Fiscal Note

Fiscal Services Division

SF 587 – Tax Omnibus (LSB2179SV)

Staff Contacts: Jess Benson (515.281.4611) jess.benson@legis.iowa.gov
Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Michael Guanci (515.725.1286) michael.guanci@legis.iowa.gov

Fiscal Note Version – As amended and passed by the Senate

Senate File 587 contains eight divisions and makes various changes to county property taxes, State income taxes, and tax credits, and makes appropriations. Some explanation of the fiscal impact may be contained in the "assumptions" sections for the Bill divisions, but **Figures 4, 5, 6,** and **7** summarize the fiscal impact of the Bill.

Division I — Mental Health and Disability Services (MHDS) Funding

Description

Division I changes the way mental health and disability services are funded, from a system based on county property taxes to a 100.0% State funded system. The Division is effective upon enactment.

MHDS Levy. The Division eliminates the MHDS property tax levy over a two-year period, with all county levies reduced to no more than $21.14 per capita for FY 2022 and reduced to $0 beginning in FY 2023.

Per Capita State Appropriations. The Bill creates a new Mental Health and Disability Services Regional Supplemental Fund and establishes a General Fund standing appropriation to the Department of Human Services for distribution to the MHDS Regions based on the following per capita amounts:

- $15.86 for FY 2022.
- $38.00 for FY 2023.
- $40.00 for FY 2024.
- $42.00 for FY 2025.
- Beginning in FY 2026 and beyond, the previous year's appropriation is multiplied by a growth factor indexed to sales tax growth for the preceding fiscal year, not to exceed 1.5%.

Fund Balances. The Bill amends provisions related to county fund balances by requiring all county fund balances to be pooled by the MHDS Region. Regional fund balances are limited to 40.0% of the preceding fiscal year's actual expenditures beginning in FY 2022. In FY 2023, fund balances are limited to 20.0%, and in FY 2024 and beyond, fund balances are limited to 5.0%.

Beginning in FY 2022, State per capita appropriations to an MHDS Region are reduced if the MHDS Region has a fund balance in excess of the fund balance cap specified above. The reduction does not begin until the second half of the year once fund balances are certified on December 1. The MHDS Regions are also required to pay back any funds received in the first two quarters of the fiscal year if fund balances exceeded the cap. Any funds that are paid back or withheld are distributed to the MHDS Risk Pool.

Polk County. The Bill allows for the transfer of both funds and in-kind services from Broadlawns Hospital to Polk County MHDS for fiscal years 2021 through 2024.

In-Risk Pool. The Bill creates an MHDS Risk Pool in the Property Tax Relief Fund to provide additional funding to the MHDS Regions. The Bill establishes the composition of the Risk Pool Board and the criteria for the Board to distribute funding.

The Bill makes a General Fund appropriation of $10.0 million to the MHDS Risk Pool for FY 2022 and $5.2 million for FY 2023. Beginning in FY 2026, any funds in the Risk Pool will be multiplied by a Risk Pool growth factor, not to exceed 3.5% in a fiscal year, equal to the sales tax growth rate for the preceding fiscal year, minus 1.5%.

Background

The current MHDS system is a regional system managed by the counties with State oversight. Counties finance a portion of the system with a county property tax levy that is capped at a per capita dollar amount for each of the 14 regions, totaling $116.8 million for FY 2021. The State finances the majority of the services provided through the Medicaid Program. For a complete funding history of the MHDS system back to 1995, please see the related ***Issue Review***.

Assumptions

- The FY 2022 MHDS levy will be reduced to $66.7 million in FY 2022 and $0 in FY 2023.
- Based on population trends from 2015 through 2019, population increases are estimated to be 0.3% in 2020 through 2025.
- The MHDS per capita growth rate appropriation is estimated to be 1.5% for FY 2026 through FY 2028.
- It is not possible to estimate funds available in the MHDS Risk Pool beyond what is appropriated by the State in FY 2022 and FY 2023 due to the uncertainty of future county fund balances and amounts counties will be required to send back to the Risk Pool.

