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[SF 569](#) – Property Tax and Other Provisions (LSB2550SV)  
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Fiscal Note Version – As amended and passed by the Senate

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[Senate File 569](#) is composed of 15 divisions related to taxation and fees, including:

- **Division I** relates to county budgeting and creates new limits on county property tax rates.
- **Division II** relates to city budgeting and creates new limits on city property tax rates.
- **Division III** repeals the Public Education and Recreation Tax Levy (PERL).
- **Division IV** repeals the Brucellosis and Tuberculosis Fund Levy.
- **Division V** relates to the number of county seats in a single county.
- **Division VI** strikes a county sheriff fee report.
- **Division VII** creates a new homestead exemption for homeowners aged 65 and over.
- **Division VIII** makes changes to the Elderly Property Tax Credit.
- **Division IX** increases the Military Property Tax Exemption and eliminates the State General Fund reimbursement to local governments that finances a portion of the exemption.
- **Division X** places restrictions on the new commercial and residential property tax abatements within the Urban Revitalization program.
- **Division XI** relates to funding for city of Des Moines transit programs.
- **Division XII** relates to annual county property tax value reports.
- **Division XIII** relates to city, county, and school district budgets. The Division also requires that county auditors mail individual statements to each property owner or taxpayer.
- **Division XIV** creates a new fee for driver's license and identification cards issued to persons who are not residents of, or do not own property within, the county.
- **Division XV** relates to county writing fees.

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### **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.

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### **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 levy 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**

<b>County Property Tax Levies — FY 2017 and FY 2023</b>					
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	
<u>Debt Service</u>	<u>82.3</u>	<u>61</u>	<u>116.3</u>	<u>74</u>	
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	<u>\$ 1,184.2</u>		<u>\$ 1,434.0</u>		

**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.
- Increases 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 increased 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 rates in place for FY 2024, 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 general services tax rate for the current year of \$3.50 or lower and tax base growth that exceeds 2.50%: A county in this group will have its maximum property tax dollars reduced by 2.50 percentage points for the budget year.
- **Group 2** — Counties with a current-year general services tax rate above \$3.50 with tax base growth that exceeds 2.50%: A county in this group will have its maximum property tax dollars for the budget year reduced by 3.25 percentage points if its tax base growth exceeds 3.25% or by 2.50 percentage points if its tax base growth is between 2.50% and 3.25%.
- **Group 3** — Counties with general services budget year 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, the county may also raise the 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 at least \$3.50/\$3.95 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 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 10 counties have an FY 2023 general services tax rate of \$3.50 or lower and also experienced growth in their tax base of more than 3.25% for each of the six years. A total of 76 counties had tax base growth of less than 2.50% for at least one 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 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.
- 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**

<b>Example Counties — General Services Levy</b>						
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	Total General Services FY 2024	Average Annual Tax Base Growth	Lowest Tax Base Growth	Highest Tax Base Growth
Dickinson	2.45135	0.00000	2.45135	4.59%	3.97%	5.11%
Dallas	2.76505	0.00000	2.76505	8.03%	5.25%	11.72%
O'Brien	3.50000	0.00000	3.50000	8.29%	4.63%	10.01%
Clay	3.50000	0.00000	3.50000	2.61%	0.54%	5.30%
Marion	3.50000	0.00000	3.50000	4.77%	0.76%	12.22%
Lyon	3.50000	0.00000	3.50000	3.76%	-0.28%	6.22%
Decatur	3.50000	3.09251	6.59251	3.87%	0.92%	7.70%
Winnebago	3.50000	0.85074	4.35074	2.77%	0.69%	5.13%
Scott	3.50000	0.00000	3.50000	3.87%	2.82%	5.75%

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 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 \$2.16 for FY 2030. Over the six projection years, the county general services tax base expands 30.87% and property tax revenue increases 15.31%.

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 \$2.44 for FY 2030. Over the six projection years, the county general services tax base expands 58.92% and property tax revenue increases 40.03%.

