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SENATE FILE 582

BY READINGER

FILED APR 30 1985

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
 Approved \_\_\_\_\_

### A BILL FOR

1 An Act to establish a shared tax base in certain metro-  
 2 politan areas.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
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1 Section 1. PURPOSE. The general assembly finds it de-  
2 sirable to improve the revenue raising and distribution system  
3 in certain metropolitan areas to accomplish the following ob-  
4 jectives:

5 1. Provide a way for local governments to share in the re-  
6 sources generated by the growth of the area, without removing  
7 any resources which the local governments already have.

8 2. Increase the likelihood of orderly urban development by  
9 reducing the impact of fiscal considerations on the location  
10 of business and residential growth and of highways, transit  
11 facilities and airports.

12 3. Establish incentives for all parts of the area to work  
13 for the growth of the area as a whole.

14 4. Provide a way for the area's resources to be made  
15 available within and through the existing system of local  
16 governments and local decision making.

17 5. Help communities in different stages of development by  
18 making resources increasingly available to all communities at  
19 the early stages of development and redevelopment when the  
20 financial pressures on them are the greatest.

21 6. Encourage protection of the environment by reducing the  
22 impact of fiscal considerations so that flood plains can be  
23 protected and land for parts and open space can be preserved.

24 7. Provide for the distribution to municipalities of ad-  
25 ditional revenues generated within the area or from outside  
26 sources pursuant to other legislation.

27 Sec. 2. NEW SECTION. 441A.1 DEFINITIONS.

28 As used in this chapter, unless the context otherwise re-  
29 quires:

30 1. "Area" means the territory included within the  
31 boundaries of a county of two hundred fifty thousand or more  
32 in population.

33 2. "Commercial-industrial property" means commercial and  
34 industrial property assessed for tax purposes under chapter  
35 428, 433, 434, 436, 437, 438, or 441. However, the following

1 are excluded:

2 a. That part of the property which constitutes a tax base  
3 for a tax increment pledged under section 403.19, the  
4 certification of which was requested before March 15, 1985, to  
5 the extent and while the tax increment is pledged.

6 b. That part of the property which is subject to the tax  
7 credit under chapter 427A.

8 c. That part of the property which is subject to the tax  
9 exemption authorized under chapter 404, chapter 427B, or sec-  
10 tion 427.1, subsection 32, to the extent and while the tax  
11 exemption is effective.

12 3. "Residential property" means property that is assessed  
13 as residential property for property tax purposes.

14 4. "Governmental unit" means a city, county, township,  
15 school district, special taxing district, or other taxing unit  
16 which levies or certifies ad valorem taxes and is located in  
17 whole or in part within an area.

18 5. "Municipality" means a city located in whole or in part  
19 within an area, and also means the county outside the  
20 boundaries of its cities. If a municipality is located partly  
21 within and partly outside of the area, the references in this  
22 chapter to property subject to taxation or taxing jurisdiction  
23 within the municipality are to the property located in the  
24 portion of the municipality within the area except that the  
25 fiscal capacity of the municipality shall be determined upon  
26 the basis of the valuation and population of the entire  
27 municipality.

28 6. "Assessed value" means the assessed value as determined  
29 under section 441.21, and after adjustments and equalization  
30 by the director of revenue.

31 7. "Valuation" means the assessed value of all property  
32 within a municipality.

33 8. "Fiscal capacity" means valuation of a municipality  
34 determined for a year, divided by population of the  
35 municipality, as determined by the latest preceding federal

1 census.

2 9. "Average fiscal capacity" means the sum of the valua-  
3 tions of all municipalities within an area, divided by the sum  
4 of the entire population of the municipalities within the  
5 area, determined by the latest preceding federal census for  
6 the same year.

7 10. "Area fund" means the area municipal equity fund es-  
8 tablished by the county treasurer to receive and distribute  
9 the areawide portion of the commercial-industrial property tax  
10 levy contributed by governmental units in the area.

11 Sec. 3. NEW SECTION. 441A.2 INCREASE IN COMMERCIAL-  
12 INDUSTRIAL ASSESSED VALUE.

13 1. Each year the county auditor shall determine for each  
14 municipality the amount, if any, by which the municipality's  
15 assessed value of commercial-industrial property as determined  
16 in the preceding year exceeds the municipality's assessed  
17 value of commercial-industrial property as determined in 1985.

