



# Fiscal Note

## Fiscal Services Division

**SF 10** – Housing Trust Fund, Real Estate Transfer Tax (LSB1289XS)  
 Staff Contact: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)  
 Fiscal Note Version – New

**Description**

[Senate File 10](#) eliminates an annual \$3.0 million limitation on the amount of real estate transfer tax revenue that is deposited in the Housing Trust Fund. The change is effective beginning FY 2022.

**Background**

The [real estate transfer tax](#) is imposed on the transfer of real estate in the State. The tax is equal to \$0.80 per \$500 (or any fractional part of \$500) of consideration paid as part of or a condition of the property transfer. As examples, the transfer of a \$1,200 property would incur a tax of \$2.40, while the transfer of a \$1.0 million property would incur a tax of \$1,600.

The tax is paid to the county. Iowa Code section [428A.8](#) controls the division of the tax revenue. The county retains 17.25% of the tax revenue for deposit in the county general fund. The county remits the remaining 82.75% to the State. The State portion is deposited as follows:

- [Housing Trust Fund](#), 30.0%, up to a limit of \$3.0 million each fiscal year.
- [Shelter Assistance Fund](#), 5.0%.
- State General Fund, 65.0%, plus any Housing Trust Fund revenue in excess of \$3.0 million.

The following table provides a history of real estate transfer tax deposits to State funds for the past four fiscal years.

<b>Real Estate Transfer Tax Revenue, State Portion</b>				
In Millions				
Fund	FY 2017	FY 2018	FY 2019	FY 2020
Housing Trust Fund	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0
Shelter Assistance Fund	1.1	1.2	1.2	1.2
State General Fund	18.6	19.2	19.1	20.3
<b>Total</b>	<b>\$ 22.7</b>	<b>\$ 23.4</b>	<b>\$ 23.3</b>	<b>\$ 24.5</b>

**Assumption**

Over the past 13 fiscal years (FY 2007 through FY 2020), the average annual rate of growth in real estate transfer tax has equaled 2.3%. That rate of growth is assumed for FY 2021 and future fiscal years.

**Fiscal Impact**

Removing the Housing Trust Fund annual \$3.0 million real estate tax revenue limit is estimated to increase Housing Trust Fund revenue and reduce net General Fund revenue by the following amounts:

- FY 2022 = \$4.7 million
- FY 2023 = \$4.9 million
- FY 2024 = \$5.1 million
- FY 2025 = \$5.3 million
- FY 2026 = \$5.4 million

The annual amounts are projected to increase modestly over time.

**Additional Potential Fiscal Impact**

Existing Iowa law provides for a significant change to Iowa’s individual income tax system once two General Fund revenue triggers are met. The first year that the triggers may be met is at the conclusion of FY 2022. Once implemented, this contingent income tax system is projected to reduce Iowa individual income tax by roughly \$300.0 million per tax year. Since this Bill is projected to reduce General Fund revenue in FY 2022 and after, the Bill’s changes will modestly reduce the possibility of achieving both revenue triggers; as a consequence, the Bill could result in delayed implementation of the income tax reduction.

**Sources**

State Accounting System  
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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