



[SF 356](#) – Property Tax Levy Limits (LSB1100SV)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 356](#) relates to property tax levies and the number of county seats in a county. The Bill has five divisions:

- **Division I — County Budgets and Levy Rates — Applies to FY 2025 and after.**
- **Division II — City Budgets and Levy Rates — Applies to FY 2025 and after.**
- **Division III — Public Education and Recreation Tax Levy (PERL) — Applies to FY 2028 and after, except where noted.**
- **Division IV — Brucellosis and Tuberculosis Eradication Fund Levy — Applies to FY 2025 and after.**
- **Division V — County Seats — Effective upon enactment.**

Note on Property Tax Rates

All property tax rates used in this document are reflected as rates that are applied per \$1,000 of taxed property value. Taxed property value is the value determined through the assessment process, adjusted (reduced) for any rollback for the property class, and after property tax exemptions have been applied.

Division I — County Budgets and Levy Rates

Division I Background

Iowa Code chapter [331](#) (County Home Rule) provides the authority for counties to tax real property, with additional authority provided in Iowa Code chapter [422D](#) (Optional Taxes for Emergency Medical Services) and Iowa Code chapter [28E](#) (Joint Exercise of Governmental Powers). Certain county tax levies apply to all taxed property within the county (general levies), while other levies apply only to property that is outside of incorporated cities (rural levies). Properties located in cities are subject to only the general levies, while rural properties are subject to both general and rural levies.

Current law authority for county general levies includes:

- Iowa Code section [331.423](#)(1) — The authority for general services is limited to a maximum of \$3.50.
- Iowa Code section [331.426](#) — The authority for additions to the \$3.50 general services levy is unlimited, but use of the additional levy requires a finding of one or more of the following seven circumstances:
 - An unusual increase in population.
 - A natural disaster or other emergency.
 - Unusual problems related to major new functions required by State law.
 - Unusual staffing problems.

- Unusual financing required to permit the continuance of a program that provides substantial benefit to county residents.
- Unusual need for a new program that provides substantial benefit to county residents.
- A reduced or unusually low growth rate in the county property tax base.
- Iowa Code section [331.424\(1\)](#) — If the general services levy and additions are not sufficient, supplemental general services levies are allowed for any of nine enumerated services, including:
 - Charges the county is required to pay by statute for inpatient and outpatient substance abuse and for certain persons attending special schools and hospitals.
 - Court-ordered foster care.
 - Elections and voter registration.
 - Employee benefits.
 - Tort liability and other insurance.
 - Maintenance and operations of courts.
 - Court-ordered costs associated with domestic relations conciliation.
 - A joint county indigent defense fund pursuant to an agreement with one or more other counties.
 - Maintenance and operation of an emergency management agency.
- Iowa Code section [331.424B](#) — A general levy of up to \$0.0675 is available for the repair and maintenance of cemeteries.
- 2019 Iowa Code section [331.424A\(6\)](#) — A former (repealed) general levy used to fund the County Mental Health and Disabilities Services Fund. Funding for this function is now provided through a State General Fund appropriation.
- Iowa Code section [331.422\(3\)](#) — A general levy for debt service payments.
- Iowa Code section [422D.5](#) — A general levy of up to \$0.75 for emergency medical services (voter-approved).

Current law authority for county rural services levies includes:

- Iowa Code section [331.423\(2\)](#) — The authority for the rural services levy is limited to a maximum of \$3.95.
- Iowa Code section [331.426](#) — The authority for additions to the \$3.95 rural services levy is unlimited, but use of the additional levy requires a finding of one or more of seven unusual circumstances listed above as additions to the general services levy.
- Iowa Code section [331.424\(2\)](#) — If the rural services levy and additions are not sufficient, supplemental rural services levies are allowed for two enumerated services, including:
 - Employee benefits associated with rural services employees.
 - An aviation authority.
- Iowa Code section [28E.22](#) — If approved by voters, a levy of up to \$1.50 is available for the purposes of a 28E agreement related to unified law enforcement.

In addition to the above general and rural levies, Iowa Code section [331.425](#) allows voter-approved additions to levies otherwise specified.

Figure 1 provides a breakdown of the amount of revenue raised and the number of counties utilizing the property tax levies available to counties. Information is provided for FY 2017 and FY 2023. From FY 2017 through FY 2023, the statewide average total countywide levy for all purposes decreased from \$6.35 to \$5.94, and the average rural level for all rural purposes decreased from \$3.36 to \$3.22. During the period, two law changes occurred that directly impacted the revenue side of county budgets. Funding for the County Mental Health and Disabilities Services Fund was transferred to the State General Fund, and the State General Fund appropriation to counties to backfill the property tax reduction that was the result of a

10.00% reduction in the taxable value of commercial and industrial property began a phase-out period.

Figure 1

County Property Tax Levies — FY 2017 and FY 2023				
Dollars in millions				
Levy	FY 2017	Number of Counties	FY 2023	Number of Counties
General Services Levy	\$ 532.7	99	\$ 682.9	99
General Services Levy Additions	13.3	26	20.7	30
General Services Supplemental	258.4	95	355.3	93
Cemetery	0.3	20	0.3	19
Mental Health/Disabilities Services	87.9	97	0.0	0
Emergency Medical Services	0.0	0	0.6	1
Debt Service	82.3	61	116.3	74
Total General	\$ 974.9		\$ 1,176.1	
Rural Services Levy	\$ 205.0	99	\$ 253.4	99
Rural Services Levy Additions	1.1	5	0.9	3
Rural Services Supplemental	2.7	9	3.1	8
Unified Law Enforcement	0.5	1	0.5	1
Total Rural	\$ 209.3		\$ 257.9	
Total General and Rural	\$ 1,184.2		\$ 1,434.0	

Division I Description

The Bill makes the following changes:

- Consolidates several county functions that are currently financed through a combination of general county services, rural county services, additions to general/rural county services, and supplemental levies.
- Creates additional limits on the maximum allowed general and rural county services tax rates.
- Lowers the dollar amount threshold requirements for counties to enter into leases, lease-purchase contracts, loan agreements, and bonded indebtedness without an election following a petition. Thresholds are lowered by 30.00%.
- Requires a county’s Annual Financial Report to include a list of bonds, notes, and other obligations.

