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## FISCAL TOPICS

Fiscal Services Division

July 27, 2021



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## School Aid — Income Surtaxes

School districts currently have the option to fund specified discretionary programs through local property taxes or a combination of local property taxes and income surtaxes. The use of income surtaxes for local funding replaces local property taxes within the school district and can help alleviate the property tax rate burden.

An income surtax is an additional tax applied to the amount of State individual income tax less the amount of any nonrefundable credits. The local income surtax is not applied to corporate tax but may include individual income tax resulting from income from partnerships, sole proprietorships, certain limited liability companies and corporations (Chapter S), and estates and trusts. The income surtax is paid by taxpayers who reside in the jurisdiction on the last day of the tax year.

The Instructional Support Program (ISP) and Educational Improvement Program may increase a school district's general fund budget, thereby increasing a district's spending authority. The Physical Plant and Equipment Levy (PPEL) is a separate levy and fund that can primarily be used for equipment and technology. The following is a brief description of each program:

- The Instructional Support Program: The Program can be approved by a local school board for up to five years or by the voters for up to 10 years. Total funding for the ISP is limited to 10.0% of the school district's regular program district cost and consists of State aid when appropriated, local property tax, and, if included in the resolution, local income surtax.
- The Educational Improvement Program: The Program was limited to school districts that had a district cost per pupil that was 110.0% of the State cost per pupil or had Enrichment Program funding that was at least 15.0% of the regular program district cost and approved usage of the Instructional Support Program. Additionally, the Program requires voter approval and, once approved, can only be rescinded through board action or a reverse referendum. Total funding is limited to a maximum of 25.0% of the school district's regular program district cost and consists of local property tax and if approved, local income surtax. In FY 2022 there are a total of three districts utilizing this program.
- The Physical Plant and Equipment Levy: The Levy consists of two levies:
  - A board-approved PPEL, which is funded entirely by property taxes with a maximum rate of \$0.33 per \$1,000 of taxable valuation.
  - A voter-approved PPEL, which can be approved for up to a maximum of 10 years and cannot exceed \$1.34 per \$1,000 of taxable valuation. The voter-approved PPEL can be funded through property taxes or a combination of property taxes and income surtaxes.

The maximum income surtax rate for each of the discretionary programs is capped at 20.0%. In addition, the combined income surtax rate for all the discretionary programs cannot exceed 20.0%.

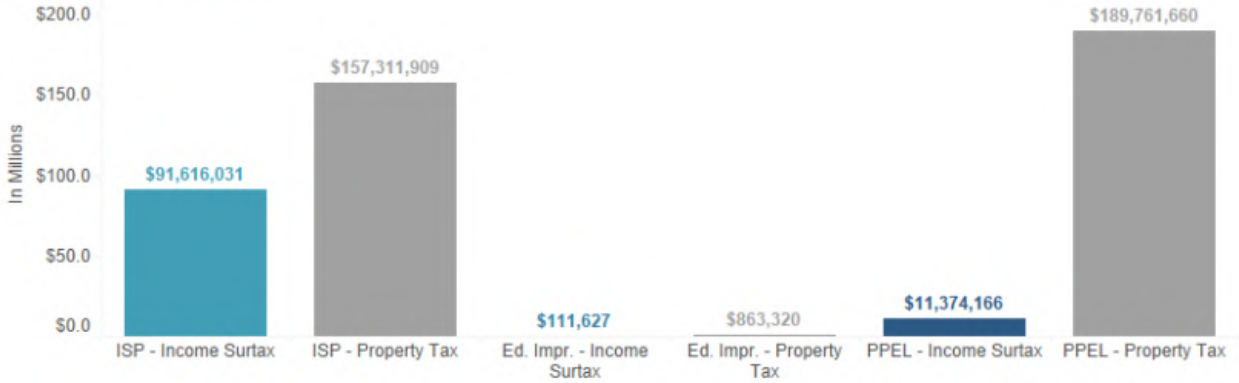
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### More Information