Division II — Commercial and Industrial Property Tax Replacement

Description

Beginning in FY 2023, the General Fund standing appropriation for commercial and industrial property tax replacement payment for cities and counties will be phased out in four or six years, depending on how the tax base of the city or county grew relative to the rest of the State since FY 2014. Cities and counties where the tax base grew at a faster rate than the statewide average from FY 2014 through FY 2021 will have the backfill phased out over a four-year period from FY 2023 to FY 2026, while those that grew at a rate less than the statewide average will have the backfill phased out over a six-year period from FY 2023 to FY 2028. School district backfill payments will be eliminated after FY 2022. Taxing authorities that are not schools, cities, or counties will have their backfill payment phased out over six years.

After the change, the reimbursement amount received by each taxing authority that is not a school district will be a percentage of the reimbursement the taxing authority received in FY 2022, with the percentage decreasing until phased out completely for the taxing authority by either FY 2026 or FY 2028.

Background

2013 Iowa Acts, chapter 123 (State and Local Taxation), established a set commercial and industrial taxable value rollback of 90.0000%, a reduction from the 100.000% rollback usually experienced by those property classes. The 2013 Act also established a standing appropriation designed to reimburse local governments for the property tax revenue loss that results from the taxable value reduction. Iowa Code section 441.21A established the standing appropriation for the reimbursement to local governments (backfill) and limits the total amount of the annual appropriation, beginning with FY 2017, to no more than the amount of the appropriation for FY 2016. Since FY 2017, the annual backfill appropriation has been limited to $152.1 million. The revenue that local governments receive from the State for the backfill is treated as property tax for local government finance purposes.

Assumptions

Beginning in FY 2023, State revenue from the commercial and industrial property tax replacement backfill payments will cease beginning in FY 2023 for the following school district levies:

- General fund levy
- Instructional support levy
- Management levy
- Amana library levy
- Voted physical plant and equipment levy (PPEL)
- Regular PPEL
- Public Education and Recreation Levy (PERL)
- Debt service levy

The Department of Management (DOM) estimated the impact of the changes to the commercial and industrial property tax replacement backfill using actual taxable amounts by taxing authority for FY 2014 and FY 2021, along with actual backfill amounts received for FY 2021. **Figure 1** provides the estimated backfill amounts by local government type under current law and under the proposed change as estimated by the DOM. The final line in the table represents both the reduction in local government revenue and the reduction in the State General Fund appropriation for commercial and industrial property tax reimbursement backfill.

Figure 1

Estimated Change to the General Fund Appropriation for Commercial and Industrial Property Tax Replacement

In Millions

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Schools						
Current Law	$ 59.6	$ 59.6	$ 59.6	$ 59.6	$ 59.6	$ 59.6
Proposal	0.0	0.0	0.0	0.0	0.0	0.0
Change	$ -59.6	$ -59.6	$ -59.6	$ -59.6	$ -59.6	$ -59.6
Cities						
Current Law	$ 52.5	$ 52.5	$ 52.5	$ 52.5	$ 52.5	$ 52.5
Proposal	41.2	30.5	20.1	9.4	4.5	0.0
Change	$ -11.3	$ -22.0	$ -32.4	$ -43.1	$ -48.0	$ -52.5
Counties						
Current Law	$ 29.6	$ 29.6	$ 29.6	$ 29.6	$ 29.6	$ 29.6
Proposal	23.4	17.2	11.1	4.9	2.4	0.0
Change	$ -6.2	$ -12.4	$ -18.5	$ -24.7	$ -27.2	$ -29.6
Other Local Governments						
Current Law	$ 10.4	$ 10.4	$ 10.4	$ 10.4	$ 10.4	$ 10.4
Proposal	8.6	6.8	5.1	3.4	1.7	0.0
Change	$ -1.8	$ -3.6	$ -5.3	$ -7.0	$ -8.7	$ -10.4
Total						
Current Law	$ 152.1	$ 152.1	$ 152.1	$ 152.1	$ 152.1	$ 152.1
Proposal	73.2	54.5	36.3	17.7	8.6	0.0
Change	$ -78.9	$ -97.6	$ -115.8	$ -134.4	$ -143.5	$ -152.1

Division III — School Foundation Aid

Description

Beginning in FY 2023, the school foundation aid level increases from 87.5% to 88.4% to offset the revenue from the elimination of the commercial and industrial property tax replacement.

Background

Since FY 1997, the regular program foundation level has been set at 87.5% of the State cost per pupil and is comprised of a uniform levy of $5.40 per $1,000 of taxable valuation statewide and State aid from the General Fund.