The Bill creates new county-specific general services tax rate limits for FY 2025 that are based on FY 2024 rates, and for future years, county-specific tax rates are based on growth in county taxed value and county tax rates. Fiscal year 2025 general services tax rates may not be higher than the rates established for the same purposes for FY 2024. For FY 2026 and succeeding years, the application of new county general service levy limits will fall into one of three groups depending on the situation in each county:

- **Group 1** — Counties with a current year tax rate of \$3.50 or lower and with budget year tax base growth in excess of 3.25%: Through a formula, counties in this group will have the growth in their budget year maximum property tax revenue dollars reduced by 3.25 percentage points. A county will have the ability to access tax base growth above 3.25% for the year.
- **Group 2** — Counties with tax base growth above 2.50% that are not included in the first group (their tax base growth does not exceed 3.25% or their current year tax rate is above \$3.50 or both): Through formula, counties in the second group will have the growth in their

budget year maximum property tax revenue dollars reduced by 2.50 percentage points. They will retain tax base growth above 2.50% for the year.

- **Group 3** — Counties with a tax base growth of 2.50% or less: Counties in this group will be able to utilize all growth in the property tax base, and if their current year rate is below \$3.50, they may also raise their budget year general services rate to \$3.50.

Rural county services tax rates are limited in the same manner as discussed above, but the limit is based on the rate of growth in a county's rural tax base and the current year's rural county services levy rate, with references to the \$3.50 tax rate changed to \$3.95.

Year-to-year, individual counties may and often will fall into a different group depending on their budget year tax base growth and current year tax rate. Regardless of the group a particular county occupied in a previous year, its maximum general or rural services tax rate returns to \$3.50 if the county's applicable tax base growth does not exceed 2.50% for a year. At any time, a county may establish a tax rate below the calculated maximum. However, doing so will reduce the county's maximum tax rate should it fall within the first or second group the following year.

Division I Assumptions and Fiscal Impact

County General and Rural Services

Actual statewide general services tax base growth between FY 2017 and FY 2023 exceeded 3.25% for each of the six years. Additionally, the FY 2023 statewide average general services levy is just above \$3.50 at \$3.55. However, there is considerable variation in tax rates and tax base growth rates, and only four counties have an FY 2023 general services tax rate, including the cost of courts, of \$3.50 or lower and also experienced growth in their tax base of more than 3.25% for each of the six years.

Actual statewide rural services tax base growth between FY 2017 and FY 2023 exceeded 3.25% for each of the six years. Additionally, the FY 2023 statewide average rural services levy is well below \$3.95 at \$3.18. Of the 99 county rural services levies, including rural services additions, the rates of only three counties exceed \$3.95. Three-quarters of counties experienced at least one year of rural tax base growth below 2.50% over the six years. This statistic means that under the Bill, most counties will be occasionally allowed to increase their rural services levy to as high as \$3.95.

The fiscal impact of the new levy rate limits is examined in this **Fiscal Note** through examples based on historical annual growth rates of nine counties as well as the FY 2023 general and rural services tax rates of those counties.

- The future growth in the tax base of individual counties is not known. For this analysis the actual annual tax base rate of growth for each of the nine example counties from FY 2017 through FY 2023 is used to model future tax base growth patterns for the counties. For each county, the tax base rate of growth for FY 2018 is assumed for FY 2025, and the FY 2019 tax base rate of growth is assumed for FY 2026, etc.
- The first year of the new tax rate limits is based on FY 2024 actual tax rates. Since FY 2024 rates are not available, FY 2023 rates are used in this analysis and assumed to be the FY 2024 rates.
- The FY 2024 general services tax rates become the FY 2025 rate limits, and the FY 2024 general services tax rate is the sum of:
 - The basic general services tax rate of \$3.50.
 - The basic general services additions tax rate.
 - The portion of the general services supplemental tax rate that represents the maintenance and operation of courts. For the analysis of the examples, the FY 2023

budgeted court expenditure total for each county is converted to a property tax rate, with the result added to the general services levy only for those counties utilizing a general service supplemental levy for FY 2023.

- The FY 2024 rural services tax rates become the FY 2025 rate limits, and the FY 2024 rural services rate is the sum of:
 - The basic general services tax rate of \$3.95.
 - The basic rural services additions tax rate (if any).

Example Counties — General Services Levy

Figure 2 provides general services tax rate and tax base statistics for nine example counties.

- The left portion provides a projection of the FY 2024 general services tax rate limit that is based on FY 2023 actual rates and on a calculation of the portion of each county’s supplemental levy that represents maintenance and operation of courts.
- The right portion provides annual average tax base growth, low annual tax base growth, and high annual tax base growth for each of the counties.

Figure 2

Example Counties — General Services Levy							
Tax rates in dollars per \$1,000 of taxed value							
Actual FY 2023 rates are assumed FY 2024 rates							
County	Tax Rates				Tax Base Growth		
	Basic General Services	Additions To General Services	Estimated Court Supp. *	Total General Services FY 2024	Average Annual Tax Base Growth	Lowest Tax Base Growth	Highest Tax Base Growth
Dickinson	2.45135	0.00000	0.00000	2.45135	4.59%	3.97%	5.11%
Dallas	2.76505	0.00000	0.00000	2.76505	8.03%	5.25%	11.72%
O'Brien	3.50000	0.00000	0.05641	3.55641	8.29%	4.63%	10.01%
Clay	3.50000	0.00000	0.01543	3.51543	2.61%	0.54%	5.30%
Marion	3.50000	0.00000	0.05453	3.55453	4.77%	0.76%	12.22%
Lyon	3.50000	0.00000	0.00000	3.50000	3.76%	-0.28%	6.22%
Decatur	3.50000	3.09251	0.08106	6.67357	3.87%	0.92%	7.70%
Winnebago	3.50000	0.85074	0.01514	4.36588	2.77%	0.69%	5.13%
Scott	3.50000	0.00000	0.43182	3.93182	3.87%	2.82%	5.75%

* Court supplemental levy is an estimate based on FY 2023 court budget and supplemental levies.

