Fiscal Note

Fiscal Services Division

HF 2705 – Individual Income Tax, Reduction (LSB6382HV)

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Fiscal Note Version – New

Description

House File 2705 has nine divisions and modifies the individual and alternate income tax rates, withholding credits, franchise tax deductions, and property tax procedures; changes methods of determining compensation of county officials, makes contingent transfers from the Taxpayer Relief Fund (TRF); and makes corrections to the Iowa Code. The Bill has retroactive provisions.

Division I — Individual and Alternate Income Tax Rates in Tax Year 2025

Description and Background

Division I of the Bill decreases individual income tax rates beginning in tax year (TY) 2025. Division I makes the following changes:

- Eliminates the bracketed individual income tax rates that go into effect in TY 2025 and establishes flat individual income tax rates of 3.8% for tax years beginning on or after January 1, 2025. Currently, a flat individual income tax rate of 3.9% is scheduled to go into effect beginning in TY 2026.
- Eliminates references to calculating the latest cumulative inflation factors in Iowa Code chapter 422 due to removing income tax brackets.
- Decreases the future alternate income tax rate from 4.4% to 4.3% beginning in tax years on or after January 1, 2025.
- Requires the rate of withholding for tax years beginning on or after January 1, 2025, to not be higher than the tax rate in effect for the applicable tax year.

Division I is effective January 1, 2025, and applies to tax years beginning on or after January 1, 2025.

Current individual income tax rates for TY 2024, TY 2025, and for tax years beginning January 1, 2026, were set in 2022 Iowa Acts, House File 2317 (Income Tax Rate Reduction and Exemptions Act). **Figure 1** details current and proposed tax rates for single filers in the Bill by TY, while **Figure 2** details current and proposed tax rates for married filers by TY.

Figure 1 — Individual Income Tax Rates (Single Filer)

Income — Single Filer	Current Law			HF 2705	
	TY 2024	TY 2025	TY 2026+	TY 2024	TY 2025+
$0 to $6,210	4.40%	4.40%	3.90%	4.40%	3.80%
$6,210 to $31,050	4.82%	4.82%		4.82%	
$31,050+	5.70%			5.70%	

Figure 2 — Individual Income Tax Rates (Married Filers)

Income — Married Filers	Current Law			HF 2705	
	TY 2024	TY 2025	TY 2026+	TY 2024	TY 2025+
$0 to $12,420	4.40%	4.40%	3.90%	4.40%	3.80%
$12,420 to $62,100	4.82%	4.82%		4.82%	
$62,100+	5.70%			5.70%	

Assumptions/Fiscal Impact (Division I)

- The tax reduction estimate is based on income tax returns filed for TY 2022 and is time-adjusted for previously enacted State and federal law changes, as well as personal income and population changes that are projected to occur after the 2022 base tax year.
- Temporary federal law changes under the Tax Cut and Jobs Act of 2017 are assumed to expire after TY 2025. The Iowa individual income tax revisions under 2018 Iowa Acts, Senate File 2417 (Income and Sales Tax Modification Act), and 2022 Iowa Acts, House File, 2317, are incorporated as current law for applicable years.
- Iowa withholding decreases would begin in January 2025, affecting FY 2025 revenue; however, the majority impact of TY 2025 income tax rate decreases would be realized in FY 2026.
- Tax year results are converted to fiscal year estimates using historical relationships between income tax withholding, estimate payments, tax refunds, and payments with filed tax returns.
- The income surtax for schools is a local option tax that is based on a taxpayer's Iowa income tax liability. Law changes that lower Iowa income tax liability also lower the amount of income surtax owed by any taxpayer subject to the surtax. For this projection, the surtax is assumed to equal 2.5% of State individual income tax liability.

The individual income tax rate changes in HF 2705 are projected to decrease net individual income tax liability and State General Fund revenue by the following amounts:

- FY 2025 = $328.2 million
- FY 2026 = $605.3 million
- FY 2027 = $97.0 million
- FY 2028 = $96.8 million
- FY 2029 = $99.5 million
- FY 2030 = $102.4 million

The decrease in tax liability is also projected to decrease the statewide local option income surtax for schools by the following amounts:

- FY 2025 = $8.1 million
- FY 2026 = $15.0 million
- FY 2027 = $2.4 million
- FY 2028 = $2.4 million

- FY 2029 = $2.5 million
- FY 2030 = $2.5 million

Division II — Targeted Jobs Withholding Credit

Description and Background

Division II of the Bill makes changes to the Targeted Jobs Withholding Tax Credit. Division II makes the following changes:

- Increases the investment necessary for a business to qualify for the credit from $500,000 to $1.0 million.
- Extends the ability of the Iowa Economic Development Authority (IEDA) to enter into a targeted jobs withholding agreement by three years, from June 30, 2024, to June 30, 2027.
- Changes the annual compliance reporting to the IEDA about the targeted jobs withholding agreement from the pilot project city to the employer.