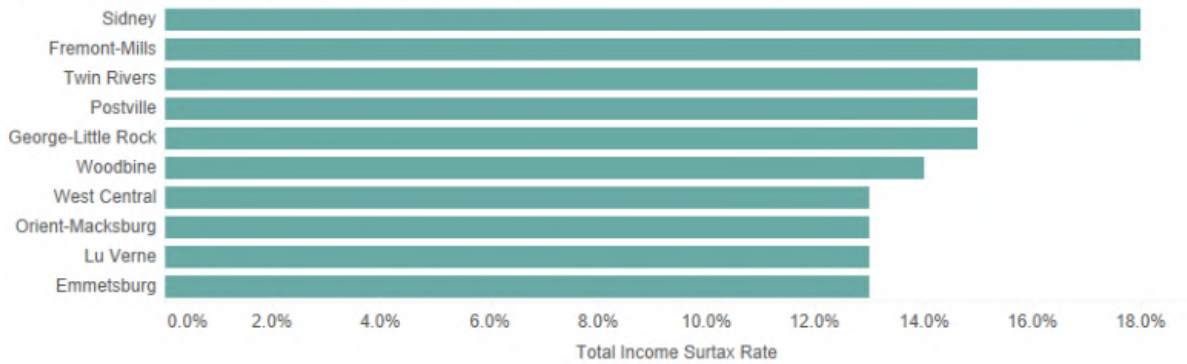
Department of Management: [www.dom.iowa.gov/schools](http://www.dom.iowa.gov/schools)  
LSA Staff Contact: Michael Guanci (515.725.1286) [michael.guanci@legis.iowa.gov](mailto:michael.guanci@legis.iowa.gov)

The following visualizations show the amount of income surtax and property tax for each program and the top 10 combined income surtax rates by district.

Income Surtax Amounts by Program  
FY 2022 Total: **\$103,101,824**



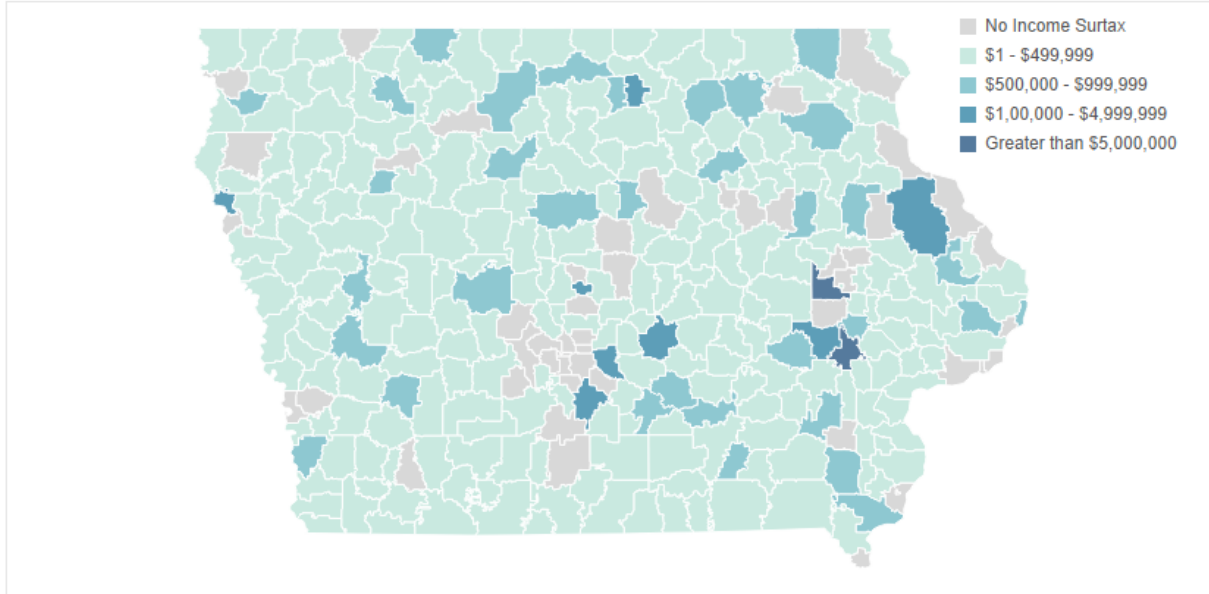
Top 10 Total Income Surtax Rate by School District