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 \$3.50 for FY 2024. The county would fall into Group 1 for all six years of the projection, which means that the maximum general services tax rate is reduced for FY 2025 through FY 2030 and the rate is projected to equal \$3.08 for FY 2030. Over the six projection years, the county general services tax base expands 61.28% and property tax revenue increases 42.11%.

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 \$3.50 for FY 2024. Due to annual tax base growth rates for the final three years that are below 2.50%, the county would fall into Group 3 for FY 2028 through FY 2030. 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 in the range of 10.97% to 16.73%.

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 \$3.50 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 1 for the remainder of the projection period. For FY 2030, the general services tax rate is projected to equal \$3.16, and over the six projection years, the county general services tax base expands 32.24% and property tax revenue increases 19.5%.

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 \$3.16, and over the six projection years, the county general services tax base expands 24.78% and property tax revenue increases 12.76%.

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 \$6.59 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 \$6.02, and over the six projection years, the county general services tax base expands 25.61% and property tax revenue increases 14.63%.

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 \$4.35 for FY 2024. Due to a tax rate above \$3.50 through FY 2030, the county is part of Group 2 for all

projection years. For FY 2030, the general services tax rate is projected to equal \$3.87, and over the six projection years, the county general services tax base expands 17.78% and property tax revenue increases 4.81%.

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 \$3.50 for FY 2024. 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 25.59% and property tax revenue increases 10.66%.

**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 example 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 \$2.15 for FY 2030. Over the six projection years, the county rural services tax base expands 24.96% and property tax revenue increases 10.11%.

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 \$1.84 for FY 2030. Over the six projection years, the county rural services tax base expands 41.81% and property tax revenue increases 24.95%.

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 \$2.57 for FY 2030. Over the six projection years, the county rural services tax base expands 71.43% and property tax revenue increases 51.05%.

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 and 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 in the range of 9.36% to 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 \$3.48. Over the six projection years, the county rural services tax base expands 30.68% and property tax revenue increases 15.14%.

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 in the range of 9.88% to 42.52%. The wide range in potential property tax revenue growth is due to the option to raise the rural services rate to as high as \$3.95 in FY 2026.

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 \$2.32, and over the six projection years, the county rural services tax base expands 36.81% and property tax revenue increases 20.54%.

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 \$3.85, and over the six projection years, the county rural services tax base expands 18.07% and property tax revenue increases in the range of 3.46% to 6.22%.



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 \$2.73 to an FY 2028 level of \$3.95. For FY 2030, the rural services tax rate is projected to equal \$3.76, and over the six projection years, the county rural services tax base expands 22.27% and property tax revenue increases between 10.49% and 59.97%. The wide range in potential property tax revenue growth is due to the option to raise the rural services rate to as high as \$3.95 in FY 2028.

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 the tax rates are currently above the \$3.50/\$3.95 limits and the county experiences annual tax base growth of 3.25% or more. 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 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 when this new tax limit process commenced. 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.

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## **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 do the following:
  - 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**

<b>City Property Tax Levies — FY 2017 and FY 2023</b>				
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
Capital Improvements	1.4	21	1.8	24
<b>Total</b>	<b>\$ 1,281.9</b>		<b>\$1,632.8</b>	

**Division II Description**

The Bill makes the following changes:

- Consolidates current law authority for the city general fund (\$8.10) levy, 15 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 15 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, unusual problems related to major new functions required by State law, or an unusual need for a new program that will provide substantial benefits to county residents.
- Creates additional limits on the maximum allowed city general fund tax rate.
- Increases 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 increased 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 2.50%: A city in this group will have its maximum property tax revenue dollars reduced by 2.50 percentage points for the budget year.
- **Group 2** — Cities with a current-year tax rate above \$8.10 with tax base growth that exceeds 2.50%: A city in this group will have its maximum property tax dollars for the budget year trimmed by 3.25 percentage points if its tax base growth exceeds 3.25% or trimmed by 2.50 percentage points if its tax base growth is between 2.50% and 3.25%.
- **Group 3** — Cities with budget year 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 the current year rate is below \$8.10, the city may raise its 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 equals at least \$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,<sup>1</sup> 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:
  - 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.