18 2. The increase in assessed value determined under sub-  
19 section 1 shall be reduced by the amount of any decrease re-  
20 sulting from court decisions, court-related stipulation  
21 agreements, or abatements accomplished during the twelve-month  
22 period ending on June 30 of the year of determination, if the  
23 decreases, if originally reflected in the determination of a  
24 prior year's assessed value of commercial-industrial property,  
25 would have resulted in a smaller contribution from the muni-  
26 cipality to the area fund in that year. However, this adjust-  
27 ment shall be made only if the municipality made a  
28 contribution in a prior year to the area fund.

29 Sec. 4. NEW SECTION. 441A.3 COMPUTATION OF AREAWIDE TAX  
30 BASE.

31 Before computing the tax levies for a fiscal year, the  
32 county auditor shall:

33 1. Determine the sum of the amounts determined under sec-  
34 tion 441A.2, and multiply that sum by forty percent. The  
35 product is the areawide tax base for that fiscal year.

1     2. Determine the fiscal capacity of each municipality in  
2 the area and the average fiscal capacity for the preceding  
3 fiscal year.

4     3. Determine, for each municipality, the product of its  
5 population, the percent which the average fiscal capacity for  
6 the preceding year is of the fiscal capacity of that  
7 municipality for the preceding year, and two. The product is  
8 the areawide tax base distribution index for that  
9 municipality, provided that if the product is less than a  
10 municipality's population, its index shall be increased to the  
11 number of its population, and if a municipality is located  
12 partly within and partly outside of the area its index shall  
13 be that which is otherwise determined multiplied by the  
14 percent which its population residing within the area is of  
15 its total population.

16    4. Determine the proportion which the index of each  
17 municipality is of the sum of the indices of all  
18 municipalities, and multiply this percent by the areawide tax  
19 base. The product is the areawide tax base attributable to a  
20 municipality for the fiscal year.

21    Sec. 5. NEW SECTION. 441A.4 AREAWIDE VALUE, APPORTION-  
22 MENT, AND LEVY.

23    1. The county auditor shall determine the areawide taxable  
24 value of each governmental unit by adjusting its assessed  
25 value as follows:

26    a. Subtract from the assessed value of the governmental  
27 unit, in each municipality in which the governmental unit  
28 exercises tax-certifying jurisdiction, an amount which is the  
29 same proportion of forty percent of the amount determined  
30 under section 441A.2 for that municipality as the preceding  
31 year's assessed value of commercial-industrial property which  
32 is subject to the tax-certifying jurisdiction of the  
33 governmental unit within the municipality is of the total  
34 preceding year's assessed value of commercial-industrial  
35 property within the municipality.

1        b. Add to the assessed value, in each municipality in  
2 which the governmental unit exercises tax-certifying  
3 jurisdiction, an amount which is the same proportion of the  
4 areawide tax base attributable to that municipality as the  
5 total preceding year's assessed value of residential property  
6 which is subject to the tax-certifying jurisdiction of the  
7 governmental unit within the municipality is of the total  
8 preceding year's assessed value of residential property within  
9 the municipality.

10       2. For the 1987-1988 fiscal year and each subsequent year,  
11 the county auditor shall apportion the amount to be levied for  
12 each governmental unit in the area as follows:

13       a. Determine the areawide portion of the amount to be  
14 levied for each governmental unit by multiplying the tax levy  
15 rate of the governmental unit for the preceding fiscal year  
16 times the amount determined under subsection 1, paragraph "b".

17       b. Determine the local portion of the amount to be levied  
18 by subtracting the amount determined under paragraph "a" of  
19 this subsection from the governmental unit's total amount to  
20 be levied for the fiscal year.

21       3. For the 1987-1988 fiscal year and each subsequent  
22 fiscal year, the county auditor shall divide that portion of  
23 the amount to be levied determined under subsection 2,  
24 paragraph "b", by the assessed value of the governmental unit,  
25 less that portion subtracted from assessed value under  
26 subsection 1, paragraph "a". The resulting rate shall apply  
27 to all taxable property except commercial-industrial property,  
28 which shall be taxed in accordance with subsection 5.

29       4. For each year, the county auditor shall determine the  
30 rate of taxation sufficient to yield an amount equal to the  
31 sum of the amounts to be levied as determined under subsection  
32 2, paragraph "a", from the areawide tax base.