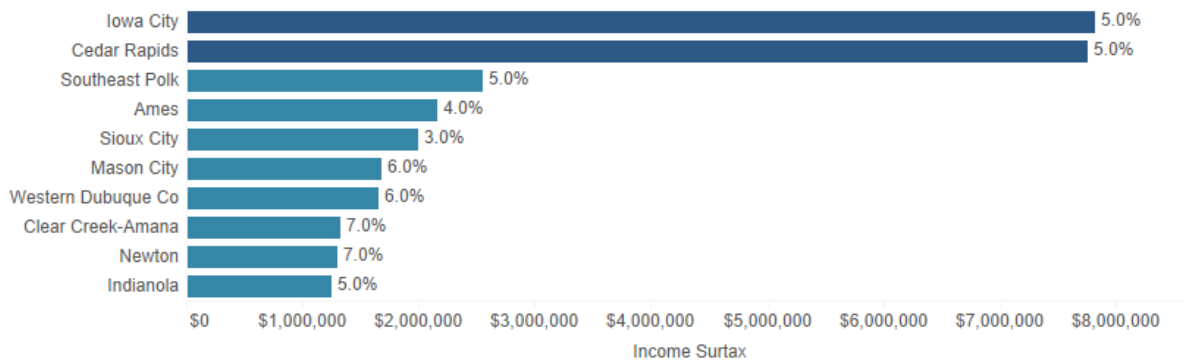
The following pages highlight each program’s income surtax by:

- Geography
- Top districts by income surtax amount
- Top districts by income surtax rate

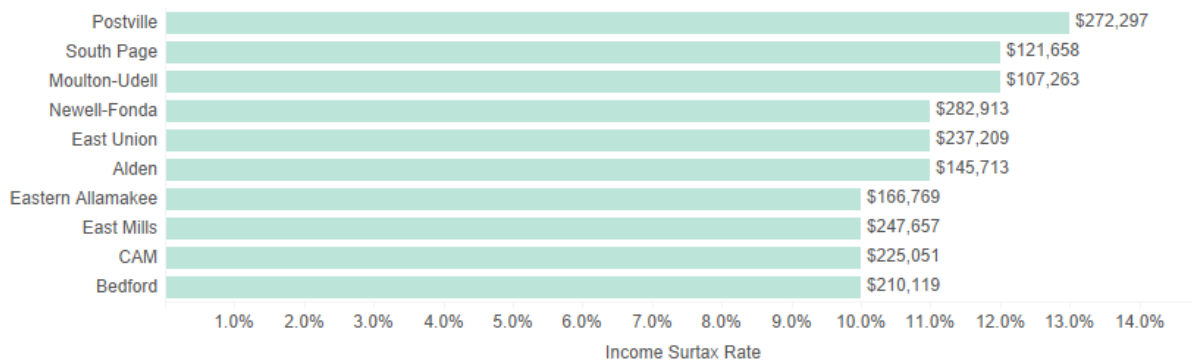
Instructional Support — Income Surtaxes by District - FY 2022