Assumptions

- Beginning in FY 2023, the regular program foundation level used for calculating State aid for school districts will increase from 87.5% to 88.4%. This will increase the amount of State aid going to the foundation level and decrease the additional General Fund levy.
- Under current law, the State cost per pupil for FY 2023 and future fiscal years will remain at $7,227.
- The foundation level will increase from $6,324 per pupil in FY 2022 to $6,389 per pupil in FY 2023.
- The property tax replacement payment will remain at $153.

Division IV — Public Education and Recreation Tax Levy

Description

The Division discontinues authorization to levy for the Public Education and Recreation Levy (PERL) Fund, repeals the associated levy, and makes conforming changes. The Division also specifies that the moneys available in the PERL Fund at the end of FY 2024 are to be spent by schools for purposes previously authorized under law.

Background

The PERL is a voter-approved levy of up to $0.135 per $1,000 of taxable valuation used to establish and maintain public recreation places and playgrounds in the public school buildings and grounds of a school district. The PERL revenues are also used to provide public educational and recreational activities within a district's boundaries and for community education under Iowa Code chapters 276 and 300.

Assumptions

- Under the provisions of Division II of this Bill, school districts' State revenue from the commercial and industrial property tax replacement backfill payments for the PERL will cease in FY 2023.
- In FY 2024, 27 school districts will levy property taxes for the PERL at half their previous levy rate; reducing 27 school districts' PERL levy to $0.0675 per $1,000 of taxable valuation.
- Starting in FY 2025, property tax rates for 27 school districts will be reduced by $0.135 per $1,000 of taxable valuation.

Division V — Elderly Property Tax Credit Expansion

Description and Background

The Division expands the existing Homestead Property Tax Credit for Elderly and Disabled to create a homestead adjustment property tax credit to offset increases in property tax levies of homesteads owned by persons who are at least 70 years of age and whose annual household income is not more than 250.0% of federal poverty guidelines published by the U.S. Department of Health and Human Services. The Bill would apply to claims filed on or after January 1, 2022, for assessment years beginning on or after January 1, 2021. The Bill exempts the credit expansion from the provisions of Iowa Code section 25B.7(1) (State requirement to fully fund changes to property tax credits).

Assumptions

- The average assessed value of an eligible homestead is assumed to be $127,500 for AY 2020/FY 2022, and the average is assumed to increase 2.0% per year.
- The FY 2020 residential rollback is 56.4094%, and this rollback percentage is used for all projection years.
- The statewide average residential property tax rate for FY 2021 is $34.44 per $1,000 of taxed value, and this rate is used for all projection years.
- The combination of the first three assumptions results in a projected property tax increase of about $50 per year for the average eligible homestead.
- The Department of Revenue estimates that the number of homesteads owned by persons aged 70 or over with household income of less than 250.0% of the federal poverty level is 106,220 for FY 2022. The LSA estimates that 95.0% of eligible homestead owners will apply for the property tax credit. The LSA further estimates that a number equal to 2.7% of

the FY 2022 estimate of 106,220 (2,868) claims will be received each year from homestead owners turning 70 years of age that year.

- The current elderly property tax credit component has a cost to the State of approximately $4.7 million per year. This estimate assumes that amount will remain constant in future years, and further assumes that 85.0% of the credit calculation for the proposed expansion represents homestead owners who are eligible under current law ($4.0 million of the $4.7 million).
- Since the Bill makes the expansion of the property tax credit not subject to the requirement that the State fully fund new or expanded property tax credits (Iowa Code section 25B.7(1)), the entire property tax decrease will result in reduced local government property tax revenue. The combination of the above assumptions results in the following local government property tax revenue reductions for the first seven years of the new credit:
  - FY 2023 = $1.1 million
  - FY 2024 = $6.2 million
  - FY 2025 = $11.8 million
  - FY 2026 = $17.5 million
  - FY 2027 = $23.5 million
  - FY 2028 = $29.7 million
  - FY 2029 = $36.2 million
- The projected local government revenue reduction is projected to continue to increase until the Iowa population of homeowners aged 70 and over begins to decrease.