The Targeted Jobs Withholding Tax Credit was created in 2006 as an economic incentive tool available in a small number of cities for a limited time. The availability of the credit has been extended several times. The incentive tool is funded through individual income tax withholding. Instead of remitting income tax withholding from certain employees to the State General Fund, the employer forwards the withholding tax to the city to finance a project related to the employer pursuant to an agreement between the employer and the pilot project city. Under current law, the authority for employers and pilot project cities to enter into new agreements expires June 30, 2024.

Assumptions/Fiscal Impact (Division II)

- Based on historical award data, it is estimated that $4.0 million will be awarded each year for FY 2025 through FY 2027.
- Based on historical claim data, the credit redemption pattern, in the form of retained withholding tax from employee paychecks, will be:
  - First fiscal year = 3.0%
  - Second fiscal year = 5.0%
  - Third through eleventh fiscal year = 8.0% per year
  - Awarded credits that are never redeemed = 20.0%

Extending the Targeted Jobs Withholding Pilot Project by three additional years is projected to reduce General Fund revenue by the following amounts:

- FY 2025 = $120,000
- FY 2026 = $320,000
- FY 2027 = $640,000
- FY 2028 = $840,000
- FY 2029 = $960,000
- FY 2030 = $960,000

Division III — Franchise Tax — Investment Subsidiaries

Description and Background

Division III of the Bill:

- Allows the deduction of expenses allocable to investment in an investment subsidiary for purposes of the franchise tax.
- Allows a financial institution with an investment subsidiary to elect to include the income and expenses of the investment subsidiary on a franchise tax return.
- Requires the inclusion of income and expenses of the investment subsidiary on all subsequent franchise tax returns as long as the investment subsidiary remains a subsidiary of the financial institution.
- Specifies if the financial institution requests the filing of separate returns and the director of the Iowa Department of Revenue (IDR) determines separate returns will more clearly disclose the taxable income, the financial institution may file a separate return from the investment subsidiary.

Division III of the Bill is effective for tax years beginning on or after January 1, 2025.

The deduction of expenses allocable to investment in a subsidiary was previously eliminated in 1995 Iowa Acts, chapter 193 (Franchise Tax on Financial Institutions Act), which required financial institutions to pay the franchise tax when depositing certain kinds of investments in subsidiary corporations.

Assumptions/Fiscal Impact (Division III)

- The Bill is not expected to have an impact on banks as use of investment subsidiaries is optional.
- Any fiscal estimate is dependent on the extent to which banks choose to open investment subsidiaries to elect the deduction associated with investment in subsidiaries for purposes of reducing the franchise tax.
- The IDR cannot estimate the fiscal impact of Division III due to a lack of information but believes Division III may result in either less or more franchise tax revenue to the General Fund, dependent on taxpayer actions that cannot be predicted.
- The estimated fiscal impact from 1995 Iowa Acts, chapter 193, was a gain in tax revenue of approximately $8.0 million annually to the General Fund.
- TY 2025 franchise tax revenue is expected to affect FY 2026 revenue.

The fiscal impact of Division III of the Bill cannot be determined due to a lack of information.

Division IV — Property Tax Procedures

Description and Background

Division IV makes the following modifications to property tax procedures and statements found in Iowa Code section 24.2A:

- Changes the deadline for political subdivisions to file reports with the Department of Management (DOM) from March 15 to 4:00 p.m. on March 5 containing all necessary information for the DOM to compile and calculate amounts required to be included in the statements sent out to property tax owners and taxpayers in that subdivision. If a city or county fails to meet the deadline, that city's or county's tax levy is limited to the previous year's budget amount.
- Changes the deadline for county auditors to send an individual statement containing information relating to property taxes from March 20 to March 15.

- Changes the property tax statements example property on the statement from an assessed value of $100,000 to $300,000 in assessed value for residential and commercial properties. This change applies to all fiscal years on or after July 1, 2025. The bill also changes the amount used for residential and commercial property in the budget year to 110.0% of the value of the property used as the current fiscal year example.
- On or after July 1, 2024, statements must include a percent change in property taxes owed from the current fiscal year example to the budgeted year example.
- Requires that all statements include a link to the DOM's Internet site. This requirement is retroactive to January 1, 2024.