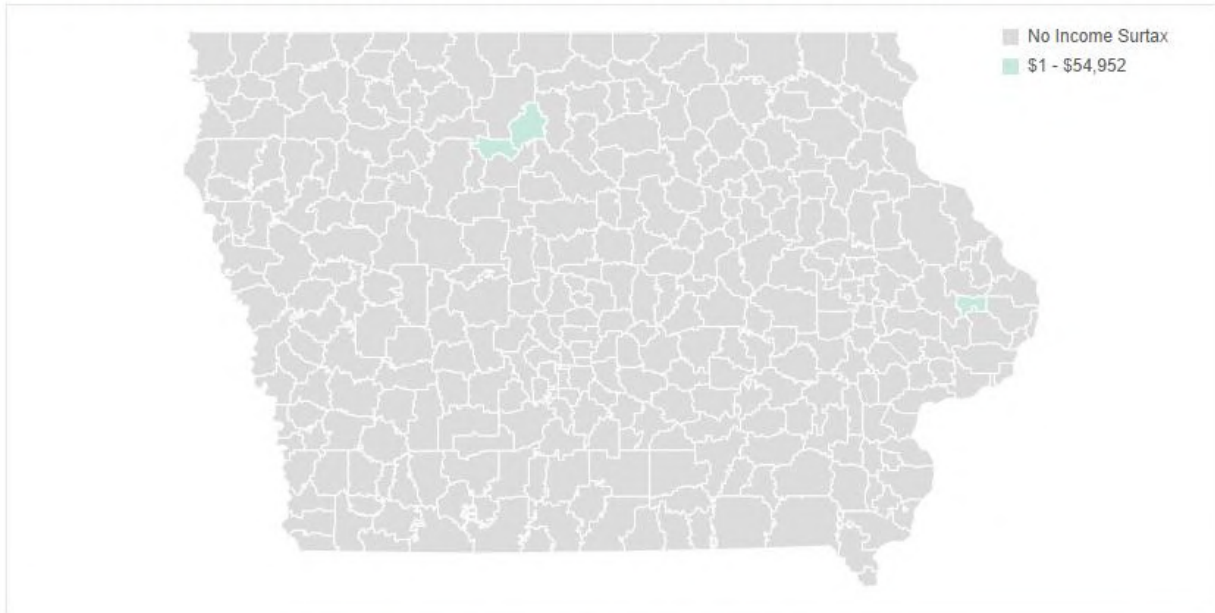
Top 10 School Districts by Instructional Support Income Surtax Dollars with Income Surtax Rate



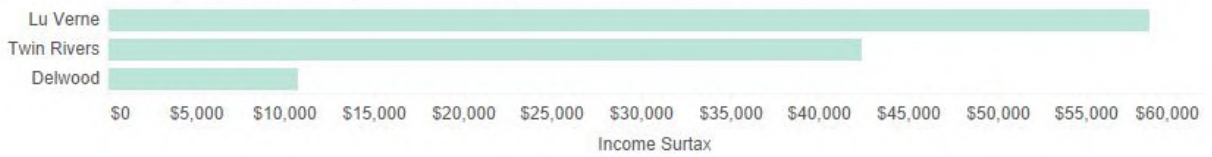
Top 10 School Districts by Instructional Support Income Surtax Rate with Income Surtax Dollars



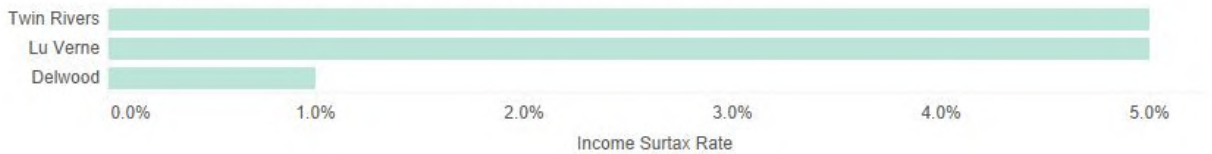
### Educational Improvement Program — Income Surtaxes by District - FY 2022



