Description

Senate File 2309 allows qualified disabled veterans to receive the property tax benefit of the Disabled Veteran Tax Credit earlier than is available under current law. Under current law, qualification for the credit first applies to the upcoming fiscal year’s payments (September and March) if the application is made on or before July 1. If the application is made on or after July 2, the benefit begins with the payments due in the succeeding fiscal year. The Bill will allow the benefit to begin with any payment due to be paid by the veteran after the date of the application.

The Bill also prohibits the charging of a fee by the county recorder for the examination and copying of public records necessary to complete and file claims for benefits with the Iowa Department of Veterans Affairs and the United States Department of Veterans Affairs.

Background

A property tax credit equal to 100.0% of the property tax due on a property owned by a qualified disabled veteran is available and paid through the State General Fund standing unlimited appropriation to the Homestead Credit Fund. To qualify, the disabled veteran must meet at least one of the following criteria:

- A veteran as defined in Iowa Code section 35.1 with a permanent service-connected disability rating of 100.0%.
- A veteran as defined in Iowa Code section 35.1 with a permanent and total disability rating based on individual unemployability that is compensated at the 100.0% disability rate.
- A former member of the National Guard of any state who meets specified service requirements and meets at least one of the two previous criteria.
- A veteran of any of the military forces of the United States who acquired the homestead property under either of two federal benefit programs available to disabled veterans.
- An individual who is a surviving spouse or a child and who is receiving dependency and indemnity compensation as certified by the U.S. Department of Veterans Affairs.

To qualify for the 100.0% property tax credit, the disabled veteran must apply once to the county. Annual filings are not required. Local governments are reimbursed for the tax revenue reduction associated with the Disabled Veteran Tax Credit through the State’s Homestead Credit Fund.

Assumptions

- The Bill allows a qualified disabled veteran to qualify for the 100.0% property tax credit potentially one year earlier than would be allowed under current law. The Bill does not increase the number of veterans who may qualify for the property tax credit.
- The number of disabled veterans qualifying for the credit has been increasing in recent years. According to statistics provided by the Department of Revenue, 2,169 veterans qualified in FY 2016 and 4,296 in FY 2020. This is an average annual increase of 532
claimants. This significant annual increase in claimants is likely the result of eligibility expansions enacted in 2014 and in 2015:

- 2014 Iowa Acts, chapter 1117 (SF 2352, Disabled Veteran Tax Credit Expansion Act)
- 2015 Iowa Acts, chapter 6 (HF 166, Disabled Veteran Tax Credit Act)

The number of new claims approved for the credit in future years is not known. Based on the average annual claim increase of 532 over the past four years, and assuming that a portion of that increase is likely due to the expansion of the credit to additional veterans with an existing disability who did not qualify prior to the expansion, this estimate assumes that 320 new claims are approved each fiscal year.

- The Bill may make a veteran eligible for a 100.0% property tax credit one year earlier than under existing law. The percentage of new claims each year that will actually benefit from the change is not known. For this estimate the percentage is assumed to be 50.0%.
- Combining the previous two assumptions, it is projected that 160 disabled veterans will benefit each year from the changes made to the credit.
- The Department of Revenue estimates that the average tax credit claim for the credit is $2,863. The LSA assumes that average will increase 3.0% per year.

**Fiscal Impact**
Allowing disabled veterans to qualify for the Disabled Veteran Tax Credit up to one year earlier than is allowed under current law is projected to increase the standing unlimited General Fund annual appropriation to finance the Homestead Credit Fund by $0.5 million, beginning with FY 2021.

Prohibiting the charging of a fee for the examination and copying of public records related to the filing of certain veterans’ claims is projected to have a minor negative impact on county fee revenue.

**Sources**
Department of Revenue
Legislative Services Agency analysis

/s/ Holly M. Lyons
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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.

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