



[HF 2082](#) – Tax Increment Financing Districts, Wind Turbines (LSB5368HV)
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Fiscal Note Version – New

Description

[House File 2082](#) places a restriction on the calculated amount of Tax Increment Financing (TIF) incremental revenue generated from a wind energy conversion property (wind turbines) within a portion of an Urban Renewal Area if the wind energy conversion property is subject to the special property value assessment procedure available in Iowa Code section [427B.26](#). The limitation removes the amount generated by the \$5.40 per \$1,000 of assessed value basic school levy from available incremental revenue. The change is effective for TIF property taxes collected for FY 2024 and after.

Background

Unless a given property is exempted or abated under law, all taxable property in Iowa is subject to a \$5.40 basic levy for school finance. In most instances, the revenue generated through the basic levy goes to the local school district.

However, in the case of TIF incremental value, revenue derived through the basic levy instead goes to the taxing authority that created the TIF, usually a city or a county. Through the action of the State school aid formula, this diversion of basic levy revenue from the local school district to the TIF authority causes a dollar-for-dollar increase in the school's annual allocation of State General Fund dollars. This increase in the State allocation is commonly referred to as a backfill.

Iowa Code section 427B.26 allows a city council or a county board of supervisors to grant a reduced property value to wind energy conversion property. This special process values the property for tax purposes on the property's net acquisition cost instead of the ordinary basis of market value. Once approved by the council/board, wind energy conversion property taxed value is equal to zero percent of net acquisition cost for the first year of taxation. Taxed value increases annually by five percentage points of net acquisition cost for years two through seven, and the property is taxed at 30.0% for year seven and after. If a city or county repeals the original ordinance, the special valuation process ends after 20 years.

Assumptions

- Wind energy conversion property that is benefiting from the special property valuation provisions of Iowa Code section 427B.26 is classified as industrial property and is located almost exclusively in rural (unincorporated) areas of the State.
- For FY 2022, the total statewide Iowa taxed value of industrial property in rural areas was \$4,968.1 million. Of this amount, \$1,572.9 million (31.7%) of the taxed value was located in TIF increment areas.
- A review of the rural Urban Renewal Areas indicates that at least 18 counties have TIF increment areas that contain wind energy conversion property and the total taxed value of the property for FY 2022 within the increment areas is \$1,059.3 million. The increments are budgeted to generate a total of \$22.8 million in increment revenue for the counties, and \$5.7 million (25.0%) of that is generated through the \$5.40 basic levy.

- Property value records indicate that additional wind energy conversion area TIFs will begin to generate TIF increment revenue in future fiscal years.
- In large part, the counties utilize the TIF increment revenue derived from wind energy conversion property to repay borrowed moneys, the proceeds of which were used to build, maintain, and repair county roads and bridges. Annual TIF reports filed by counties indicate that the debt is, for the most part, in the form of General Obligation Bonds and/or TIF Special Revenue Bonds. Remaining bond payment schedules vary by county.

Fiscal Impact

Removing revenue generated through the \$5.40 basic levy from the calculation of TIF increment revenue amounts available to counties will reduce the State General Fund appropriation to school districts by at least \$5.7 million for FY 2024 and will reduce TIF increment revenue available to counties by the same amount. The appropriation and county revenue reductions are expected to increase in years after FY 2024.

School district finance will not be directly impacted because school budgets will receive the moneys generated by the \$5.40 basic levy to offset the reduction in annual State school aid payments.

Whether the removal of the TIF revenue derived from the \$5.40 levy negatively impacts the repayment of existing county bonds will depend on the financial situation of each impacted county.

Sources

Department of Management, FY 2022 property tax value and rate files
FY 2021 annual TIF reports
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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