33       5. The rate of taxation determined under subsection 4  
34 shall apply in the taxation of each item of commercial-  
35 industrial property subject to taxation within a municipality,

1 to that portion of the assessed value of the item which is the  
2 same percent of its total assessed value as forty percent of  
3 the amount determined under section 441A.2 for the  
4 municipality in which the property is taxable is of the total  
5 assessed value of commercial-industrial property in the  
6 municipality. The rate of taxation determined under  
7 subsection 3 shall apply to the taxation of the remainder of  
8 the assessed value of the item.

9 6. Each year the county auditor shall certify to the  
10 county treasurer the amounts and rates determined under this  
11 section for each governmental unit. The county treasurer  
12 shall credit the amounts levied and collected under subsection  
13 4 to the area fund. Refunds of taxes paid into the fund shall  
14 be paid from the fund, and interest on money in the fund shall  
15 be credited to the fund, and distributions from the fund shall  
16 be adjusted proportionately to reflect the payments and  
17 credits made. The county treasurer shall distribute the  
18 amounts collected for the areawide portion and the local  
19 portion in the manner and at the times otherwise provided by  
20 law for distribution of property tax levies.

21 7. In computing tax rate limitations based on assessed  
22 value, the assessed value shall be adjusted to reflect the  
23 adjustments to value effected by subsection 1, subject to the  
24 following:

25 a. In determining the assessed value of commercial-  
26 industrial property within a governmental unit for any purpose  
27 other than that of section 441A.3:

28 (1) The assessed value shall be reduced by the amount  
29 which is the same percent of the amount subtracted from the  
30 governmental unit's assessed value under subsection 1,  
31 paragraph "a", as the assessed value of commercial-industrial  
32 property located within the governmental unit is of the actual  
33 value of commercial-industrial property located within the  
34 government unit.

35 (2) The assessed value shall be increased by the amount

1 which is the same percent of the amount added to the  
2 governmental unit's assessed value pursuant to subsection 1,  
3 paragraph "b", as the assessed value of commercial-industrial  
4 property located within the governmental unit is of the actual  
5 value of commercial-industrial property located within the  
6 governmental unit.

7 b. In determining the assessed value of property within a  
8 municipality for purposes of section 441A.3, the adjustment  
9 prescribed by subparagraph (1) shall be made and that  
10 prescribed by subparagraph (2) shall not be made.

11 Sec. 6. NEW SECTION. 441A.5 SUBSEQUENT ADJUSTMENTS.

12 In making determinations of assessed value, property to be  
13 taxed, valuation, population, and other determinations  
14 required by this chapter, the county auditor shall use the  
15 data available at the time the determinations must be made, in  
16 accordance with the other tax laws of the state, which shall  
17 be deemed to be the correct determinations for the fiscal year  
18 for which they are made. A subsequent change in data  
19 resulting from a reassessment, error, omitted property,  
20 delayed action of a public officer or agency, or from another  
21 cause, shall be accounted for when the need for the change is  
22 discovered, by adjusting the determinations made for the next  
23 following fiscal year after the need for the change is  
24 discovered. A taxpayer is not subject to interest or a  
25 penalty or eligible for a refund based upon such changes made  
26 in a prior year's data which are accounted for by adjustments  
27 in a subsequent year, except that if a taxpayer is found to be  
28 guilty of fraud in providing data on which a determination is  
29 made, that taxpayer may be penalized as provided by law.

30 EXPLANATION

31 This bill establishes a system of tax-base sharing for a  
32 large metropolitan county. It provides that 40 percent of the  
33 increase in commercial-industrial assessed value in the entire  
34 area over that of the base year is taken from the tax base of  
35 each municipality (a city or the county outside of cities) and

1 designated as an areawide tax base. The areawide base is  
2 distributed back to each municipality on the basis of its  
3 fiscal capacity (per capita valuation) as compared to the  
4 average fiscal capacity of all municipalities in the area.

5 Each governmental unit (which includes each tax-certifying  
6 body, some of which overlap each other and overlap  
7 municipalities) has its tax base adjusted in proportion to the  
8 adjustments of the municipalities it lies within, and has its  
9 amount to be levied divided into an areawide portion and a  
10 local portion. A single levy is applied to the areawide  
11 portions and distributed back to the governmental units. The  
12 regular local levies are applied to the local portions.  
13 Commercial-industrial property is proportionately taxed for  
14 the areawide and local portions, but other property is taxed  
15 entirely at the local rate. Subsequent changes discovered  
16 because of errors, reassessments and such will be accounted  
17 for in subsequent years' determinations, rather than  
18 redetermining for the original year, which might require  
19 extensive refunds or extra billings.

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