



[HF 718](#) – Property Tax, Assessments, and Bond Elections (LSB1284HV.2)
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Fiscal Note Version – Final Action

Summary

[House File 718](#) is composed of 14 divisions related to taxation, fees, and local government budgeting, including:

- **Division I** creates new limits on county property tax rates.
- **Division II** creates new limits on city property tax rates.
- **Division III** repeals the Public Education and Recreation Tax Levy (PERL).
- **Division IV** strikes a county sheriff fee report.
- **Division V** creates a new homestead exemption for homeowners aged 65 and over.
- **Division VI** increases the Military Property Tax Exemption and eliminates the State General Fund reimbursement to local governments that finances a portion of the exemption.
- **Division VII** places restrictions on new commercial and residential property tax abatements within the Urban Revitalization program.
- **Division VIII** relates to funding for city of Des Moines transit programs.
- **Division IX** relates to annual county property tax value reports.
- **Division X** 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 XI** 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 issuing county.
- **Division XII** relates to county writing fees.
- **Division XIII** relates to bond elections.
- **Division XIV** relates to county and city debt authority.

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 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 only subject to 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 county 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.
 - An 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 total 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 portion 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% decrease in the taxable value of commercial and industrial property began a phaseout 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, and additions to general/rural county services levies. The consolidation first occurs for FY 2025.
- Repeals the authority for additions to county basic levies (Iowa Code section [331.426](#)).
- Creates additional limits on the maximum allowed general and rural county services tax rates. The new limits apply to FY 2025 through FY 2028 and will be specific to each county.
- Establishes maximum general county and rural county services rates for FY 2029 and after that will apply to all counties. The maximum rates for FY 2029 and after are \$3.50 for general county services and \$3.95 for rural county services.
- Restricts the use of voter approved additions allowed under Iowa Code section [331.425](#) to the general services and rural services levies.
- Removes “(a)ny other purpose which is necessary for the operation of the county or the health and welfare of its citizens” from the definition of the term “general county purpose” as that term is used in Iowa Code chapter [331](#), part 2 (County Levies, Funds, Budgets, and Expenditures).

The new county-specific general services tax rate limits for FY 2025 are based on rates in place for FY 2024, including the consolidation within the general or rural services levies of any Iowa

Code section 331.426 levies utilized by the county during FY 2024. For four fiscal years (FY 2025 through FY 2028), maximum county-specific tax rates are based on growth in county taxed value and county tax rates. For FY 2025 through FY 2028, the application of new county general service levy limits will fall into one of three categories depending on the situation in each county each year:

- **Category 1** — Counties with general services tax base growth that exceeds 3.00% but is less than 6.00%: A county in this category will have its maximum property tax dollars reduced by 2.00 percentage points for the budget year through a reduction in the maximum tax rate.
- **Category 2** — Counties with general services tax base growth that equals or exceeds 6.00%: A county in this category will have its maximum property tax dollars reduced by 3.00 percentage points for the budget year through a reduction in the maximum tax rate.
- **Category 3** — Counties with general services budget year tax base growth of 3.00% or less: Counties in this category will be able to utilize all growth in the property tax base, and if the county's current-year rate is below \$3.50, the county may raise the budget year general services rate to \$3.50.

For FY 2029 and after, the maximum county general services rate for all counties is limited 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 tax rate, with references to the \$3.50 tax rate changed to \$3.95.

For FY 2025 through FY 2028, individual counties may and often will fall into a different category depending on their budget year tax base growth and current year tax rate. Regardless of the category 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 3.00% for a year. At any time, a county may establish a tax rate below the calculated maximum. However, doing so for FY 2025 through FY 2027 will reduce the county's maximum tax rate if the county does not fall within category 3 the following year.

Division I Assumptions and Fiscal Impact

General and Rural County Services

Actual statewide general county services tax base growth between FY 2017 and FY 2023 exceeded 3.00% for each of the six years, but did not exceed 6.00% for a year over the period. The average of the six annual statewide tax base growth rates was 4.3%. All 99 counties experienced general services tax base growth above 3.00% for at least one of the six years and 70 counties experienced tax base growth in excess of 6.00%.

The FY 2023 statewide average general county services rate is just above \$3.50 at \$3.55, and general county services levies in 30 counties exceed \$3.50 (see the top portion of **Figure 2**).