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

- 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**

<b>Example Cities</b>							
Tax rates in dollars per \$1,000 of taxed value Actual FY 2023 rates are assumed FY 2024 rates							
City	Tax Rates			Total General Levy FY 2024	Tax Base Growth		
	Basic General Levy	General Levy Additions	Emergency Levy		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 \$7.14 for FY 2030. Over the six projection years, the city tax base expands 33.81% and property tax revenue increases 17.90%.

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 \$8.74 for FY 2027 through FY 2030. Over the six projection years, the city tax base expands 20.10% and property tax revenue increases 13.30%.

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 but remains above \$8.10 for the time period. The maximum general fund tax rate is projected to be \$8.59 for FY 2030. Over the six projection years, the city tax base expands 21.06% and property tax revenue increases 10.48%.

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 \$9.33 for FY 2030. Over the six projection years, the city tax base expands 14.07% and property tax revenue increases 8.44%.

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 2027. For FY 2028, FY 2029, and FY 2030, the tax rate is reduced below \$8.10, and the city moves to Group 1 for those years. The property tax rate is projected to equal \$7.49 for FY 2030. Over the six projection years, the city tax base expands 161.12% and property tax revenue increases 124.80%.

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 \$8.61 for FY 2030. Over the six projection years, the city tax base expands 9.73% and property tax revenue increases 4.31%.

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 \$8.81 for FY 2030. Over the six projection years, the city tax base expands 27.99% and property tax revenue increases 15.92%.

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, FY 2028, and FY 2030, and the city's maximum tax rate falls below \$8.10 starting with FY 2027. A low growth rate for FY 2029 will allow the city to set an FY 2029 tax rate equal to \$8.10. The maximum general fund tax rate is projected to be \$7.46 for FY 2030. Over the six projection years, the city tax base expands 52.71% and property tax revenue increases in the range of 35.88% to 47.47%.

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 beginning with FY 2027. 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 in the range of 21.32% to 30.89%.

The new city general levy rate limit 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 cities where the tax rates are currently above the \$8.10 limit and the city experiences annual tax base growth of 3.25% or more. As a percentage of overall potential growth, the most significant reductions will occur when a city'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 city's tax base growth fall below 2.50% for a year, the city will be able to set a levy rate of \$8.10, even if that city was well below that rate for the previous year (potentially producing a significant year-over-year tax increase). This could occur even if the city's rate was below \$8.10 when the new tax limit process commenced. 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.

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## **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.

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## **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 \$1.1 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.

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## **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.

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## **Division VI — County Sheriff Fee Report**

### **Division VI Background, Description, and Fiscal Impact**

Iowa Code section [331.655\(5\)](#) requires that the Iowa State Sheriffs' and Deputies' Association submit a report to the Legislative Services Agency (LSA) and the Chairpersons and ranking members of the Ways and Means Committees. The report was first due in 2016, with updates every six years thereafter. The report is related to fees collected by county sheriffs, the amount expended for the services related to those fees, and the impact on property taxes for each county that is the result of the fees and costs related to the services. Reports were filed by the Association in [2016](#) and [2022](#). The Bill strikes the required report. This provision has no identifiable fiscal impact.

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## **Division VII — Homestead Property Tax Credit and Exemption**

### **Division VII Background and Description**

Iowa Code section [425.1](#) provides a property tax credit to benefit the owner of a qualified homestead property. Through the credit, the State General Fund pays the annual property tax due on up to \$4,850 of a homestead's value. At the FY 2023 statewide average residential property tax rate of \$33.65 per \$1,000 of taxed value, the annual benefit to the homestead owner averages \$163. The statewide total number of qualified homestead credits for FY 2023 is 750,259 (includes disabled veteran credits described below). The homestead credits are paid to the local property tax system through transfers from the Homestead Tax Credit Fund. That Fund receives an annual standing appropriation from the State General Fund. The portion of the FY 2023 General Fund appropriation that covers the regular homestead credit is estimated to be \$121.0 million.

