



[HF 234](#) – Senior Property Tax Cap (LSB2075YH)
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Fiscal Note Version – New

Description

[House File 234](#) provides two new property tax benefits to older homeowners.

The Bill prohibits increases in the assessed value of residential homes above the value established in the year prior to a base year, applicable to homes owned by persons aged at least 67 years, six months. The base year is defined as the assessment year prior to the calendar year in which the homeowner applies for the property tax benefit.

The Bill also establishes a base year maximum property tax amount owed on the eligible property. If, after application of the assessed value limit described above, the total taxes owed on the property increase, the tax amount for the property will be reduced so as not to exceed the tax amount of the year prior to the base year.

The benefits are first available for assessment year (AY) 2019 and for claims filed on or after January 1, 2020. The tax reductions will first occur in FY 2021 (property taxes paid in the fall of 2020 and the spring of 2021).

Assumptions

- The number of eligible qualified properties will be 220,000 in AY 2019 and will increase 2.9% per assessment year.
- The assessed value of eligible properties will average \$159,000 for AY 2019 and will increase each assessment year by the annual revaluation increases contained in **Table 1**.
- The residential rollback (the percent of a property's assessed value that is subject to property tax) will equal the values contained in **Table 1**.
- The average residential property tax rate for FY 2019 is \$34.62 per \$1,000 of taxable value and will remain constant in future years. As a component of the \$34.62 rate, the school basic levy equals \$5.40 per \$1,000 of taxable value. The State General Fund reimburses (backfills) school finance for any reduction in taxable value subject to the school basic levy.
- The average residential property tax rate decreased slightly from FY 2015 to FY 2019. However, 47.8% of residential property value was located in taxing districts that experienced an increase in the consolidated tax rate. The increase averaged \$0.26 per \$1,000 of taxable value per year.

Table 1
LSA Estimates of Residential Property Tax
Projection Factors

	Residential Property Revaluation Increases	Residential Rollback
AY 2019	5.25%	55.7013%
AY 2020	0.60%	57.0301%
AY 2021	4.75%	56.0773%
AY 2022	0.60%	57.4152%

Fiscal Impact

The two new property tax benefits are projected to reduce property taxes owed by qualified older Iowa homeowners by the amounts presented in the left-hand column of **Table 2**. The reduction in property taxes paid will result in an automatic increase in the State General Fund appropriation for school aid by the amounts in the center column and will decrease local government revenue by the amounts in the right-hand column. The local government revenue decrease equals the property tax decrease minus the increase in the State General Fund appropriation for school aid.

Table 2
Property Tax Reduction and Fiscal Impact
In Millions

	Property Tax Decrease	State School Aid Appropriation Increase	Local Government Revenue Decrease
FY 2021	\$ 13.6	\$ 2.1	\$ 11.5
FY 2022	27.9	4.4	23.5
FY 2023	42.4	6.6	35.8
FY 2024	57.8	9.0	48.8

The property tax reduction and State and local fiscal impacts will continue to grow in years beyond FY 2024, driven mainly by the projected increase in lowans over 65 years of age. Eventually, this age group of homeowners will stabilize, and annual increases will be driven only by the increase in home assessed values.

Implementing the two new tax benefits will necessitate changes to forms, computer reprogramming, and staff costs for the Department of Revenue, as well as local assessors and treasurers.

Sources

Department of Revenue
U.S. Census Bureau
Department of Management

Moody's Analytics
Legislative Services Agency analysis

/s/ Holly M. Lyons

February 14, 2019

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.