Figure 2

| FY 2023 General County Services Basic Levy in Excess of \$3.50 | | | | | |
|---|---------|-----------|---------|---------------|---------|
| In dollars per \$1,000 of taxed value | | | | | |
| County | Rate | County | Rate | County | Rate |
| Allamakee | \$ 0.35 | Guthrie | \$ 0.50 | Lucas | \$ 0.57 |
| Appanoose | 1.30 | Hamilton | 0.45 | Pottawattamie | 0.19 |
| Clarke | 1.25 | Hardin | 1.50 | Ringgold | 1.00 |
| Clayton | 0.58 | Henry | 1.33 | Washington | 0.60 |
| Clinton | 0.65 | Humboldt | 0.60 | Wayne | 0.54 |
| Davis | 1.43 | Jasper | 0.95 | Winnebago | 0.85 |
| Decatur | 3.09 | Jefferson | 0.21 | Winneshiek | 0.78 |
| Emmet | 0.30 | Jones | 0.15 | Woodbury | 0.28 |
| Fremont | 0.25 | Keokuk | 0.30 | Worth | 0.75 |
| Greene | 0.20 | Louisa | 0.91 | Wright | 0.70 |

| FY 2023 Rural County Services Basic Levy in Excess of \$3.95 | | | | | |
|---|---------|-----------|---------|--------|---------|
| In dollars per \$1,000 of taxed value | | | | | |
| County | Rate | County | Rate | County | Rate |
| Audubon | \$ 1.41 | Winnebago | \$ 0.44 | Wayne | \$ 0.17 |

Actual statewide rural services tax base growth between FY 2017 and FY 2023 exceeded 3.00% for each of the six years, but did not exceed 6.00% for any year over the period. The average of the six annual statewide tax base growth rates was 4.2%. All 99 counties experienced rural services tax base growth above 3.00% for at least one of the six years and 78 counties experienced tax base growth in excess of 6.00%.

The FY 2023 statewide average rural services rate is well below \$3.95 at \$3.18. The three counties with an FY 2023 rural services rate exceeding \$3.95 and the levy amounts above \$3.95 are listed in the bottom portion of **Figure 2**.

For four fiscal years, the new county-specific rate limits will reduce the maximum allowed general and rural county services tax rates in any county where tax base growth exceeds 3.00% for one or more of the four years. For counties with a general or rural county services tax base that grows more than 3.00%, the maximum tax rate for the next year is lowered by either two or three percentage points, with counties experiencing tax base growth in excess of 6.00% subject to the three-percentage point rate reduction.

The fiscal impact of the county tax rate restrictions will reduce statewide property taxes paid for county services and property tax revenue received by counties. The magnitude of the fiscal impact is not projectable as the impact on property taxes will depend on the FY 2025 through FY 2028 growth in the general tax base and rural tax base of the individual counties. While the most observable impact will be in the general services levies of the 30 counties currently above \$3.50 and the rural services levies of three counties currently above \$3.95 (**Figure 2**), there will also be a projected tax reduction in any county where the tax base grows by more than 3.00% for any of the FY 2025 through FY 2028 period.

The property tax reduction fiscal impact will continue for FY 2029 and future years when all counties will be subject to a maximum general services tax rate of \$3.50 and a maximum rural

services tax rate of \$3.95. While the two maximum rates are what is allowed under current law, authority under Iowa Code section 331.426 for additions to the general levies will no longer be available to counties. For FY 2023, a total of 32 counties utilized additions to the general services, rural services, or both levies and the total additional property tax raised \$21.6 million.

Division II — City 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 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 extends to 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.
 - A reduction in the property tax base or 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 3 provides a breakdown of the revenue raised and the number of cities utilizing the available property tax levies. Information is provided for FY 2017 and FY 2023. From FY 2017 through FY 2023, the statewide average total city 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 phaseout period.