Division VI — Future Tax Changes (Income Tax Triggers)

Description

The Division strikes 2018 Iowa Acts, chapter 1161, section 133 (contingent income tax system trigger requirements), and replaces the section with an unqualified effective date of January 1, 2023.

Background

2018 Iowa Acts, chapter 1161, Division IX, made future changes to how Iowa individual income tax liability is calculated. The effective date of Division IX of the 2018 legislation is contingent upon Iowa General Fund revenue reaching two revenue targets, or triggers, at the conclusion of a fiscal year. The two triggers are:

- Actual General Fund net revenue for the fiscal year equals or exceeds $8,314,600,000.
- Actual General Fund net revenue for the fiscal year equals or exceeds 104.0% of the actual General Fund net revenue for the previous fiscal year.

Under the provisions of section 133 of the 2018 legislation, the first year that the two targets may be met is FY 2022, and the first year that the changes in Division IX may become effective is tax year (TY) 2023.

At the March 2021 meeting of the Revenue Estimating Conference (REC), the REC established an FY 2022 General Fund estimate of $8,385.6 million and a growth rate of 3.8% compared to the FY 2021 estimate of $8,078.9 million. The FY 2022 revenue projection is therefore $71.0 million above the dollar trigger but 0.2 percentage points below the required 4.0% growth trigger. The REC projection does not mean that both triggers will not or cannot be met at the conclusion of FY 2022, but it does mean that the triggers are not projected to be met for FY 2022 at this time.

Assumptions

- The first fiscal year both triggers may be met under current law is FY 2022, and if both triggers are met that year, the contingent income tax system becomes effective for TY 2023 and after. However, in March 2021, the REC established a FY 2022 revenue estimate that does not achieve both triggers at the conclusion of that fiscal year. Therefore, this projection assumes FY 2023 will be the first year that both triggers are met and the contingent income tax system will become effective for TY 2024 and after.
- The Department of Revenue utilized the individual income tax micromodel to calculate the tax reduction associated with the change to the contingent income tax system for TY 2023. The fiscal impact was determined by comparing model results of tax liability under current law (existing individual income tax system for TY 2023) versus tax liability under the Bill (contingent income tax system for TY 2023). Although removing the triggers only directly changes the tax system for one year (TY 2023), the change also has a projected impact in TY 2024 as taxpayers adjust for federal tax payments made and refunds received in TY 2024 that relate to TY 2023 and before. The change also has an ongoing impact on income tax brackets, as the brackets are established in the contingent system as specific income levels that are then indexed each tax year after the first implementation year. Implementing the contingent tax system one year earlier will mean that tax brackets are lower by one year's worth of indexing for all future years. The Department model estimates the TY 2023 change will reduce State individual income tax liability by the following amounts:
  - TY 2023 = $297.6 million
  - TY 2024 = $43.7 million
  - TY 2025 and after = $8.0 million per tax year
- The tax year impacts are assumed to be distributed 52.0% to the fiscal year that ends during the tax year through reduced withholding and estimate payments and 48.0% to the succeeding fiscal year through reduced withholding, estimate payments, payments with tax returns, and increased tax refunds.
- The reduction in State income tax liability will reduce the amount raised by the local option income surtax for schools by 3.0% of the State income tax reduction.
- Other changes made within the contingent income tax system (2018 Iowa Acts, chapter 1161, sections 128 through 130) are projected to reduce FY 2024 corporate income tax liability by $17.9 million and bank franchise tax liability by $2.0 million.

Division VII — Charitable Conservation Contribution Tax Credit

Description

The Division repeals the Charitable Conservation Contribution Tax Credit (CCC Credit), effective July 1, 2021, and the repeal applies to conveyances made on or after that date.

Background

The CCC Credit is equal to 50.0% of the fair market value of qualified donated property. The credit is limited to no more than $100,000 per contribution. The amount of the contribution to which the credit applies may not be taken as an Iowa income tax itemized deduction. Any contributed value in excess of the amount to which the credit applies may be taken as an itemized deduction.

To qualify, donated property must be a real property interest in property located in Iowa and must be donated in perpetuity for a conservation purpose to a qualified organization, without conditions. The terms "conservation purpose," "qualified organization," and "qualified real property interest" are as defined in federal Internal Revenue Code (IRC) §170(h). This IRC section establishes the ability of federal taxpayers to deduct the value of conservation property donations from their federal individual income taxes. For purposes of the Charitable Conservation Contribution Tax Credit, donations made to obtain subdivision or building permits do not qualify.

