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[HF 227](#) – Property Tax, Disabled Veterans (LSB2232YH)  
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Fiscal Note Version – New

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## **Description**

[House File 227](#) expands eligibility for the [Disabled Veteran Homestead Tax Credit](#) by decreasing the required permanent service-connected disability rating criterion from the current 100.0% rating, to 70.0% or higher. A qualified [veteran](#) or former member of the national guard of any state who applies and qualifies for this property tax credit receives a 100.0% homestead property tax exemption, with the State General Fund reimbursing the local property tax system for the revenue loss. The change is effective upon enactment and applies to credit applications filed on or after the effective date.

## **Assumptions**

- The Disabled Veteran Homestead Tax Credit will continue to be fully funded through the existing standing unlimited State General Fund appropriation.
- Based on information provided by the Department of Veterans Affairs, the Department of Revenue estimates that 4,310 additional veterans will apply and qualify for the credit if the permanent service-connected disability rating threshold is lowered to 70.0%.
- The average assessed value of a disabled veteran's homestead is assumed to be \$154,911 for assessment year (AY) 2021, and that average is assumed to increase 2.0% each assessment year.
- The AY 2020 assessment limitation factor (rollback) for residential property is 56.4094%, and that percentage is assumed to remain constant for this projection.
- The FY 2021 (AY 2019) Iowa average residential consolidated property tax rate equals \$34.44 per \$1,000 of taxed value, and that tax rate is assumed to remain constant for this projection.

## **Fiscal Impact**

The proposed expansion of the Disabled Veteran Homestead Tax Credit will exempt the homesteads of additional disabled veterans from property taxation, which will require an increase in the standing unlimited appropriation from the State General Fund. The annual amount of the appropriation increase is projected to be \$13.0 million for FY 2023, and the amount is projected to increase by 2.0% per fiscal year, reaching \$14.0 million by FY 2027. Since the credit is funded by the State General Fund, there is no impact on local government revenue.

**Sources**

Department of Revenue  
Department of Veterans Affairs  
Department of Management published property tax rates

/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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