Iowa Code section [425.15](#) provides a tax credit that covers the full property taxes owed on the homestead of a qualified disabled veteran. The same State General Fund appropriation that finances the regular homestead credit also finances this disabled veteran credit. The portion of the FY 2023 General Fund appropriation that covers the disabled veteran tax credit is estimated to be \$25.7 million.

The Bill phases in a homestead property tax exemption for property owners aged 65 and over. The exemption will be in addition to the homestead credit. The new exemption equals \$3,250 of taxed value for FY 2026 and \$6,500 for FY 2027 and after. The new homestead exemption will reduce local government property tax revenue. A portion of the reduction will be backfilled through the State General Fund appropriation for school aid. Iowa Code section [25B.7\(1\)](#) (State funding of new property tax credits and exemptions) is made inapplicable to the new homestead exemption.



The changes are effective for property taxes due in the fall of 2025 and the spring of 2026 (FY 2026).

**Division VII Assumptions and Fiscal Impact**

The projected tax and revenue implications of changing the homestead credit to an enhanced homestead exemption are based on the following assumptions:

- There are 750,259 homestead credits claimed for FY 2023. Disabled veteran claims are assumed to equal 8,700, and claims for the regular homestead exemption are assumed to equal 741,559. Disabled veteran homesteads are exempt from property tax under current law. Claim levels are assumed to remain static.
- All homesteads are assumed to have a taxable value of at least \$11,350 (the combined credit and exemption value).
- The percentage of the 741,559 regular homesteads that are owned by at least one owner aged 65 or older is unknown. This projection assumes that 35.0% have at least one owner aged 65 or older, and that percentage is assumed for all years.
- The FY 2023 statewide average residential property tax rate of \$33.65 is assumed for all years. The uniform basic levy for schools represents \$5.40 of the average residential rate.

Creating a new homestead exemption for homes with owners who are age 65 or older will decrease property taxes owed by homestead owners, increase the annual General Fund school aid appropriation, and decrease local government property tax revenue. The projected changes are displayed in **Figure 6**.

**Figure 6**

<b>Projected Change in Property Tax Owed, State Appropriation, and Local Government Property Tax Revenue</b>			
In Millions			
	Change in Property Tax Owed by Homestead Owners	Change in State General Fund School Aid Approp.	Change in Local Government Property Tax Revenue
FY 2026	\$ -28.4	\$ 4.6	\$ -23.8
FY 2027	-56.8	9.1	-47.7
FY 2028	-56.8	9.1	-47.7

**Division VIII — Elderly Property Tax Credit**

**Division VIII Background and Description**

Iowa Code section [425.16](#) provides a tax credit, or alternatively a rent reimbursement, for low-income persons who are disabled and/or are 65 years of age or older. Calculation of the credit for an individual homeowner or renter is provided in Iowa Code section [425.23](#). A portion of this property tax credit program further limits property taxes for qualified low-income homeowners aged 70 or older.

The Bill modifies the low-income portion of the property tax credit for those aged 70 or older to account for the application of any homestead tax credit within the tax credit calculation.

## **Division VIII Assumptions and Fiscal Impact**

Division VIII is projected to have a modest negative impact on local government property tax revenue.

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## **Division IX — Military Service Property Tax Exemption**

### **Division IX Background and Description**

Iowa Code section [426A.11](#) creates a Military Service Property Tax Exemption to benefit qualified former military personnel. For most beneficiaries, the exemption applies to \$1,852 of taxed value. Under current law, a State standing unlimited appropriation is established in Iowa Code section [426A.2](#) that credits the local property tax system for \$6.92 per \$1,000 of property value exempted. The State General Fund school aid appropriation also reimburses the local school finance system for an additional \$5.40 per \$1,000 of exempted value.

The Bill increases the exempt value to \$4,000 for FY 2026 and after. Effective for FY 2026 and after, the Bill also eliminates the annual appropriation that funds a portion of the exemption.