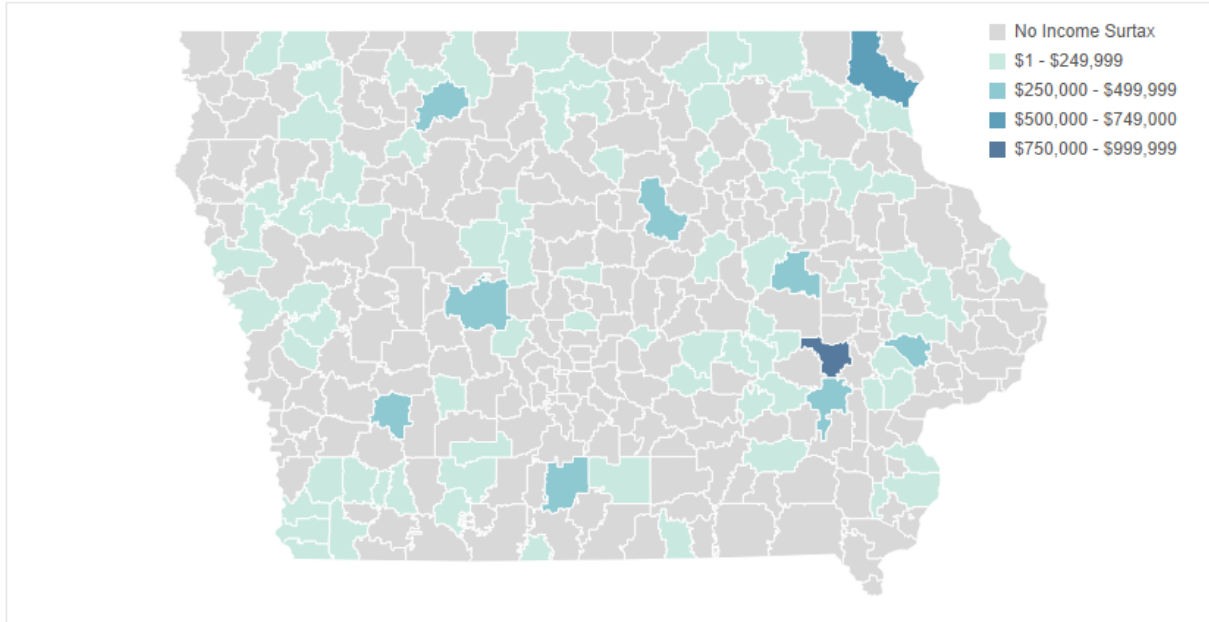
School Districts by Educational Improvement Program Income Surtax Dollars



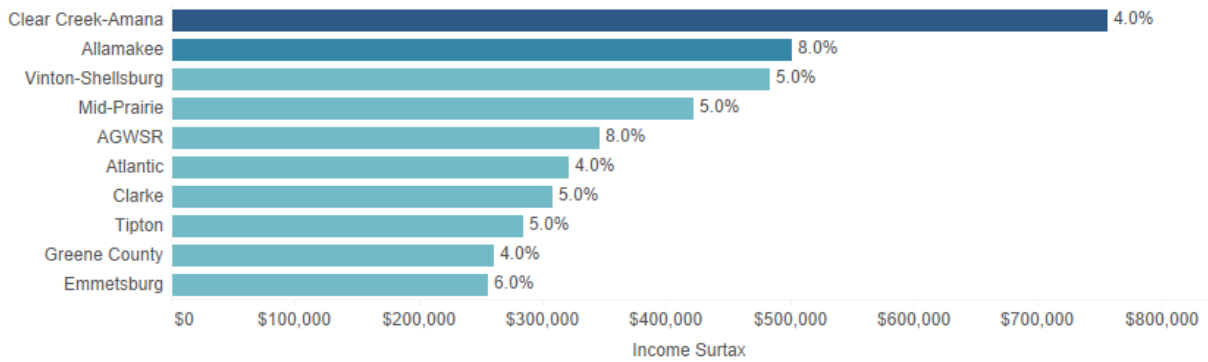
School Districts by Educational Improvement Program Income Surtax Rate



PPEL — Income Surtaxes by District - FY 2022



Top 10 School Districts by PPEL Income Surtax Dollars  
with Income Surtax Rate



Top 10 School Districts by PPEL Income Surtax Rate  
with Income Surtax Dollars

