former House Speaker Delwys Stromer (Rep., Garner) has been saying flatly all week, "There will be a tax increase."

Several lawmakers said the new Republican governor will propose that the tax increase be imposed April 1.

Other Proposals

Sources said Branstad also will propose:

- Issuing bonds totaling \$136 million for construction of an agronomy building at Iowa State University, a law center at the University of Iowa and an arts building at the University of Northern Iowa.
- An increase in state tuition grants to students attending private colleges — from \$1,750 a year to \$2,100 a year per student.
- Boosting state aid to public schools beyond the increase already called for during the next two years.

• A budget for fiscal 1983-84 that will grow less than 4 percent and end with a \$50 million surplus. He will predict that the current budget, for 1982-83, will end with a \$20 million surplus.

A one-penny increase would put Iowa's sales tax at 4 cents on the dollar and would raise an estimated \$150 million to \$160 million annually. A tax increase call by Branstad could touch off controversy within the governor's own party. Branstad built a political career in the conservative wing of the Iowa Republican Party and often opposed tax increases as a legislator.

But Democrats, who control the Iowa Legislature this year, generally say they will approve such an

BRANSTAD

Legislative leaders predict Branstad will seek to increase taxes

By DEWEY KNUDSON and TOM WITOSKY

Special Staff Writers

Gov. Terry Branstad didn't talk about taxes in his inaugural address on Friday, but leading Iowa lawmakers believe he will recommend a tax increase next week. "If he is going to follow up his ambitious program of today, he will have to have a tax increase," said Representative Dale Cochran (Dem., Eagle Grove). "I would say he'll increase the sales tax by 1 cent."

"Definitely there will be a tax increase," said House Republican Leader Delwys Stromer of Carter. "We may be able to do without the broad sweep of I rest on the sales tax."

Said House Majority Leader Lowell Nieland (Dem., Keosauqua): "I would presume that he is going to recommend a substantial tax increase in his budget. At least, that is what he seems to be indicating now."

First Speech

In his first speech as governor of Iowa, Branstad called for an ambitious program including more state money for schools, promoting the tourism industry, expanding state capacity through an Asian office, increasing tuition grants for private college students and creating a welfare program for unemployed farmers.

These initiatives come at a time



Dale Cochran
Sees sales tax hike



Delwys Stromer
Favors a surtax

empty. The Legislature's chief budget adviser, Dennis Probst, predicted Thursday that Iowa will have a \$120 million deficit by June 30 unless lawmakers act.

Optimistic View

Even the most optimistic estimates, those of Comptroller Ronald Mader, are that the state will be just \$10 million ahead at the end of the fiscal year, out of a \$2 billion

"The real story will come when we sit down as politicians and decide what our priorities are," said Representative Thomas Jackson (Dem., Des Moines, chairman of the House Appropriations Committee). "We can't do that until we hear his budget message."

Mainstream Tax

During the campaign last fall, Branstad rejected the idea of raising the state income tax burden on wealthy Iowans by limiting the amount of federal income taxes they pay. He has supported increasing the minimum tax as a way to bring in added revenue.

But Stromer believes the new governor "may be leaning slightly" toward recommending that the state sales tax be raised 1 cent.

Stromer said he will try to persuade the governor not to do that. He is looking at a surtax on income taxes as an alternative.

However, Branstad has said in the past he doesn't favor such a surtax, arguing that Iowa income taxes are among the highest in the nation. "One thing he didn't do, and I was so happy, was raise income taxes," Representative William Harber (Rep., Henderson) said of Branstad's inaugural speech.

But Harber is not sure that a tax increase can be avoided, reasoning

problems of the state. "I hope any revenue increases, in a temporary nature," he said.

Some Democrats have been discussing a temporary sales tax increase as a way to get through short-term budget problems until the state's economy turns around.

Iowa Minority Leader Colvin Hoffman (Rep., Red Oak) said that Branstad now has only two choices, either calling for a major tax increase or proposing minor tax increases coupled with additional cuts.

"Neither is a very pleasant option, so it will be a difficult decision. But it certainly looks like we are going to raise some money," Hoffman said.