The Bill strikes a portion of Iowa Code section 25B.7, which requires full funding of enacted property tax credits and exemptions.

The changes are effective for FY 2026 and after.

### **Division IX Assumptions and Fiscal Impact**

The projected tax and revenue implications of the Bill's increase in the Military Service Property Tax Exemption and the elimination of the State appropriation to fund a portion of that credit is calculated using the following assumptions:

- Based on Department of Management (DOM) property tax value and rate files, for FY 2023, there are an estimated 121,624 beneficiaries of the Military Service Property Tax Exemption. Additionally, the annual number of beneficiaries has decreased at an average rate of 5,258 per year for the past four years. That rate of decrease is assumed to continue from the FY 2023 number of beneficiaries through FY 2028.
- The FY 2023 statewide average property tax rate for residential property is \$33.65. This rate is assumed for all years.
- Increasing the property tax exemption while eliminating the State reimbursement for a portion of program claims will decrease property taxes owed by program claimants, eliminate the State Military Service Property Tax Exemption Credit appropriation, increase the State appropriation for school aid, and decrease local government property tax revenue. The fiscal impact on each of these items is displayed in **Figure 7**.

**Figure 7**

<b>Projected Change in Property Tax Owed, State Appropriations, and Local Government Property Tax Revenue</b>				
In Millions				
	Property Tax Change	Change in General Fund Credit Appropriation	Change in General Fund School Aid Appropriation	Change in Local Property Tax Revenue
FY 2026	\$ -7.6	\$ -1.4	\$ 1.2	\$ -7.8
FY 2027	-7.2	-1.3	1.2	-7.4
FY 2028	-6.8	-1.2	1.1	-7.0

**Division X — Urban Revitalization Property Tax Abatement Restrictions**

**Division X Background and Description**

A property tax abatement exempts all or a portion of a property’s otherwise taxable value from property tax for a period of time. Iowa Code chapter [404](#) (Urban Revitalization) provides several exemption schedules for cities and counties to abate taxes on property that qualifies under Urban Revitalization programs established by a city or a county.

Abatements decrease property tax revenue available to cities, counties, schools, and other local governments. Also, the State General Fund appropriation for school aid backfills \$5.40 per \$1,000 of exempted value, so \$1.0 million in property tax abatements on property that would otherwise be taxed increases the State General Fund appropriation to school finance by \$5,400.

The Department of Revenue reports that \$2,390.7 million in taxable value is exempt through urban revitalization property tax abatements for FY 2023 (assessment year 2021). If the abated property value had been taxed and not abated, an estimated \$82.0 million in property taxes would have been owed on the properties (**Figure 8**). Of that amount, \$48.1 million represents local governments that are not schools (city, county, community college, etc.). The remaining \$33.9 million is abated school property tax. Through the school aid formula, the State General Fund replaces (backfills) \$12.9 million of the reduced school property tax.

**Figure 8**

<b>Assessment Year 2021 Abatements by Property Class</b>							
Value and tax revenue in millions of dollars. Rates in dollars per \$1,000							
Property Class	2021 Assessed Value	2021 Taxable Value	FY 2023 Average Tax Rate	FY 2023 School Tax Rate	Abated Property Tax	Nonschool Prop. Tax Revenue	School Property Tax
Residential	\$ 1,725.7	\$ 974.9	\$ 33.65	\$ 14.39	\$ 32.8	\$ 18.8	\$ 14.0
Agricultural	2.6	2.4	24.50	12.49	0.1	0.1	0.0
Commercial	565.1	508.6	36.30	14.57	18.5	11.1	7.4
Industrial	491.8	442.6	30.44	12.92	13.5	7.8	5.7
Multiresidential	818.2	462.2	36.99	14.67	17.1	10.3	6.8
<b>Total</b>	<b>\$ 3,603.4</b>	<b>\$ 2,390.7</b>			<b>\$ 82.0</b>	<b>\$ 48.1</b>	<b>\$ 33.9</b>

The Division creates the following additional restrictions on new and existing abatement authority under Iowa Code chapter 404:

- Cities and counties may not provide commercial property abatements within new areas under Iowa Code chapter 404 unless the property owner enters into a written assessment agreement. The same requirement is also added for new commercial property abatements within existing areas.
- For residential property abatements within new urban revitalization areas and new residential abatements within existing areas, the property tax abatement does not apply to school property taxes.
- The changes are effective July 1, 2024.