The total amount of tax credits available in a year is not limited. Oversight is a function of Department of Revenue tax return auditing. The tax credit is not refundable or transferable, but any unused portion may be carried forward for up to 20 tax years.

Assumptions

Charitable Conservation Contribution Tax Credit

- The CCC Credit earned by taxpayers averaged $1.5 million for calendar year (CY) 2016 through CY 2018, and that amount is assumed for each future calendar year under current law.
- Under the Bill, the CCC Credit will not be available after June 30, 2021. It is assumed that this change will reduce CY 2021 CCC Credits to $750,000 and to $0 for future calendar years.
- The CCC Credit is not refundable, but unused credits may be carried forward for up to 20 additional tax years. The redemption pattern for CCC Credits is assumed to be as follows:
  - Year of contribution = 15.0%
  - Second year = 15.0%
  - Third and fourth year (each) = 11.0%
  - Fifth through twelfth year (each) = 6.0%
- Based on the assumed redemption pattern, the fiscal impact of eliminating the CCC Credit reaches its full annual impact of positive $1.5 million in FY 2034.

Division VIII — Forest and Fruit Tree Reservations

Description

The Division adds restrictions to the existing property tax exemptions for forest and fruit tree reservations. The Division is effective upon enactment.

Background

Iowa Code chapter 427C provides a property tax exemption for land that qualifies as a forest or fruit tree reservation. For assessment year (AY) 2020, there was a statewide total of 802,547 acres benefiting from the exemption, with a combined assessed value of $733.0 million. The total value (property tax reduction) of the exemption to landowners is projected to be $15.1 million for FY 2022 (**Figure 2**).

Figure 2

Forest and Fruit Tree Reservation Property Tax Exemption

Dollars in Millions

	Assessed Value	Rollback	Taxable Value	Average Tax Rate	Value of Prop. Tax Exemption
Agricultural	$ 448.0	84.0305%	$ 376.5	$ 25.03	$ 9.4
Residential	273.1	56.4094%	154.1	34.44	5.3
Commercial	10.1	90.0000%	9.1	37.21	0.3
Industrial	0.6	90.0000%	0.5	31.24	0.0
Multiresidential	1.2	67.5000%	0.8	37.84	0.0
Total All Classes	$ 733.0		$ 541.0	$ 27.94	$ 15.1

Note: Numbers may not sum due to rounding.

Assumptions

- Based on AY 2020 enrolled acres and property tax rollback percentages and using FY 2021 statewide average property tax rates by property class, the value of the Forest and Fruit Tree Reservation Property Tax Exemption to landowners is approximately $15.1 million. Of the $15.1 million annual amount, $2.9 million represents increased State General Fund appropriated dollars through the school aid formula and $12.2 million represents forgone local government property tax revenue.
- Statewide, 802,547 acres are enrolled in the Forest and Fruit Tree Reservation Property Tax Exemption for FY 2022. The average acre of reservation property benefits property owners through a property tax reduction of $18.83 per year. The per-acre average varies widely depending on the class of property involved in the exemption. Over 90.0% of the exempt acres are classified as agricultural, and the average tax benefit for agricultural acres is $12.95 per acre per year. For the remaining classes of property, the annual benefit averages $76.09 per acre per year. The large difference is due to the higher value per acre and higher average property tax rates associated with property that is not classified as agricultural.
- The changes in the Bill are projected to reduce the number of acres that qualify for the forest reservation component of the exemption. The three provisions of the Bill that are expected to reduce the number of acres that qualify are:
  - A new requirement that the owner of a forest reservation must be actively engaged in the operation or management of the forest reservation.
  - A new requirement, retroactive to applications filed for the exemption on or after February 1, 2021, that the Department of Natural Resources (DNR) must review every application for forest reservation status and may conduct an on-site review of the property. The Bill also adds permissive language allowing the DNR to inspect each forest reservation property annually to determine whether the property is maintained as a forest reservation.
  - A new requirement that all owners of existing forest reservations must complete new applications for the exemption by February 1, 2022. If the application is approved, the property tax exemption is allowed for five years as long as the reservation and owner participation requirements are met. Upon expiration of the five-year period, the owner may reapply for an additional five-year exemption. The five-year limitation and reapplication requirements also apply to new applications for the property tax exemption.

