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[HF 141](#) – Military Service Property Tax Exemption, Amount (LSB1476HV)  
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Fiscal Note Version – New

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## **Description**

[House File 141](#) increases the value of the [Military Service Tax Exemption](#) from the current level of \$1,852 of property value for most veterans and their qualified survivors to \$4,000. The change is effective beginning assessment year 2022 (FY 2024).

## **Background**

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

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

## **Assumptions**

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

## **Fiscal Impact**

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

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

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

**Sources**

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

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/s/ Jennifer Acton

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