The following analysis of counties uses current tax rates and historical annual tax base growth for each county to produce examples of how the new tax rate limits may work given differing situations that could occur in the various counties. Future growth will not be the same as past growth, so the results should not be used to make conclusions about how the additional tax rate limits included in this Bill might impact any specific county.

The general tax base of **Dickinson County** expands more than 3.25% for each of the six years (average annual rate = 4.59%), and the county general services tax rate is below \$3.50 (\$2.45) for FY 2024. This places the county in Group 1 for all years of the projection, which means that the maximum general services tax rate is reduced for FY 2026 through FY 2030 and the rate is projected to equal \$2.09 for FY 2030. Over the six projection years, the county general services tax base expands 30.87% and property tax revenue increases 11.53%.

The general tax base of **Dallas County** expands more than 3.25% for each of the six years (average annual rate = 8.03%), and the county general services tax rate is below \$3.50 (\$2.77) for FY 2024. This places the county in Group 1 for all years of the projection, which means that the maximum general services tax rate is reduced for FY 2026 through FY 2030 and the rate is projected to equal \$2.36 for FY 2030. Over the six projection years, the county general services tax base expands 58.92% and property tax revenue increases 35.44%.

The general tax base of **O'Brien County** expands more than 3.25% for each of the six years (average annual rate = 8.29%), and the county general services tax rate equals \$3.56 for FY 2024. Due to a tax rate above \$3.50 for FY 2024 and FY 2025, the county would fall into Group 2 for FY 2026, but with a projected tax rate below \$3.50 for FY 2026, the county would fall into Group 1 for the remaining four years of the projection, which means that the maximum general services tax rate is reduced for FY 2027 through FY 2030 and the rate is projected to equal \$3.05 for FY 2030. Over the six projection years, the county general services tax base expands 61.28% and property tax revenue increases 38.45%.

The general tax base of **Clay County** expands more than 3.25% for the first three years of the six years (average annual rate = 2.61%), and the county general services tax rate equals \$3.52 for FY 2024. Due to a tax rate above \$3.50 for FY 2024 and FY 2025, the county would fall into Group 2 for FY 2026. The county is then projected to be part of Group 1 for FY 2027 before low tax base growth in each of the final three years of the projection makes it part of Group 3. Group 3 counties may set a general services tax rate of up to \$3.50. Over the six projection years, the county general services tax base expands 16.73% and property tax revenue increases 16.22%.

The general tax base of **Marion County** expands more than 3.25% for three of the six years (average annual rate = 4.77%), and the county general services tax rate equals \$3.55 for FY 2024. Due to low tax base growth for FY 2026, the county would fall into Group 3 for that year. The county is then projected to be part of Group 2 for FY 2027 before ending the projection period in Group 1. For FY 2030, the general services tax rate is projected to equal \$3.17, and over the six projection years, the county general services tax base expands 32.24% and property tax revenue increases 18.07%.

The general tax base of **Lyon County** expands more than 3.25% for five of the six years (average annual rate = 3.76%), and the county general services tax rate equals \$3.50 for FY 2024. Due to a tax base decrease for FY 2026, the county would fall into Group 3 for that year. The county is projected to be part of Group 1 for the remaining years of the projection. For FY 2030, the general services tax rate is projected to equal \$3.08, and over the six projection years, the county general services tax base expands 24.78% and property tax revenue increases 9.80%.

The general tax base of **Decatur County** expands more than 3.25% for two of the six years (average annual rate = 3.87%), and the county general services tax rate equals \$6.67 for FY 2024. Due to a tax base increase of less than 2.50% for FY 2030, the county ends the projection period in Group 3 and therefore would be allowed a maximum general services tax rate that is the higher of \$3.50 or the county's tax rate from the previous year. For FY 2030, the general services tax rate is projected to equal \$6.20, and over the six projection years, the county general services tax base expands 25.61% and property tax revenue increases 16.64%.

The general tax base of **Winnebago County** expands more than 3.25% for two of the six years (average annual rate = 2.77%), and the county general services tax rate equals \$4.37 for FY 2024. Due to a tax rate above \$3.50 through FY 2029, the county is part of Group 2 for all

projection years. For FY 2030, the general services tax rate is projected to equal \$3.96, and over the six projection years, the county general services tax base expands 17.78% and property tax revenue increases 6.71%.

The general tax base of **Scott County** expands more than 3.25% for three of the six years (average annual rate = 3.87%), and the county general services tax rate equals \$3.93 for FY 2024. Due to a tax rate above \$3.50 through FY 2029, the county is part of Group 2 for all projection years. For FY 2030, the general services tax rate is projected to equal \$3.48, and over the six projection years, the county general services tax base expands 25.59% and property tax revenue increases 11.00%.

Example Counties — Rural Services Levy

Figure 3 provides rural services tax rate and tax base statistics for nine example counties.

- The left portion provides a projection of the FY 2024 rural services tax rate limit that is based on FY 2023 actual rural services tax rates.
- The right portion provides annual average rural tax base growth, low annual rural tax base growth, and high annual rural tax base growth for each of the counties.