- The reductions associated with the three new requirements outlined above are projected to reduce the number of acres enrolled in forest and fruit tree reservations by the following two factors:
  - For AY 2022/FY 2024, a projected reduction of 6.0%, which is the result of the new requirement that the property owner must be actively engaged in a forest reservation.
  - For AY 2023/FY 2025 through AY 2027/FY 2029, an additional reduction of 1.0% per year, which is the result of the enhanced review and inspection requirements for forest reservations.
- The reductions in the number of enrolled acres will reduce the State General Fund appropriation for school aid by $5.40 per $1,000 of value that is no longer tax exempt. The remaining property tax increase will result in increased local government property tax revenue. The property tax increase and State and local government finance implications are estimated in **Figure 3**.

Figure 3

Projected Property Tax Reduction and Government Impact
In Millions

	Property Tax Increase	State Aid Gen. Fund Appropriation Decrease	Prop. Tax Revenue Increase
FY 2024	$ 0.9	$ -0.2	$ 0.7
FY 2025	1.1	-0.2	0.9
FY 2026	1.2	-0.2	1.0
FY 2027	1.4	-0.3	1.1
FY 2028	1.5	-0.3	1.2
FY 2029	1.6	-0.3	1.3

Division IX — Transit Funding

Description

The Division creates a local option transit hotel and motel tax that may be imposed by a city or a Regional Transit District. The tax may be imposed through an election, and the maximum tax rate allowed is 5.0%. In instances where a property tax levy is currently imposed to fund public transit, the revenue raised by the local option tax is to be used to replace property tax revenue and reduce the existing property tax transit rate.

Background

There is currently one Regional Transit Authority District in Iowa and a property tax levy is imposed in varying rates within 12 cities and a portion of the unincorporated area of Polk County. For FY 2021, the levies raised $22.5 million for public transit. For areas within a Tax Increment Financing (TIF) increment, the levies raised an additional $2.6 million that was diverted to finance TIF debt. Across all property subject to the transit levy, the average FY 2021 transit property tax rate was $0.77 per $1,000 of taxed value. The taxes paid equaled 1.9% of total property tax paid on property subject to the transit levies.

The 12 cities and the unincorporated areas of Polk County all currently impose a local option hotel and motel tax at a rate of 7.0%. As a group, these local governments raised $18.2 million in FY 2019. If all areas were to impose a local option transit hotel and motel tax, the tax rate would be 12.0% and the amount raised would be approximately $13.0 million, enough to supplant roughly 60.0% of the property tax funding for public transit. If a tax were initiated by vote in all localities currently subject to the transit levies at a rate of 5.0%, the Bill would:

- Raise annual local option hotel and motel tax revenue by up to $13.0 million.
- Reduce annual Regional Transit Authority District property tax revenue by $13.0 million.
- Reduce annual TIF revenue by $1.6 million.

Division IX has no direct fiscal impact as it requires an affirmative local vote before the new tax could be implemented.

Summary of Fiscal Impact — General Fund

Various provisions of the Bill impact State General Fund appropriations and revenues. **Figure 4** provides the projected net State General Fund fiscal impact of the various provisions of the Bill.

Figure 4

General Fund Estimated Fiscal Impact by Provision

In Millions

Division	General Fund Appropriations	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
I	MHDS Per Capita Appropriation	$ 50.0	$ 125.4	$ 126.9	$ 133.7	$ 136.0	$ 138.4	$ 140.9
I	MHDS Risk Pool Appropriation	10.0	5.1	0.0	0.0	0.0	0.0	0.0
II	Property Tax Replacement Phaseout	0.0	-78.9	-97.6	-115.8	-134.4	-143.5	-152.1
III	School Foundation Appropriation	0.0	65.4	60.2	60.3	60.0	60.0	60.0
VIII	Forest Reservations	0.0	0.0	-0.2	-0.2	-0.2	-0.3	-0.3
	Total General Fund Appropriations	$ 60.0	$ 117.0	$ 89.3	$ 78.0	$ 61.4	$ 54.6	$ 48.5
Division	Revenue Changes							
VI	Income Tax Triggers (Ind. Income Tax)	$ 0.0	$ -154.6	$ -160.2	$ -30.1	$ -8.4	$ -8.4	$ -8.4
VI	Income Tax Triggers (Bank and Corp. Tax)	0.0	0.0	-19.9	0.0	0.0	0.0	0.0
VII	Charitable Cons. Contribution Tax Credit	0.1	0.3	0.5	0.7	0.8	0.9	1.0
	Total	$ 0.1	$ -154.3	$ -179.6	$ -29.4	$ -7.6	$ -7.5	$ -7.4
Total Net General Fund Change		$ -59.9	$ -271.3	$ -268.9	$ -107.4	$ -69.0	$ -62.1	$ -55.9

