

FILED APR 22 1987

SENATE FILE 505
BY COMMITTEE ON WAYS AND MEANS
(formerly SSB 245)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to property taxes by allowing an income tax
2 credit for owning or renting a homestead, adjusting the
3 elderly and disabled homestead credit and reimbursement
4 schedule, decreasing the school foundation property tax levy,
5 and freezing state aid under the school foundation formula and
6 providing effective dates.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 505

1 Section 1. Section 422.12, Code 1987, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 4. a. A homestead credit equal to the
4 amount determined under paragraph "b". However, the credit
5 under this subsection is not allowed to the taxpayer if any of
6 the following circumstances apply:

7 (1) The taxpayer received the additional property tax
8 credit under sections 425.16 through 425.39 for taxes due
9 during a fiscal year beginning in the tax year or received a
10 reimbursement for rent constituting property tax paid under
11 sections 425.16 through 425.39 for rent paid during the year
12 preceding the tax year.

13 (2) The taxpayer is claimed as a dependent on the state or
14 federal income tax return of another individual for the tax
15 year.

16 (3) The taxpayer did not actually pay property taxes or
17 rent during the tax year on the homestead.

18 b. (1) If the taxpayer owns the homestead at the
19 beginning of the tax year, the homestead credit is determined
20 in accordance with the following schedule:

21	Property taxes actually paid by the tax-		
22 Taxpayer's net	payer on the homestead:		
23 income:	\$100 - 399.99	\$400 - 799.99	\$800 or more
24 \$ 0 - 9,999.99	\$15	\$25	\$35
25 10,000 - 24,999.99	10	20	30
26 25,000 - 49,999.99	5	15	25

27 (2) If the taxpayer rents the homestead at the beginning
28 of the tax year, the homestead credit is determined in
29 accordance with the following schedule:

30	Rent actually paid by the taxpayer for the		
31 Taxpayer's net	homestead:		
32 income:	\$400-1,599.99	\$1,600-3,199.99	\$3,200 or more
33 \$ 0 - 9,999.99	\$15	\$25	\$35
34 10,000 - 24,999.99	10	20	30
35 25,000 - 49,999.99	5	15	25

1 (3) Each homestead credit amount in the schedules in this
2 paragraph is increased by five dollars for tax years beginning
3 in the 1988 calendar year and increased by an additional five
4 dollars for tax years beginning in the 1989 calendar year.
5 The homestead credit amounts for the 1989 tax year shall
6 continue for succeeding tax years.

7 c. For purposes of the homestead credit under this
8 subsection, "homestead" means the same as defined in section
9 425.17, except that the term "base year" as used in that
10 definition shall mean "tax year".

11 Sec. 2. Section 425.23, subsection 1, Code 1987, is
12 amended to read as follows:

13 1. The tentative credit or reimbursement shall be
14 determined in accordance with the following schedule:

15	Percent of property taxes
16	due or rent constituting
17 If the household	property taxes paid allowed
18 income is:	as a credit or reimbursement:
19 \$ 0 - 4,999.99	100%
20 5,000 - 5,999.99	70 <u>90</u>
21 6,000 - 6,999.99	50 <u>80</u>
22 7,000 - 7,999.99	40 <u>70</u>
23 8,000 - 8,999.99	30 <u>60</u>
24 9,000 - 11,999.99 <u>9,999.99</u>	25 <u>50</u>
25 <u>10,000 - 10,999.99</u>	<u>40</u>
26 <u>11,000 - 11,999.99</u>	<u>30</u>
27 <u>12,000 - 12,999.99</u>	<u>20</u>
28 <u>13,000 - 13,999.99</u>	<u>10</u>

29 Sec. 3. Section 442.2, subsection 1, Code 1987,
30 is amended to read as follows:

31 1. Each school district shall cause to be levied each
32 year, for the school general fund, a foundation property tax
33 of five dollars and forty cents per thousand dollars of
34 assessed valuation on all taxable property in the district
35 except as provided in subsection 5. For the purpose of this

1 chapter, a school district is defined as a school corporation
2 organized under chapter 274.

3 However, commencing with the budget year beginning July 1,
4 1987, and continuing for succeeding budget years, a
5 reorganized school district shall cause a foundation property
6 tax of four dollars and forty cents per thousand dollars of
7 assessed valuation to be levied on all taxable property which,
8 in the year preceding the reorganization, was within a school
9 district affected by the reorganization as defined in section
10 275.1 and which had a certified enrollment of less than six
11 hundred. ~~in succeeding school years, the foundation property~~
12 ~~tax levy on that portion shall be increased twenty cents per~~
13 ~~year until it reaches the rate of five dollars and forty cents~~
14 ~~per thousand dollars of assessed valuation.~~

15 For purposes of this section, a reorganized school district
16 is one in which reorganization was approved in an election
17 pursuant to sections 275.18 and 275.20 and will take effect on
18 or after July 1, 1986.

19 Sec. 4. Section 442.2, Code 1987, is amended by adding the
20 following new subsection:

21 NEW SUBSECTION. 5. Notwithstanding subsection 1, the
22 foundation property tax levied on residential, agricultural,
23 railroad, and commercial property for the fiscal year
24 beginning July 1, 1988, is five dollars per thousand dollars
25 of assessed valuation. In succeeding years, the foundation
26 property tax levy on such property shall be decreased ten
27 cents per year until it reaches the rate of four dollars and
28 forty cents per thousand dollars of assessed valuation which
29 levy rate shall continue as the foundation property tax levy
30 on such property for subsequent years.