During the campaign, Branstad said he would support a tax hike only as "a last resort." Since the election, he has refused to say whether state income taxes have come to that stage, although he termed "city" the prospect of making it through the 1982-83 budget year with no tax increase.

Senate Majority Leader Lowell Junkins (Dem., Montrose) was waiting to see, instead of predicting a tax increase as part of Branstad's budget. Junkins said he would more specific details of his budget plan.

"When he talks about education, I'm not sure what he means. Repub-

licans have talked about funding education for the past three years, but not funding at the same time," Junkins said.

But the Democrat said that a tax increase is a logical conclusion from the speech.

"If he is talking about additional dollars, and he seems to be, then we aren't going to do without some sort of revenue increase. That means we are going to have to look at raising taxes," Junkins said.

Representative Marvin Diermer (Rep., Cedar Falls) said Branstad offered "an awfully ambitious program" that may be tough to accomplish in one year. But he still hoped a tax hike can be avoided.

"We haven't got our backs to the wall but, had we had to, we have to have a sales tax increase," he said. "If we can get by without raising that tax, that's really going to be a feather in our hats compared to other states around us."

One lawmaker isn't guessing, however. Senator John Jensen (Rep., Pella) said he has met with Branstad to discuss possible tax measures, but he won't comment on what Branstad said.

"I know that he is thinking about it, but I'm not saying any more. I'm not going to be second guessing him on this," Jensen said.

Democrats predict passage of Branstad sales tax plan

"I was elected to a position of leadership in this state and I intend to lead. One of the expectations of a leader is that he or she is willing to take a stand, adhere to it, defend it and work for it. That is what I will do throughout this administration. This is what I am doing today."

— Gov. Terry Branstad

Being it was "the most difficult decision I have ever had to make," Republican Gov. Terry Branstad called the Iowa Legislature on Friday to increase the state sales tax.

In his first budget message, the new governor asked lawmakers to raise the tax by 1 cent beginning April 1. "When taxes are tough, people turn to government, not away from government," Branstad said.

The issue beyond county lawmaking the state budget, he asked lawmakers to cope with the worst economic times since the Great Depression by creating public works jobs, providing property tax relief and spending more money for schools.

Leaders of the Democratic-controlled Legislature predicted that

This story was written by Reporter Staff Writers Dewey Knudson, Tom Witosky and Delwys Stromer, and William Ryberg in Des Moines and John Cochran in Cedar Rapids.

most of Branstad's program will be approved, including the sales tax increase. Some conservative Republicans were disappointed, but there was an immediate indication that they planned to submit a major campaign to defeat the governor's proposal.

Branstad's program includes:

- Increasing the 3 percent sales and use tax to 4 percent on April 1, a move that will raise an estimated \$10 million this budget year and another

\$100 million next year.

- No major cuts in any state programs and 3 1/2 percent growth in state revenues next year — a rare case any tax is too high.

- No additional money for salary increases for state workers next year, although enough money exists in the budget surplus to give them a small raise.

- Creating more jobs through construction projects at the state's three universities.

- Property tax relief through a state income tax and aid to schools and through state funding of local roads.

- Additional spending for aid to dependent children (ADC), more money for Medicaid, housing loans,

homeowner and care services" and continuation of the Unemployed Parents program with a new "workday" provision.

- More aid to education, including more dollars for tuition grants to private college students, added vocational technical grants and special incentives to teach math, science and foreign languages.

- An appropriation of \$20,000 to start a Financing Committee to oversee part-moment banking in Iowa.

The conservatives who object to the tax level raised by Branstad are countered by several Democrats who say the state really needs a 3-cent

increase in the sales tax.

Branstad is calling for the first major tax hike since 1973 when income tax rates were raised.

The 36-year-old governor parlayed his GOP conservatism by saying, "For years I have said raising a tax should be a last resort. I believe that is where we are today. The alternatives are nonnegotiable."

"We must not abandon job incentives. We must not increase property taxes. We must not deny Iowans basic services. We must not change our commitment to education. We have raised tax law, and worked too long, to

BRANSTAD
FIRST STEP TO PAGE 24

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