

Most significantly, Senate File 2449 will decrease the tax burden for property taxpayers by enhancing the state's share of K-12 school funding. An increase in the program foundation base level from 83 percent to 87.5 percent will result in annual property tax savings of \$85 million.

Senate File 2449 is, therefore, approved on this date with the following exceptions, which I hereby disapprove.

I am unable to approve the items designated as Sections 7, 8, 9, 10, 11 and 12, in their entirety. These items would provide for full funding of certain property tax credits. While property taxpayers already enjoy the full benefit of the homestead, military and the elderly or disabled tax credits, the cost to local governments of providing these credits is not currently fully reimbursed by the state. These sections would appropriate a total of \$22.5 million to local governments.

While the concept of full funding for these tax credits has been characterized as property tax relief, in fact there is no assurance of property tax relief. Local budgets for fiscal year 1997 have already been set, meaning none of these funds would be used for tax relief this year. Future tax relief would depend on what each local government chooses to do with the additional funds. I feel there are better alternatives to changing Iowa's property tax system, and instead invite local governments to join in a more comprehensive review aimed at making the overall system simpler, more predictable, and giving local governments greater flexibility in their budgets.

I am unable to approve the item designated as Section 25, in its entirety. This item provides that if the state ever fails to fully fund a property tax credit in the future, the local government may reduce the amount of credit to the taxpayer in an amount equivalent to the shortfall. This action would place the taxpayer at a permanent disadvantage, when the taxpayer, instead, should be protected.

For the above reasons, I respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 2449 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, *Governor*

CHAPTER 1198
FAMILY FARM TAX CREDIT
H.F. 560

AN ACT relating to the definition of "designated person" for purposes of the family farm tax credit and providing effective and applicability dates.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 425A.2, subsection 4, Code 1995, is amended to read as follows:

4. "Designated person" means one of the following:

a. If the owner is an individual, the designated person includes the owner of the tract ~~or a person related to the owner as, the owner's spouse, parent, grandparent, the owner's~~

child, ~~grandchild~~, or stepchild, and their spouses, or the owner's relative within the third degree of consanguinity, and the relative's spouse.

b. If the owner is a partnership, a partner, or the partner's spouse.

c. If the owner is a family farm corporation, a family member who is a shareholder of the family farm corporation or the shareholder's spouse.

d. If the owner is an authorized farm corporation, a shareholder who owns at least fifty-one percent of the stock of the authorized farm corporation or the shareholder's spouse.

e. If the owner is an individual who leases the tract to a family farm corporation, a shareholder of the corporation if the combined stock of the family farm corporation owned by the owner of the tract and persons related to the owner as enumerated in paragraph "a" is equal to at least fifty-one percent of the stock of the family farm corporation.

f. If the owner is an individual who leases the tract to a partnership, a partner if the combined partnership interest owned by a designated person as defined in paragraph "a" is equal to at least fifty-one percent of the ownership interest of the partnership.

Sec. 2. This Act takes effect January 1, 1996, and applies to family farm tax credit claims filed on or after that date.

Approved May 30, 1996

CHAPTER 1199

NEW JOBS AND INCOME PROGRAM

H.F. 2481

AN ACT relating to eligibility criteria and benefits, including tax benefits to businesses under the new jobs and income program and establishing a penalty.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 15.327, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 1A. "Contractor or subcontractor" means a person who contracts with the eligible business or a supporting business or subcontracts with a contractor for the provision of property, materials, or services for the construction or equipping of a facility, located within the economic development area, of the eligible business or a supporting business.

NEW SUBSECTION. 3A. "Economic development area" means a site or sites designated by the department of economic development for the purpose of attracting an eligible business and supporting businesses to locate facilities within the state.

NEW SUBSECTION. 6. "Project completion" means the first date upon which the average annualized production of finished product for the preceding ninety-day period at the manufacturing facility operated by the eligible business within the economic development area is at least fifty percent of the initial design capacity of the facility. The eligible business shall inform the department of revenue and finance in writing within two weeks of project completion.

NEW SUBSECTION. 7. "Supporting business" means a business under contract with the eligible business to provide property, materials, or services which are a necessary component of the operation of the manufacturing facility. To qualify as a supporting business, the business shall have a permanent facility or operations located within the economic development area and the revenue from fulfilling the contract with the eligible