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**SF 280** – Military Service Property Tax Exemption, Amount (LSB1476SV)  
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Fiscal Note Version – New

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### **Description**

**Senate File 280** increases the value of the **Military Service Tax Exemption** from the current level of \$1,852 of property value for most veterans and their qualified survivors to \$4,000. The change is effective beginning assessment year 2022 (FY 2024).

### **Background**

Under current law, the Military Service Tax Exemption is equal to \$2,778 of property value for veterans of World War I and qualified survivors and \$1,852 for all other qualified situations. The vast majority of exemption situations qualify for the \$1,852 amount. The exemption reduces the amount of property value subject to property tax. At \$1,852 of value and at the statewide FY 2022 average Military Service Tax Exemption tax rate of \$34.03 per \$1,000 of taxable value, the average exemption reduces a veteran's annual property tax payment by about \$63.

The State **reimburses** local governments for \$6.92 per \$1,000 of the revenue reduction associated with the Military Service Tax Exemption. Through the action of the State school aid formula, the State also reimburses school districts for \$5.40 per \$1,000. At the \$34.03 per \$1,000 statewide average residential property tax rate, this results in \$21.71 per \$1,000 in unreimbursed property tax impact that is spread across all types of local governments that levy a property tax. This impact results in reduced local government property tax revenue.

### **Assumptions**

- The number of taxpayers claiming the Military Service Tax Exemption is estimated at 121,624 for FY 2023 and 117,365 for FY 2024.
- The average tax rate for property subject to the Military Service Tax Exemption for FY 2023 is calculated to be \$34.03 per \$1,000 of taxed value. That tax rate is assumed to remain constant for future years.

### **Fiscal Impact**

The Bill increases the current property tax reduction available to qualified veterans, beginning with FY 2024 (taxes payable in the fall of 2023 and the spring of 2024), by an estimated \$8.6 million. This reduction in property tax payments will result in an increase in two State General Fund appropriations and a decrease in overall local government revenue. The FY 2024 impact on government finance is projected to be:

- State General Fund Military Service Tax Exemption appropriation increase = \$1.8 million
- State General Fund school aid appropriation increase = \$1.4 million
- Local government property tax revenue reduction = \$5.4 million

Going forward, the number of veterans is expected to decline each year, and this will produce a declining fiscal impact on State appropriations and local revenue.

**Sources**

Department of Management property tax value and rate files  
Legislative Services Agency analysis

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/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.  
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