### **Division X Assumptions and Fiscal Impact**

The requirement that commercial property owners enter into a property assessment agreement to receive a property tax abatement may reduce the number and dollar amount of such abatements. The total reduction, if any, cannot be estimated at this time.

Exempting school property tax levies from new Urban Revitalization residential (including multiresidential) abatements will reduce the abatement impact on school finance and the State General Fund appropriation for school aid. The amount of the reduction cannot be estimated at this time.

## **Division XI — City of Des Moines Transit System Funding**

### **Division XI Background and Description**

Current Iowa law allows cities to grant a franchise to an entity providing services such as electric light/power, heating, cable television, etc., and to add a franchise fee of up to 5.0% to the entity's customer billings to be collected as city revenue. Current law also allows a city that meets specific circumstances related to a judgement or court order to establish a franchise fee of up to 7.5% for up to seven years. The authority to establish a franchise rate above 5.0% is repealed under existing law on July 1, 2030.

Additionally, Iowa Code chapter [28M](#) allows a county with a population in excess of 175,000, along with participating cities and contiguous counties through an Iowa Code chapter [28E](#) agreement, to establish a regional transit district and levy a property tax not to exceed \$0.95 per \$1,000 of taxed value to finance a regional transit district.

The Bill eliminates the repeal date for the 7.5% special maximum franchise rate provision and modifies the authority so that the 7.5% rate is available to a city with a population exceeding 200,000. The revised authority allows for funds derived from the portion of a franchise rate above 5.0% to be used solely for the reduction of property tax levies associated with a transit system or to maintain the service levels of a transit system. The modified authority takes effect July 1, 2024.

Des Moines is the only Iowa city with a population over 200,000. The city of Des Moines participates in the Des Moines Area Regional Transit Authority (DART). The FY 2023 property tax rate levied for DART on property within Des Moines is \$0.95 per \$1,000 of taxed value. The FY 2023 levy raised \$8.5 million for DART and \$1.1 million for city of Des Moines Tax Increment Financing (TIF) projects. The FY 2023 Des Moines city budget indicates that FY 2021 utility franchise fee revenue collected by the city totaled \$14.4 million.

### **Division XI Assumptions and Fiscal Impact**

The change to the maximum franchise rate that the city of Des Moines may add to utility bills has no identifiable fiscal impact on tax revenues. The change is optional for the city. If Des Moines implements a franchise rate higher than 5.0%, the city may use the revenue to reduce DART property tax levies or maintain existing transit services or both.

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**Division XII — County Auditor Valuation Reports**

Current law requires county auditors to provide annual reports to the DOM and to local taxing authorities listing the aggregate valuation of each class of property for each taxing district in the county. The Bill requires that the annual reports provide a more detailed breakdown of the year's assessment changes for each property class in each taxing district. The additional detail shall distinguish between revaluation changes and other types of valuation changes.

The information required to be added to the two annual reports is part of the assessment process and part of the annual report submitted to the Department of Revenue under Iowa Code section [441.45](#). An additional, unknown one-time cost to counties to modify the current DOM and taxing authority reports is expected.

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**Division XIII — Local Government Budgets and Statements Mailed to Taxpayers****Division XIII Background and Description**

The Bill modifies budget requirements for cities, counties, and school districts. The Bill also requires an individual property tax statement to be mailed to every property owner or taxpayer. The statement will provide property tax rate and budget information for every local government that levies a property tax on the individual property. The county auditor, using information provided by the (DOM), is required to produce and distribute the individual property tax statement.