Figure 3

Example Counties — Rural Services Levy						
Tax rates in dollars per \$1,000 of taxed value						
Actual FY 2023 rates are assumed FY 2024 rates						
County	Tax Rates			Tax Base Growth		
	Basic Rural Services	Additions To Rural Services	Total General Services FY 2024	Average Annual Tax Base Growth	Lowest Tax Base Growth	Highest Tax Base Growth
Dickinson	2.44000	0.00000	2.44000	3.78%	3.12%	4.88%
Dallas	2.08728	0.00000	2.08728	5.99%	3.54%	8.60%
O'Brien	2.91344	0.00000	2.91344	9.40%	6.20%	13.48%
Clay	3.88444	0.00000	3.88444	2.36%	-2.58%	8.30%
Marion	3.95000	0.00000	3.95000	4.56%	2.97%	9.83%
Lyon	3.04543	0.00000	3.04543	3.31%	-2.79%	6.69%
Decatur	2.63706	0.00000	2.63706	5.36%	2.79%	10.66%
Winnebago	3.95000	0.44100	4.39100	2.81%	-0.12%	5.28%
Scott	2.87004	0.00000	2.87004	3.41%	1.27%	5.91%

The following analysis of counties uses current tax rates and historical annual tax base growth for each county to produce examples of how the new tax rate limits may work given differing situations that could occur in the rural areas of various counties. Future growth will not be the same as past growth, so the results should not be used to make conclusions about how the additional tax rate limits included in the Bill might impact any specific county.

The rural tax base of **Dickinson County** expands more than 3.25% for all six years (average annual rate = 3.78%), and the county rural services tax rate is below \$3.95 (\$2.44) for FY 2024. This places the county in Group 1 for all years of the projection, which means that the maximum rural services tax rate is reduced for FY 2026 through FY 2030 and the rate is projected to equal

\$2.08 for FY 2030. Over the six projection years, the county rural services tax base expands 24.96% and property tax revenue increases 6.50%.

The rural tax base of **Dallas County** expands more than 3.25% for all six years (average annual rate = 5.99%), and the county rural services tax rate is below \$3.95 (\$2.09) for FY 2024. This places the county in Group 1 for all years of the projection, which means that the maximum rural services tax rate is reduced for FY 2026 through FY 2030 and the rate is projected to equal \$1.78 for FY 2030. Over the six projection years, the county rural services tax base expands 41.81% and property tax revenue increases 20.85%.

The rural tax base of **O'Brien County** expands more than 3.25% for all six years (average annual rate = 9.40%), and the county rural services tax rate equals \$2.91 for FY 2024. This places the county in Group 1 for all years of the projection, which means that the maximum rural services tax rate is reduced for FY 2026 through FY 2030 and the rate is projected to equal \$2.48 for FY 2030. Over the six projection years, the county rural services tax base expands 71.43% and property tax revenue increases 46.10%.

The rural tax base of **Clay County** expands more than 3.25% for one of the six years (average annual rate = 2.36%), and the county rural services tax rate equals \$3.88 for FY 2024. The county would be in Group 1 for FY 2026, Group 2 for FY 2027, and Group 3 for FY 2028 through FY 2030. Group 3 counties may set a rural services tax rate of up to \$3.95, even if the county began the new rate limit process with a rural services rate below \$3.95 (as is the case with Clay County). Over the six projection years, the county rural services tax base expands 15.04% and property tax revenue increases 16.98%.

The rural tax base of **Marion County** expands more than 3.25% for four of the six years (average annual rate = 4.56%), and the county rural services tax rate equals \$3.95 for FY 2024. The county fluctuates between Groups 1 and 2 and ends the projection with an FY 2030 rural services tax rate of \$3.42. Over the six projection years, the county rural services tax base expands 30.68% and property tax revenue increases 13.00%.

The rural tax base of **Lyon County** expands more than 3.25% for five of the six years (average annual rate = 3.31%), and the county rural services tax rate equals \$3.05 for FY 2024. Due to a tax base decrease for FY 2026, the county would fall into Group 3 for that year and would be able to set a rural services tax rate of \$3.95. The county is projected to be part of Group 1 for the remaining years of the projection, so the projected tax rate would decrease as a result. For FY 2030, the rural services tax rate is projected to equal \$3.48, and over the six projection years, the county rural services tax base expands 21.59% and property tax revenue increases 38.77%.

The rural tax base of **Decatur County** expands more than 3.25% for four of the six years (average annual rate = 5.36%), and the county rural services tax rate equals \$2.64 for FY 2024. The county falls within Groups 1 and 2 for all projection years. For FY 2030, the rural services tax rate is projected to equal \$2.28, and over the six projection years, the county rural services tax base expands 36.81% and property tax revenue increases 18.30%.

The rural tax base of **Winnebago County** expands more than 3.25% for four of the six years (average annual rate = 2.81%), and the county rural services tax rate equals \$4.39 for FY 2024. Due to a tax rate above \$3.95 through FY 2029, the county is part of Group 2 for all projection years. For FY 2030, the rural services tax rate is projected to equal \$3.99, and over the six projection years, the county rural services tax base expands 18.07% and property tax revenue increases 6.97%.

The rural tax base of **Scott County** expands more than 3.25% for four of the six years (average annual rate = 3.41%), and the county rural services tax rate equals \$2.87 for FY 2024. Because the tax base growth is 1.30% for FY 2028, the county would be able to increase its rural services tax rate from the FY 2027 projected level of \$2.69 to an FY 2028 level of \$3.95. For FY 2030, the rural services tax rate is projected to equal \$3.73, and over the six projection years, the county rural services tax base expands 22.27% and property tax revenue increases 59.01%.

The new county general services and rural services levy rate limits will result in lower property tax rates, lower property tax bills, and lower county revenue, starting with FY 2025. The examples provided indicate that the most significant dollar reductions will occur in counties where there is annual tax base growth of 3.25% or more and the reductions will occur when a county's tax base growth is below 2.50%. As a percentage of overall potential growth, the most significant reductions will occur when a county's tax base growth is just above 3.25% each year for a number of years and never falls below 2.50% for a year.

Should a county's general services tax base or separately rural services tax base growth fall below 2.50%, for a year, the county will be able to set a general services rate of \$3.50, or a rural services rate of \$3.95, even if that county was well below those levels for the previous year (potentially producing a significant year-over-year tax increase). This could occur even if the county was below those levels established in the Bill. Some counties may find that they must regain the taxing authority at that time due to the fact that, should the county tax base grow by more than 2.50% the following year(s), the county tax rate for the following year(s) will be limited by the decision not to increase rates when tax base growth was low and the authority to raise rates was available.