Figure 3

| 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 | |
| Capital 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, 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.
- 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 FY 2025 through FY 2028, city-specific tax rates are based on growth in city taxed value and the previous year’s city tax rate. For FY 2025 through FY 2028, the application of new city general fund rate limits will fall into one of three categories depending on the situation in each city:

- **Category 1** — Cities with tax base growth that exceeds 3.00% but is less than 6.00%: A city in this category will have its maximum property tax dollars reduced by 2.00 percentage points for the budget year through a reduction in the maximum tax rate.
- **Category 2** — Cities with tax base growth that equals or exceeds 6.00%: A city in this category will have its maximum property tax dollars reduced by 3.00 percentage points for the budget year through a reduction in the maximum tax rate.
- **Category 3** — Cities with budget year tax base growth of 3.00% or less: A city in this category will be able to utilize all growth in the property tax base, and if the city’s current-year rate is below \$8.10, the city may also raise the budget year rate to \$8.10.

For FY 2029 and after, the maximum city general fund tax rate for all cities is limited to \$8.10.

From FY 2025 through FY 2028, individual cities may and often will fall into a different category depending on their budget year tax base growth and current year tax rate. Regardless of the category 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 3.00% for a year. At any time, a city may establish a tax rate below the calculated maximum. However, doing so in FY 2025 through FY 2027 will reduce the city’s maximum tax rate if the city does not fall within category 3 the following year.

Division II Assumptions and Fiscal Impact

City General Fund Levy Rates

Actual statewide city tax base growth from FY 2017 through FY 2023 exceeded 3.00% for each of the six years and the average statewide city tax base growth rate was 3.9% for the period. **Figure 4** divides Iowa cities into four groups based on the total taxed value of the property within the city for FY 2023. The smallest 333 cities, representing 1.0% of FY 2023 Iowa urban taxed value, was the only group that saw average tax base growth for the six years below 3.0%. The remaining three groups of larger cities each experienced annual average tax base growth of at least 4.0%. However, as indicated in the right two columns of **Figure 4**, all four groups experienced at least one year of growth above 3.0% (95.7% of cities) and 77.2% of cities

experienced at least one year of tax base growth in excess of 6.0%. **Figure 4** demonstrates that over the four years of potential tax base growth restrictions provided in the Bill, a significant majority can expect to see their property tax rate trimmed by at least 2.0 percentage points for at least one of the upcoming four years.

Figure 4

| Growth in City Tax Base by City Group Size, FY 2017 Through FY 2023 | | | | | | | | |
|---|-------------------------|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Number of Cities | Taxed Value in Billions | Percent of Statewide City Taxed Value | Annual Growth Tax Base (TB) Rate * | Number of Cities | Number of Cities | Percent of Cities | Percent of Cities | |
| | | | | At Least 1 Year Above 3% TB Growth | At Least 1 Year Above 6% TB Growth | At Least 1 Year Above 3% TB Growth | At Least 1 Year Above 6% TB Growth | |
| 25 | \$ 73.5 | 62.6% | 4.6% | 25 | 18 | 100.0% | 72.0% | |
| 115 | 29.3 | 25.0% | 4.1% | 112 | 90 | 97.4% | 78.3% | |
| 468 | 13.4 | 11.4% | 4.0% | 451 | 370 | 96.4% | 79.1% | |
| 333 | 1.1 | 1.0% | 2.5% | 313 | 248 | 94.0% | 74.5% | |
| 941 | \$ 117.3 | 100.0% | 3.9% | 901 | 726 | 95.7% | 77.2% | |

*Average of the tax base growth rate for each of the six years.

The fiscal impact of the city tax rate restrictions will reduce statewide property taxes paid for city services and in property tax revenue received by cities. The magnitude of the fiscal impact is not projectable as the impact on property taxes will depend on the FY 2025 through FY 2028 growth in the tax base of the individual cities. While the most observable impact will in the property taxes paid and collected by cities utilizing the emergency and/or additional levies that are in excess of the \$8.10 basic rate, there will also be a tax reduction fiscal impact in any city where the tax base grows by more than 3.00% for any of the FY 2025 through FY 2028 period.

As provided in the right half of **Figure 3**, 698 Iowa cities utilized the general fund additional levies (raising \$85.6 million in FY 2023 property tax dollars) and 438 cities utilized the emergency levy (raising \$11.9 million in FY 2023 property tax dollars). The Bill combines many of the available purposes for additional levies and the separate emergency levy with the general fund levy beginning with FY 2025, subjects the new combined general fund tax rate to reduction if the city tax base grows in excess of 3.00% for a year from FY 2025 through FY 2028, and limits the new combined general fund rate to no more than \$8.10 for FY 2029 and after. By FY 2029, the fiscal impact of this combination of changes can be expected to reduce and then eliminate much of the \$85.6 million currently raised by the additional levies and eliminate the full \$11.9 million currently raised by the emergency levy.