The Bill makes Iowa Code section [25B.2\(3\)](#) (State funding of mandates) inapplicable to the required local government notifications. The new requirements apply to budgets for FY 2025 and after.

**Division XIII Assumptions**

- According to the Department of Revenue property tax reconciliation report, there were 1,294,000 properties classified as residential, multiresidential, commercial, and industrial for FY 2023. A parcel count for agricultural property and for centrally assessed property (pipelines and public utilities) is not provided in the Department report.
- The unit cost of providing annual local government budget and tax rate statements to individual taxpayers is not known. For this calculation, an average cost of \$1.50 per notice is used.
- The cost to program and reprogram property tax system software that is currently used in the State to produce the required notifications is not known at this time.

**Division XIII Fiscal Impact**

The requirement for an annual local government budget and tax rate statement mailing to property owners/taxpayers will create a new cost for local governments. The statewide annual mailing cost is projected to exceed \$1.9 million. There will be an additional unknown programming cost associated with the development or modification of the tax system software to produce the annual notifications.

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**Division XIV — New Fee for Driver's Licenses and Identification Cards****Division XIV Background and Description**

Currently, counties are authorized to retain \$7.00 of the total fees collected for each issuance or renewal of driver's licenses and nonoperator's identification cards. The Department of Transportation (DOT) reports 327,577 transactions for issuance of a driver's license or nonoperator's identification card at the county level in calendar year (CY) 2022. Of that total,

71,733 transactions were performed by county treasurers for nonresidents. These 71,733 transactions were 21.9% of total transactions by counties in CY 2022.

The DOT reports that in CY 2022, 12 counties issued 30.0% or more of their driver's licenses or nonoperator's identification cards to individuals who did not reside in the county. Jones County had the highest volume of issuance to nonresidents with 7,192 (61.7%) driver's licenses or nonoperator's identification cards issued to individuals who did not reside in the county.

The Bill allows, but does not require, Iowa counties to charge a \$10.00 fee for the issuance or renewal of a driver's license or nonoperator's identification card to individuals who are not a resident of, or property owner in, that county. If a county charges the new fee, the Bill authorizes the county to retain the fee revenue in its General Fund. The change is effective July 1, 2023.

#### **Division XIV Assumptions and Fiscal Impact**

For the calculation of the fiscal impact, all counties are assumed to charge the new \$10.00 fee, and annual transaction totals are assumed to be similar to CY 2022. The combination of the two assumptions produces a projected annual net fee revenue increase for counties of up to \$717,000, beginning with FY 2024.

The DOT labor costs may increase if licensees decide to use a DOT service center instead of a county site for issuance of a driver's license or nonoperator's identification card to avoid additional fees. In addition, there would be a one-time information technology (IT) cost to the DOT of approximately \$6,000 associated with the new fee. The DOT expects to absorb these labor and IT costs within its existing staff and resources.

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#### **Division XV — Writing Fees**

##### **Division XV Background and Description**

Current law provides for a writing fee of \$1.25 for each "privilege" under Iowa Code chapter [462A](#). The Bill clarifies that applications for a water vessel certificate of title or perfection of a security interest are subject to the writing fee. In addition, the writing fee is increased to \$2.00. The Bill also applies similar changes to the writing fees associated with snowmobiles (Iowa Code chapter [321G](#)) and all-terrain vehicles (Iowa Code chapter [321I](#)).

##### **Division XIV Assumptions and Fiscal Impact**

For calendar year 2022, counties collected writing fees on a total of 58,000 water vessel, snowmobile, and all-terrain vehicle transactions. Increasing the writing fee from \$1.25 to \$2.00 is projected to increase annual county writing fee revenue by \$44,000, beginning with FY 2024.

##### **Sources**

Department of Revenue  
Department of Management property tax rate and value files  
Assessment year 2021 property reconciliation reports  
State Accounting System  
Department of Transportation  
County Recorders  
Legislative Services Agency analysis

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/s/ Jennifer Acton

April 26, 2023

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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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