Division IV amends requirements related to public hearings for political subdivision's proposed property tax amount found in Iowa Code section 24.2A.

Division IV repeals the 1848 Iowa Acts, First Extraordinary Session, chapter 52, which required Lee County to maintain a district court at Fort Madison and the city of Keokuk. The Act also required the clerk of district court and the sheriff of Lee County to keep offices at both Fort Madison and the city of Keokuk.

Division IV allows a city to levy at a rate not to exceed $8.10 per $1,000 of assessed valuation for its general fund levy if the city's actual levy rate for the current fiscal year is $0 per $1,000 of value and the total assessed value used to calculate taxes for that budget year exceeds 102.75%. This provision is effective upon enactment.

Counties may collect taxes for a fiscal year for which no budget has been certified for the county, but the Bill prohibits the county from distributing any funds collected until the county certifies its budget and transmits the certified budget to the county auditor. Division IV allows the DOM to make exemptions to this requirement on a case-by-case basis.

A municipality with a population equal to or greater than 15,000 using tax increment financing for purposes of public improvements related to housing is limited to tax collection of a maximum of 10 fiscal years. The Bill allows a municipality of any size to extend its urban renewal area tax collections for three additional years if the project for which revenue is being divided was established prior to January 1, 2018, to adequately fund the project. All governing bodies of the taxing district affected must approve the extension, and this provision of this Bill takes effect upon enactment.

Division IV requires that the county recorder, county treasurer, county assessor, city assessor, or other government body maintain confidentially the names, addresses, and dates of birth of persons receiving the 65+ homestead tax exemption.

Taxing district assessors are required to report to the county auditor, in a manner that is compatible with the county auditor's software, the valuations and revaluations in their taxing district as instructed by the DOM.

2023 Iowa Acts, chapter 71, requires the director of the DOM to annually prepare and file a report by December 1 with the General Assembly. Division IV changes the county and city bond issuance reporting deadline for the DOM from December 1 to no later than January 1.

Assumptions/Fiscal Impacts (Division IV)

DOM

The fiscal impact to the Department of Management will be approximately $20,000 for technology changes and updates to the existing software system. The expenses would be paid for out of existing Rebuild Iowa Infrastructure Fund/Technology Reinvestment Fund (RIIF/TRF) funding for the local government systems appropriation to the Department of Management.

Lee County District Court and Sheriff Offices

The closure of the City of Keokuk clerk of district court and the sheriff of Lee County offices may generate local savings. The LSA is unable to estimate the local impact.

City Levy Rates

2023 Iowa Acts, House File 718, restricted cities that received zero property taxes and had a $0.0 tax rate from levying rate increase unless the cities assessed value grew less than 3.0% in terms of taxable value. Cities that grew more than 3.0% would not be allowed to tax real property in FY 2025.

In FY 2024, there were seven cities that would be prevented from raising their rates in FY 2025. Of those cities, four incurred taxable growth in excess of 3.0% and would be eligible to increase rates and collect property taxes in FY 2025 under this Division. This Bill would generate an additional $145,000 in statewide property tax revenue. Cities affected include:

- Bagley — Increased FY 2025 taxable property growth by 5.8%, which generates $34,000 in additional revenues.
- Pleasanton — Increased FY 2025 taxable property growth by 10.6%, which generates $5,000 in additional revenues.
- Sageville — Increased FY 2025 taxable property growth by 16.8%, which generates $83,000 in additional revenues.
- Zwingle — Increased FY 2025 taxable property growth by 11.1%, which generates $23,000 in additional revenues.

Tax Increment Financing (TIF)

The FY 2023 Annual Urban Renewal Report identified a total of 84 low- and moderate-income housing-related projects. Of those projects, 53 were created prior to January 1, 2018, with a total balance of $11.3 million. It is unknown how many of these TIFs may utilize this program, and the impact on local property taxes cannot be estimated.

Division V — Compensation of Elected County Officials

Description and Background

Division V of the Bill does the following:

- Requires a majority vote from a board of county supervisors to change the compensation schedule of elected county officials if a compensation board does not exist.
- Allows a board of county supervisors to dissolve or create a county compensation board upon a majority vote of the members of the board and requires the board of supervisors to annually prepare and review a compensation schedule if a compensation board does not exist.
- Requires the salary of a county sheriff to be comparable to salaries paid to professional law enforcement administrators and command officers of the State Patrol, the Division of Criminal Investigation of the Department of Public Safety (DPS), and city police chiefs in cities of a similar population to the population of the county.