Bonding and Other Debt Thresholds

The Bill decreases by 30.00% the dollar thresholds for counties to enter into bond and other debt arrangements without the need for voter approval. While this change is not expected to have an identifiable fiscal impact, counties may find it more difficult and/or more expensive to borrow amounts above the new lower limits but below the old limits, and this may in turn lead to less borrowing. The change may also lead to an increase in borrowing that is not subject to direct voter approval, such as borrowing through Tax Increment Financing arrangements.

Division II — City Budgets and Levy Rates

Division II Background

Iowa Code chapter [384](#) (City Finance) provides the authority for cities to tax real property with additional authority provided in Iowa Code section [357G.8](#) (City Emergency Medical Services Districts) and Iowa Code chapter [24](#) (Local Budgets). City tax levies apply to taxable property located within the boundary limits of the city, although in limited cases, particular classes of property are excluded from the levy.

Current law authority for city general fund purposes includes:

- Iowa Code section [384.1](#) — The authority for the general fund levy is limited to a maximum of \$8.10. That maximum rate applies to all classes of property, with the exception of property classified as agricultural. The tax rate that applies to agricultural property is limited to \$3.00375.
- Iowa Code section [384.12](#) — The authority for additions to the \$8.10 general fund levy is composed of 21 enumerated purposes. Some of the purposes have rate limits, and others are unlimited. Additions to the \$8.10 general fund levy are available to:
 - Support instrumental or vocal music groups (voter-approved, rate limited to \$0.135).

- Develop, maintain, and operate a memorial building or monument (voter-approved, rate limited to \$0.81).
- Support a symphony orchestra (voter-approved, rate limited to \$0.135).
- Operate a cultural or scientific facility (voter-approved, rate limited to \$0.27).
- Construct a county bridge (voter-approved).
- Aid a company constructing a highway or combination highway/railroad bridge across a boundary river of the State where the bridge has a terminus within the city (voter-approved, rate limited to \$1.35).
- Purchase a bridge that is a highway or combination highway/railroad bridge across a boundary river of the State where the bridge has a terminus within the city (voter-approved, rate limited to \$3.375).
- Carry out the terms of a contract to purchase a bridge (rate limited to \$0.675).
- Aid a public transportation company (voter-approved, rate limited to \$0.03375).
- Support operation and maintenance of a municipal transit system or regional transit district (rate limited to \$0.95).
- Lease a civic center building or complex.
- Support operation and maintenance of a civic center (rate limited to \$0.135).
- Plan a sanitary disposal project (rate limited to \$0.0675).
- Support an aviation authority as provided in Iowa Code section [330A.15](#) (rate limited to \$0.27).
- Finance a levee improvement fund (authority limited to special charter cities located on a river, rate limited to \$0.0675).
- Maintain an institution received as a gift or devise (voter-approved, rate limited to \$0.205).
- Finance city insurance costs.
- Finance a medical service district under Iowa Code chapter [357G](#) (voter-approved with a 60.0% requirement, rate limited to \$1.00 with an option for an unlimited additional rate).
- Exceed any levy limit specified in Iowa Code chapter 384 (voter-approved).
- Support a public library (voter-approved, rate limited to \$0.27).
- Support a local emergency management commission established under Iowa Code chapter [29C](#).
- Iowa Code section [384.4](#)(1) — A general levy in the amount necessary for debt service payments.
- Iowa Code section [384.6](#)(1) — A general levy in the amount necessary to pay pension and other employee benefits.
- Iowa Code section [384.7](#)(1) — A general levy of up to \$0.675 for the financing of a capital improvements reserve fund (voter-approved).
- Iowa Code section [384.8](#) — A general levy of up to \$0.27 for the financing of an emergency fund.
- Iowa Code section [24.48](#) — Allows a city to appeal to the State Appeal Board for approval of suspension of statutory property tax levy limitations under the following specified circumstances:
 - Unusually low growth in the property tax base.
 - The property tax base has been reduced or there has been an unusually low growth rate for any of the following reasons:
 - An unusual increase in population.
 - A natural disaster or other emergency.
 - Unusual problems related to major new functions required by State law.
 - Unusual staffing problems.
 - Unusual financing need to permit continuance of a program that provides substantial benefit to county residents.

- Unusual need for a new program which will provide substantial benefits to county residents.
- Iowa Code section [28E.22](#) — A levy of up to \$1.50 is available for the purposes of a 28E agreement related to unified law enforcement (voter-approved).

Figure 4 breaks down the revenue raised and the number of cities utilizing property tax levies available. Information is provided for FY 2017 and FY 2023. From FY 2017 through FY 2023, the statewide average total levy decreased from \$13.90 to \$13.66. During the period, a law change occurred that directly impacted the revenue side of city budgets. The State General Fund appropriation to cities to backfill the property tax revenue decrease that was the result of a 10.0% reduction in the taxable value of commercial and industrial property began a phase-out period.

Figure 4

City Property Tax Levies — FY 2017 and FY 2023				
Dollars in millions				
Levy	FY 2017	Number of Cities	FY 2023	Number of Cities
General Fund (\$8.10)	\$ 705.3	945	\$ 913.3	940
General Fund Additions	67.9	674	85.6	698
General Fund Agland	1.3	826	1.7	765
Emergency Levy	9.3	408	11.9	438
Debt	246.8	421	300.1	417
Employee Benefits	249.9	626	318.4	656
Capitol Improvements	1.4	21	1.8	24
Total	\$ 1,281.9		\$ 1,632.8	

Division II Description

The Bill makes the following changes:

- Consolidates current law authority for the city general fund (\$8.10) levy, 16 of 21 additions to the city general fund levy (Iowa Code section 384.12), the emergency levy (Iowa Code section 384.8), and any levy increases that are the result of the suspension of statutory levy limits approved by the State Appeals Board under Iowa Code section 24.48. Separate authority for the emergency levy is stricken, and the 16 levy purposes are removed from the list of additions to the city basic levy in Iowa Code section 384.12. In addition, the State Appeals Board is allowed to approve the suspension of a city statutory levy limit only in the event of a natural disaster.
- Creates additional limits on the maximum allowed city general fund tax rate.
- Lowers the dollar amount threshold requirements for cities to enter into loan agreements and general obligation bonded indebtedness for general purposes without an election following a petition. All thresholds are lowered by 30.00%.
- Requires a city’s Annual Financial Report to include a list of bonds, notes, and other obligations.
- Strikes Iowa Code section 384.24(4)(i), which includes “(a)ny other purpose which is necessary for the operation of the city or the health and welfare of its citizens” as a general corporate purpose of a city in relationship to the authority to issue general obligation bonds.