31 Sec. 5. Section 442.3, Code 1987, is amended to read as
32 follows:

33 442.3 STATE FOUNDATION BASE.

34 The state foundation base for the school year beginning
35 July 1, 1986 is eighty percent of the state cost per pupil.

1 The state foundation base for the school year beginning July
2 1, 1987 and for each succeeding school year is eighty-one and
3 one-half percent of the state cost per pupil. For each
4 succeeding school year, the state foundation base shall be
5 increased by the amount of one-half percent of the state cost
6 per pupil, up to a maximum of eighty-five percent of the state
7 cost per pupil. The district foundation base is the larger of
8 the state foundation base or the amount per pupil which the
9 district will receive from foundation property tax and state
10 school foundation aid.

11 Sec. 6. Section 1 of this Act is retroactive to January 1,
12 1987 for tax years beginning on or after that date.

13 Sec. 7. Section 2 of this Act is applicable to property
14 tax credit claims filed on or after January 1, 1987 for taxes
15 payable in the fiscal year beginning July 1, 1987 and ending
16 June 30, 1988 and for any subsequent years. Section 2 of this
17 Act is applicable to rent reimbursement claims filed on or
18 after January 1, 1988 for rents paid in calendar year 1987 and
19 subsequent calendar years.

20 Sec. 8. This Act, being deemed of immediate importance is
21 effective upon enactment.

22 EXPLANATION

23 Section 1 of this Act allows a homestead credit in
24 computing state income taxes for both owners and renters with
25 net incomes under a set amount.

26 Section 2 alters the homestead property tax credit by
27 changing the additional homestead tax credit and reimbursement
28 schedule to increase the income level and the percentage
29 amounts.

30 Sections 3 through 5 amend the school foundation formula by
31 decreasing the levy and freezing the state foundation base.

32 Sections 6 through 8 provide effective dates.

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STATE OF IOWA

FISCAL NOTE TO

LSB No 2943S
Staff ID: POD

BY SENATOR BRUNER

SENATE FILE 505

In compliance with a written request received April 22, 1987, a fiscal note for SENATE FILE 505 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Finance Bureau to members of the Legislature upon request.

Senate File 505 (1) provides certain taxpayers with an income tax credit for property tax or rent paid; (2) adjusts the homestead and elderly and disabled property tax credits; (3) decreases the school foundation property tax levy, and (4) changes the provision for allowable growth and state aid under the school foundation formula.

Under section 1 of Senate File 505, certain taxpayers are eligible for an income tax credit based on the amount of property tax paid (in the case of a homeowner), or on the amount of rent actually paid for the homestead (in the case of a renter).

Fiscal Effect. The impact of the income tax credit for homeowners and renters is summarized below.

	General Fund Impact, millions	
	<u>FY 1988</u>	<u>FY 1989</u>
Homeowner/renter credit	(18.0)	(22.0)
	=====	=====
Net effect	\$(18.0)	\$(22.0)

ELDERLY/DISABLED PROPERTY TAX CREDIT

Section 2 of the bill makes adjustments to the elderly and disabled property tax credit under chapter 425 of the Code.

The elderly and disabled property tax credit is expanded so that taxpayers with household income under \$14,000 qualify for the credit. In addition, the percentage of property taxes due or rent constituting property taxes paid which is allowed as a credit or reimbursement is changed to reflect a 10 percentage point decrease as qualified household income increases.

Fiscal Effect. The adjustments in the elderly and disabled property tax credit will increase General Fund expenditures by approximately \$5 million in FY 1989.

SCHOOL FOUNDATION FORMULA

Sections 3 through 5 of the bill make certain changes to the school foundation formula used to finance local school districts. Beginning in FY 1989, the foundation property tax levied on agricultural, commercial, railroad, and residential property is reduced from \$5.40 per \$1,000 of assessed valuation to \$5.00 per \$1,000 of assessed valuation. The state foundation base is frozen, beginning in FY 1988, at 81.5 percent of the state cost per pupil.

Fiscal Effect. For FY 1989, it is estimated that approximately \$26 million in

STATE OF IOWA
FISCAL NOTE

LSB No. 2943S
Staff ID. PDD

FN pg. 2

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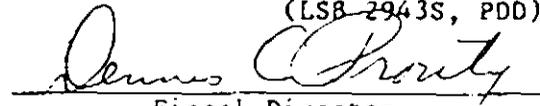
additional General Fund expenditures will be needed to fund the reduction in the foundation property tax; freezing the state foundation base is expected to reduce General Fund expenditures by \$7 million during FY 1989.

SENATE FILE 505, GENERAL FUND ESTIMATE OF FISCAL EFFECT

	General Fund Impact, millions	
	<u>FY 1988</u>	<u>FY 1989</u>
Homeowner/renter credit	(18.0)	(22.0)
Property tax impacts:		
Elderly tax credit		(5.0)
Foundation levy reduction		(26.0)
State foundation base		7.0
NET EFFECT	\$(18.0)	\$(46.0)

SOURCE: Department of Revenue and Finance
Department of Management

(LSB 2943S, PDD)



Fiscal Director
Legislative Fiscal Bureau

Date: 4/24/87

Filed by the Sec. of the Senate April 24, 1987

How
SSB #245 SF505
Ways and Means

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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