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 — County Sheriff Fee Report

Division IV 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.

Division V — Homestead Property Tax Credit and Exemption

Division V 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 V 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 total 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 5**.

Figure 5

| Projected Change in Property Tax Owed, State Appropriation, and Local Government Property Tax Revenue | | | |
|--|---|---|---|
| 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 VI — Military Service Property Tax Exemption

Division VI 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 VI 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, there are an estimated 121,624 beneficiaries of the Military Service Property Tax Exemption for FY 2023. 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 6**.

Figure 6

| Projected Change in Property Tax Owed, State Appropriations, and Local Government Property Tax Revenue | | | | |
|---|---------------------|---|---|--------------------------------------|
| 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 VII — Urban Revitalization Property Tax Abatement Restrictions

Division VII 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 7**). 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 7

| Assessment Year 2021 Abatements by Property Class | | | | | | | |
|--|---------------------|--------------------|--------------------------|-------------------------|---------------------|-----------------------------|---------------------|
| 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 |
| Total | \$ 3,603.4 | \$ 2,390.7 | | | \$ 82.0 | \$ 48.1 | \$ 33.9 |

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 VII 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 commercial property abatements. The annual 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. Over a number of years, the residential abatement restriction will reduce the annual amount of property tax backfill provided to schools through the school aid appropriation by an estimated \$12.9 million.

Division VIII — City of Des Moines Transit System Funding

Division VIII 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 only 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 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 VIII 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 or maintains a franchise rate higher than 5.0% for FY 2025 and after, the city must use the revenue to reduce DART property tax levies or maintain existing transit services or both.

Division IX — County Auditor Valuation Reports

Division IX Background, Description, and Fiscal Impact

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.

Division X — Local Government Budgets and Statements Mailed to Taxpayers

Division X 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 X Assumptions and Fiscal Impact

- 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.

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.

Division XI — New Fee for Driver’s Licenses and Identification Cards

Division XI 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 XI 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.

Division XII — Writing Fees

Division XII 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 XII 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.

Division XIII — Bond Elections

Division XIII Background, Description, and Fiscal Impact

Current law generally allows local government special elections to be held on various specified days throughout a calendar year. The Bill restricts special elections that involve debt issuance to the first Tuesday following the first Monday of November. The Bill also requires local governments to mail a notice of an upcoming indebtedness election and a full text of the public measure to be voted on to each registered voter.

The Bill makes Iowa Code section [25B.2](#) (State funding of mandates) inapplicable to the bond election changes. The changes are effective July 1, 2023, and apply to elections involving the issuance of debt occurring on or after that date.

The requirement for a public notice mailing to registered voters will create a new cost for any local government proposing an election to approve new public debt. The requirement that special elections dealing with the issuance of public debt may only be held on the date of the general election will reduce the number and total cost of special elections. The mailing cost and election savings cannot be estimated at this time.

The election date change is not projected to have a direct fiscal impact other than a reduction in the cost of administering debt elections, as debt elections will be restricted to once per calendar year.

Division XIV — County and City Debt Authority

Division XIV Background, Description, and Fiscal Impact

Iowa Code chapter [331](#) (County Home Rule) and Iowa Code chapter [384](#) (City Finance) provide county and city debt approval and issuance authority. The Bill makes the following changes related to county and city debt authority:

- Increases the dollar amount threshold requirements for cities and 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 city or county [Annual Financial Report](#) to include a list of bonds, notes, and other obligations.
- Requires an annual report to be prepared by the Department of Management and delivered to the General Assembly each year by December 1. The new report shall specify updated population thresholds for city and county bond issuance and shall also include information regarding the amount of bonds issued that utilized the population-based thresholds.
- The changes are effective July 1, 2024.

The Bill increases by 30.00% the dollar thresholds for counties and 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, local governments may find it easier and/or less expensive to borrow amounts above the existing limits but below the new limits, and this may lead to more

borrowing in certain circumstances. The increase in regular debt authority limits may also lead to a decrease in borrowing through Tax Increment Financing arrangements.

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

/s/ Jennifer Acton

May 24, 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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