The Bill creates new city-specific general fund tax rate limits for FY 2025 that are based on FY 2024 rates, and for future years, city-specific tax rates are based on growth in city taxed

value and the previous year's city tax rate. Fiscal year 2025 general fund tax rates may not be higher than the rates established for the same purposes for FY 2024. For FY 2026 and succeeding years, the application of new city general fund rate limits will fall into one of three groups depending on the situation in each city:

- **Group 1** — Cities with a current year tax rate of \$8.10 or lower and with budget year tax base growth that exceeds 3.25%: Through a formula, cities in this group will have the growth in their budget year maximum property tax revenue dollars reduced by 3.25 percentage points. A city will have the ability to access tax base growth above 3.25% for the year.
- **Group 2** — Cities with tax base growth above 2.50% that are not included in the first group (their tax base growth does not exceed 3.25% or their current year tax rate is above \$8.10 or both): Through a formula, cities in the second group will have the growth in their budget year maximum property tax revenue dollars reduced by 2.50 percentage points. They will retain tax base growth above 2.50% for the year.
- **Group 3** — Cities with a tax base growth of 2.50% or less: Cities in this group will be able to utilize all growth in the property tax base, and if their current year rate is below \$8.10, they may raise their budget year general fund tax rate to \$8.10.

Each year, individual cities may and often will fall into a different group depending on their budget year tax base growth and current year tax rate. Regardless of the group a particular city occupied in a previous year, its maximum general fund tax rate returns to \$8.10 if the city's applicable tax base growth does not exceed 2.50% for a year. At any time, a city may establish a tax rate below the calculated maximum. However, doing so will reduce the city's maximum tax rate should it fall within the first or second group the following year.

Division II Assumptions and Fiscal Impact

City General Fund Levy Rates

Actual statewide city tax base growth between FY 2017 and FY 2023 exceeded 3.25% for each of the six years. However, only 29 cities had tax base growth rates above 3.25% for all six years. Additionally, while the FY 2023 statewide average city property tax rate for the combination of the city general fund, city general fund additions, and the emergency levy is \$8.61,¹ there is considerable variation in tax rates between cities. Of the 937 cities with FY 2023 property tax rates, 236 (25.2%) have a combination of the city general fund, city general fund additions, and the emergency levy that is \$8.10 or lower, and 241 (25.7%) have rates equal to \$10.25 or higher.

The fiscal impact of the new levy rate limits is examined in this **Fiscal Note** through examples based on historical annual growth rates of nine cities as well as the FY 2023 general fund tax rates of those cities.

- The future growth in the tax base of individual cities is not known. For this analysis, the actual annual tax base rate of growth for each of the nine example cities from FY 2017 through FY 2023 is used to model future tax base growth patterns for the cities. For each city, the tax base rate of growth for FY 2018 is assumed for FY 2025, the FY 2019 tax base rate of growth is assumed for FY 2026, etc.
- The first year of the new tax rate limit is based on FY 2024 actual tax rates. Since FY 2024 rates are not available, FY 2023 rates are used in this analysis and assumed to be the FY 2024 rates.
- The FY 2024 general fund tax rates become the FY 2025 rate limits, and the FY 2024 general fund tax rate is the sum of:

¹ The FY 2023 average city property tax rate, including supplemental levies (debt, employee benefits, and miscellaneous) is \$13.66.

- The basic general fund tax rate of \$8.10.
- General fund additions.
- Emergency levy.

Example Cities — General Fund Levy

Figure 5 provides tax rate and tax base statistics for nine example cities.

- The left portion provides a projection of the FY 2024 general fund tax rate limit that is based on FY 2023 general fund tax rates, including the general fund additional levies and the emergency levy.
- The right portion provides annual average tax base growth for the city, low annual tax base growth, and high annual tax base growth for each of the cities.

Figure 5

Example Cities

Tax rates in dollars per \$1,000 of taxed value
Actual FY 2023 rates are assumed FY 2024 rates

City	Tax Rates				Tax Base Growth		
	Basic General Levy	General Levy Additions	Emergency Levy	Total General Levy FY 2024	Average Annual Tax Base Growth	Lowest Tax Base Growth	Highest Tax Base Growth
Urbandale	8.10000	0.00000	0.00000	8.10000	4.97%	3.60%	6.31%
Cedar Rapids	8.10000	1.16418	0.00000	9.26418	3.10%	1.51%	6.10%
Centerville	8.10000	1.03841	0.27000	9.40841	3.24%	1.20%	7.94%
Thompson	8.10000	1.68888	0.02258	9.81146	2.22%	1.49%	3.08%
Tiffin	8.10000	0.47960	0.12052	8.70012	17.35%	9.18%	27.16%
Algona	8.10000	0.95393	0.00000	9.05393	1.56%	-3.22%	3.35%
Primghar	8.10000	1.35326	0.27000	9.72326	4.20%	0.15%	8.30%
Le Mars	8.10000	0.28739	0.00000	8.38739	7.31%	-0.03%	18.01%
Keosauqua	8.10000	0.00000	0.00000	8.10000	4.59%	1.70%	9.15%

The following examples use current tax rates and historical annual tax base growth for each city to produce examples of how the new tax rate limits may work given differing situations that could occur in the various cities. Future growth will not be the same as past growth, so the results should not be used to make conclusions about how the additional tax rate limits might impact a specific city.