The General Fund revenue reduction associated with the repeal of the triggers will continue past FY 2027 at a similar level to FY 2027. The trigger repeal is also projected to reduce the revenue raised by the local option income surtax for schools by a total of $10.8 million over the five fiscal years.

Summary of Fiscal Impact — School District General Fund and Discretionary Funds

Figure 5 provides the estimated revenue loss to school district general fund and discretionary funds from discontinuation of the State commercial and industrial property tax replacement backfill payments.

Figure 5

Estimated General Fund Reduction to School District Levies

In Millions

School District Fund	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
School District General Fund	$ 0.0	$ -41.8	$ -41.8	$ -41.8	$ -41.8	$ -41.8	$ -41.8
Instructional Support	0.0	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6
Management	0.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
Amana Library	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Voted PPEL	0.0	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8
Regular PPEL	0.0	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3
PERL	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Debt Service	0.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0
Total General Fund Reduction	$ 0.0	$ -59.7	$ -59.7	$ -59.7	$ -59.7	$ -59.7	$ -59.7

Note: Numbers may not sum due to rounding.

Summary of Fiscal Impact — Local Government (Property Tax and Replacement Revenues)

Three provisions of the Bill are projected to impact the property tax and replacement revenues received by local governments. The provisions are summarized in **Figure 6**.

Figure 6

Local Government Property Tax and Replacement Revenue Impact
In Millions

Division	Provision	FY 2022	FY 2023	FY 2024	FY 2025	FY 2025	FY 2027	FY 2028
II	Property Tax Replacement Nonschool	$ 0.0	$ -19.3	$ -38.0	$ -56.2	$ -74.8	$ -83.9	$ -92.5
II	Property Tax Replacement Schools	0.0	-59.7	-59.7	-59.7	-59.7	-59.7	-59.7
V	Elderly Property Tax Credit	0.0	-1.1	-6.2	-11.8	-17.5	-23.5	-29.7
VIII	Forest Reservations	0.0	0.0	0.7	0.9	1.0	1.1	1.2
	Total Prop. Tax and Replacement Change	$ 0.0	$ -80.1	$ -103.2	$ -126.8	$ -151.0	$ -166.0	$ -180.7

Figure 7 provides the estimated reduction in property taxes by division.

Figure 7

Estimated Property Tax Reductions by Division
In Millions

Division	Property Tax Reductions	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
I	MHDS Levy*	$ -50.0	$ -117.0	$ -117.2	$ -117.4	$ -117.6
III	School District General Fund	-0.0	-19.3	-23.0	-23.1	-22.8
IV	PERL	0.0	0.0	-2.0	-4.1	-4.2
	Total Property Tax Reductions	$ -50.0	$ -136.3	$ -142.2	$ -144.6	$ -144.6

*Reduction estimate is compared to the maximum allow able levy and is more than w hat counties actually levied in FY 2021.

Administrative Issues

- The addition of an additional component of the Homestead Property Tax Credit for homestead owners who are aged 70 and over and who have household incomes below 250.0% of the federal poverty level will increase administration costs for the Department of Revenue and local assessors and other local offices. The administrative expenses include the development and modification of tax administration procedures, software, and property tax information systems available to the public.
- Elimination of the Charitable Conservation Contribution Tax Credit will result in a modest reduction in Department of Revenue tax credit audit activities.
- The changes to the Forest and Fruit Tree Reservation Property Tax Exemption Program would add new administrative approval, review, and inspection duties to be completed by the DNR and county officials.

Sources

Department of Management
Department of Revenue
LSA calculations

/s/ Holly M. Lyons

April 12, 2021

Doc ID 1218726218726

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.