The general tax base of **Urbandale** expands more than 3.25% for each of the six years (average annual rate = 4.97%), and the city general fund tax rate equals \$8.10 for FY 2024. This places the city in Group 1 for all years of the projection, which means that the maximum general fund tax rate is reduced for FY 2026 through FY 2030. The rate is projected to be \$6.90 for FY 2030. Over the six projection years, the city tax base expands 33.81% and property tax revenue increases 14.04%.

The tax base of **Cedar Rapids** expands more than 3.25% for the first two years before falling below 2.50% for the final three years (average annual rate = 3.10%), and the city general fund

tax rate equals \$9.26 for FY 2024. This pattern places the city in Group 2 for FY 2026 and FY 2027 and in Group 3 for FY 2028 through FY 2030, and the maximum general fund tax rate is reduced to \$8.82 for FY 2027 through FY 2030. Over the six projection years, the city tax base expands 20.10% and property tax revenue increases 14.32%.

The tax base of **Centerville** expands more than 3.25% for two of the six years (average annual rate = 3.24%), and the city general fund tax rate is equal to \$9.41 for FY 2024. Due to tax base growth above 2.50% for FY 2026, FY 2028, and FY 2030, the city tax rate is reduced in those years. The maximum general fund tax rate is projected to be \$8.74 for FY 2030. Over the six projection years, the city tax base expands 21.06% and property tax revenue increases 12.41%.

The tax base of **Thompson** does not expand 3.25% for any of the six years (average annual rate = 2.22%), and the city general fund tax rate is equal to \$9.81 for FY 2024. Due to tax base growth above 2.50% for FY 2026 and FY 2028, the city tax rate is reduced in those years. The maximum general fund tax rate is projected to be \$9.34 for FY 2030. Over the six projection years, the city tax base expands 14.07% and property tax revenue increases 8.57%.

The tax base of **Tiffin** expands more than 3.25% for each of the six years (average annual rate = 17.35%), and the city general fund tax rate is equal to \$8.70 for FY 2024. A tax rate above \$8.10 places the city in Group 2 through FY 2028. For FY 2029 and FY 2030, the tax rate is reduced to below \$8.10, and the city moves to Group 1 for those years. The property tax rate is projected to equal \$7.59 for FY 2030. Over the six projection years, the city tax base expands 161.12% and property tax revenue increases 127.45%.

The tax base of **Algona** expands 3.25% for one of the six years (average annual rate = 1.56%), and the city general fund tax rate is equal to \$9.05 for FY 2024. Due to tax base growth above 2.50% for FY 2026 and FY 2027, the city tax rate is reduced in those years. The maximum general fund tax rate is projected to be \$8.62 for FY 2030. Over the six projection years, the city tax base expands 9.73% and property tax revenue increases 4.44%.

The tax base of **Primghar** expands more than 3.25% for four of the six years (average annual rate = 4.20%), and the city general fund tax rate is equal to \$9.72 for FY 2024. The city tax rate is reduced in FY 2026, FY 2029, and FY 2030. The maximum general fund tax rate is projected to be \$9.03 for FY 2030. Over the six projection years, the city tax base expands 27.99% and property tax revenue increases 18.86%.

The tax base of **Le Mars** expands more than 3.25% for four of the six years (average annual rate = 7.31%), and the city general fund tax rate is equal to \$8.39 for FY 2024. The city tax rate is reduced in FY 2026, FY 2027, and FY 2028 and the city's maximum tax rate falls below \$8.10. A low growth rate for FY 2029 allows the city to set an FY 2029 tax rate equal to \$8.10. The maximum general fund tax rate is projected to be \$7.85 for FY 2030. Over the six projection years, the city tax base expands 52.71% and property tax revenue increases 42.83%.

The tax base of **Keosauqua** expands more than 3.25% for four of the six years (average annual rate = 4.59%), and the city general fund tax rate is equal to \$8.10 for FY 2024. The city tax rate is reduced in FY 2026, FY 2028, and FY 2029, and the city's maximum tax rate falls below \$8.10. A low growth rate for FY 2030 places Keosauqua in Group 3 for that year, allowing the city to set an FY 2030 tax rate equal to \$8.10. Over the six projection years, the city tax base expands 30.89% and property tax revenue increases 30.89%.

The new city general fund rate limits will result in lower property tax rates, lower property tax bills, and reduced city revenue, starting with FY 2025. The examples provided indicate that the most significant dollar reductions will occur in cities where there is annual tax base growth of

3.25% or more, and the least amount of dollar reductions will occur when a particular city's tax base growth is below 2.50%. As a percentage of overall potential growth, however, the most significant reductions will occur when a city tax base growth is just above 3.25% each year for a number of years and never falls below 2.50% for a year.

Should a city's tax base growth fall below 2.50% for a year, the city will be able to set a general fund tax rate of at least \$8.10, even if that city was well below \$8.10 for the previous year (potentially producing a significant year-over-year tax increase) and even if the general fund tax rate was below \$8.10 at the start of the rate limitation process. Some cities may find that they must regain the taxing authority at that time due to the fact that, should the city tax base grow by more than 2.50% the following year(s), the city tax rate for the following year(s) will be limited by the decision not to increase rates when tax base growth was low and the authority to raise rates was available.

Bonding and Other Debt Thresholds

The Bill decreases by 30.00% the dollar thresholds for cities to enter into bond and other debt arrangements without the need for voter approval. While this change is not expected to have an identifiable fiscal impact, cities may find it more difficult and/or more expensive to borrow amounts above the new lower limits but below the old limits and this in turn may lead to less borrowing. The change may also lead to an increase in borrowing that is not subject to direct voter approval, such as borrowing through Tax Increment Financing arrangements.

Division III — Public Education and Recreation Tax Levy (PERL)

Division III Background and Description

Iowa Code chapter [300](#) allows the board of directors of a school district to establish a program to provide public recreation places and playgrounds within the public school buildings and grounds of the school district. The program requires voter approval and is financed through a property tax levy of up to \$0.135 per \$1,000 of taxed value. A total of 29 Iowa school districts utilize this levy, each with a tax rate of \$0.135. Across the 29 districts, the levy is budgeted to raise \$4.0 million during FY 2023, an amount that is equal to 0.92% of the total property tax revenue raised by the 29 school districts.

The Bill makes the following changes effective July 1, 2027 (FY 2028), with the exception noted below:

- Repeals Iowa Code chapter 300 (Education and Recreation Tax).
- Shifts school board authority to provide funding for a community education program from Iowa Code chapter 300 to Iowa Code chapter [423F](#) (Statewide School Infrastructure Funding).
- Prohibits voter approval of a new PERL (effective upon enactment).
- Restricts the PERL rate for FY 2027 to no more than one-half of the PERL rate established for FY 2026 and discontinues any existing PERL at the conclusion of FY 2027 (effective upon enactment).
- Requires any PERL funds remaining at the conclusion of FY 2027 to be expended for the purposes authorized in Iowa Code chapter 300.

Division III Assumptions and Fiscal Impact

Lowering the maximum FY 2027 PERL rate to one-half of the FY 2026 rate and then eliminating the levy for FY 2028 and after will reduce property taxes and school property tax revenue in 29 school districts by an estimated \$2.0 million for FY 2027 and \$4.0 million for FY 2028 and after.

Division IV — Brucellosis and Tuberculosis Eradication Fund Levy

Division IV Background, Description, and Fiscal Impact

Iowa Code section [165.18\(2\)](#) allows the Iowa Secretary of Agriculture to set a property tax rate, not to exceed \$0.3375, on all property subject to property tax in the State. The purpose of the levy is to provide funding for the Brucellosis and Tuberculosis Eradication (BTE) Fund. For fiscal years 2017 through 2022, the BTE Fund:

- Began FY 2017 with a balance of \$1.14 million and ended FY 2022 with a balance in excess of \$2.0 million.
- Received an annual average of \$504,000 through the BTE property tax levy.
- Expended an annual average of \$132,000 on personal services (salaries and benefits)
- Expended an annual average of \$187,000 as reimbursements to veterinarians for the brucellosis vaccine.

Effective July 1, 2024 (FY 2025), the Bill removes authority for the Secretary of Agriculture to establish a BTE property tax. Beginning with FY 2025, this change is projected to reduce property taxes by \$504,000 per year and reduce BTE Fund revenue received by the State by the same amount.

Division V — County Seats

Division V Background, Description, and Fiscal Impact

Lee County currently has county seats located in Keokuk and Fort Madison. The Bill allows a county with more than one designated county seat to reduce the number of county seats through ordinance. This provision has no identifiable fiscal impact.

Fiscal Impact Summary

The Bill makes two significant changes to county (**Division I**) and city (**Division II**) property tax levy rates and bonding authority.

The county and city levy rate limits are expected to reduce the property tax revenue authority of counties and cities beginning with FY 2025 and as a result reduce the amount of property tax raised by counties and cities. Over a number of years, it is expected that all county general and rural levies and all city general fund levies will be reduced to levels below what they would be under current law. After reduction below the specified limits, the Bill allows a county or city to set a levy rate at the maximum allowed rate (\$3.50 for the countywide general levy, \$3.95 for the county rural levy, and \$8.10 for the city general fund levy) in any year where the property tax base of the county or city does not increase by at least 2.50%.

The examples provided indicate that the most significant dollar reductions will occur when there is annual tax base growth for a county or city of 3.25% or more, and the least amount of dollar reductions will occur when a particular tax base growth is below 2.50%. As a percentage of overall potential growth, however, the most significant reductions will occur when a tax base grows just above 3.25% each year for a number of years and never falls below 2.50% for a year.

Should tax base growth fall below 2.50% for a year, the county or city will be able to set a general fund tax rate at the maximum (\$3.50, \$3.95, or \$8.10, as applicable), even if that local government was well below the maximum the previous year (potentially producing a significant year-over-year tax increase) and even if the tax rate was below the maximum at the start of the rate limitation process. Some counties or cities may find that they must regain the taxing authority at that time due to the fact that, should the tax base grow more than 2.50% the following year(s), the tax rate for the following year(s) will be limited by the decision not to increase rates when tax base growth was low and the authority to raise rates was available.

The Bill reduces the growth in the tax base that may be taxed by a county or city through a rate reduction that is tied to the tax base rate of growth. This may have a negative impact on county and city bond ratings because those ratings depend on estimates of the future debt repayment capacity of the county or city. A reduced bond rating often increases the cost of debt repayment.

The Bill's 30.00% reduction in the dollar amount of county and city bonding and other debt that is allowed without a potential public vote could increase the cost of issuing debt, decrease the use of debt, and increase the use of debt under Tax Increment Financing for any contemplated debt issuance where the principal amount of the debt falls between the reduced limit and the current limit.

Division III of the Bill reduces the PERL rate for FY 2027 and eliminates PERL beginning with FY 2028. This will reduce property taxes owed in 29 school districts by an estimated \$2.0 million for FY 2027 and \$4.0 million annually for FY 2028 and after. Property tax revenue received by the 29 school districts is projected to be reduced by the same amounts.

Division IV of the Bill eliminates the BTE levy beginning with FY 2025. This will reduce statewide property taxes owed by an estimated \$504,000 annually and reduce BTE Fund revenue by the same amounts. With annual expenditures from the BTE Fund averaging \$330,000 and with the current BTE Fund balance of more than \$2.0 million, the BTE Fund has sufficient funds available within the cash balance to meet more than six years of average annual program expenditures.

Division V of the Bill (county seat ordinance) has no fiscal impact.

Sources

Department of Management
Department of Management property tax value and rate files
School finance data
Department of Agriculture and Land Stewardship
Legislative Services Agency analysis

/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.