- Requires a county compensation board to provide documentation to the board of supervisors demonstrating how the compensation board determined its recommended compensation schedule.
- Allows a board of supervisors to set compensation of a position at less than compensation provided in the current compensation schedule if the position is reduced to part-time.

Fiscal Impact

Division V is not expected to have a fiscal impact.

Division VI — County and City Tax Levy Rate Adjustments

Description and Background

Division VI makes changes to the limits on county and city property taxes rates established in 2023 Iowa Acts, House File 718 (Property Tax, Assessments, and Bond Elections Act). House File 718 consolidated property tax rates for limits to allow rate adjustment by the growth of that local taxing districts property assessments into a new combined general fund levy (CGFL rate).

Current Law Under HF 718

House File 718 made the following county changes, which are impacted by Division VI:

- Consolidates several county functions that were previously financed through a combination of general county services, rural county services, and additions to general/rural county services levies. The consolidation first occurs for FY 2025.
- Creates additional limits on the maximum allowed general and rural county services tax rates. The new limits apply to FY 2025 through FY 2028 and will be specific to each county.
- Establishes maximum general county and rural county services rates for FY 2029 and after that will apply to all counties. The maximum rates for FY 2029 and after are $3.50 for general county services and $3.95 for rural county services.
- The new county-specific general services tax rate limits for FY 2025 are based on rates in place for FY 2024, including the consolidation within the general or rural services levies of any levies utilized by the county during FY 2024. For four fiscal years (FY 2025 through FY 2028), maximum county-specific tax rates are based on growth in county taxed value and county tax rates. For FY 2025 though FY 2028, the application of new county general service levy limits will fall into one of three categories depending on the situation in each county each year:
    - **Category 1** — Counties with general services tax base growth that exceeds 3.00% but is less than 6.00%: A county in this category will have its maximum property tax dollars reduced by 2.00 percentage points for the budget year through a reduction in the maximum tax rate.
    - **Category 2** — Counties with general services tax base growth that equals or exceeds 6.00%: A county in this category will have its maximum property tax dollars reduced by 3.00 percentage points for the budget year through a reduction in the maximum tax rate.
    - **Category 3** — Counties with general services budget year tax base growth of 3.00% or less: Counties in this category will be able to utilize all growth in the property tax base, and if the county's current-year rate is below $3.50, the county may raise the budget year general services rate to $3.50.
- Rural county services tax rates are limited in the same manner as discussed above, but the limit is based on the rate of growth in a county's rural tax base and the current year's rural county services tax rate, with references to the $3.50 tax rate changed to $3.95.

House File 718 made the following city changes, which are impacted by Division VI:

- Consolidates authority for the city general fund ($8.10) levy, 16 of 21 additions to the city general fund levy (Iowa Code section [384.12](#)), the emergency levy (Iowa Code section [384.8](#)), and any levy increases that are the result of the suspension of statutory levy limits approved by the State Appeals Board under Iowa Code section [24.48](#). Separate authority for the emergency levy was stricken, and the 16 levy purposes are removed from the list of additions to the city basic levy in Iowa Code section 384.12. In addition, the State Appeals Board is allowed to approve the suspension of a city statutory levy limit only in the event of a natural disaster, unusual problems related to major new functions required by State law, or an unusual need for a new program that will provide substantial benefits to county residents.
- Creates additional limits on the maximum allowed city general fund tax rate.
- Creates new city-specific general fund tax rate limits for FY 2025 that are based on FY 2024 rates, and for FY 2025 through FY 2028, city-specific tax rates are based on growth in city taxed value and the previous year's city tax rate. For FY 2025 through FY 2028, the application of new city general fund rate limits will fall into one of three categories depending on the situation in each city:
  - **Category 1** — Cities with tax base growth that exceeds 3.00% but is less than 6.00%: A city in this category will have its maximum property tax dollars reduced by 2.00 percentage points for the budget year through a reduction in the maximum tax rate.
  - **Category 2** — Cities with tax base growth that equals or exceeds 6.00%: A city in this category will have its maximum property tax dollars reduced by 3.00 percentage points for the budget year through a reduction in the maximum tax rate.
  - **Category 3 —** Cities with budget year tax base growth of 3.00% or less: A city in this category will be able to utilize all growth in the property tax base, and if the city's current year rate is below $8.10, the city may also raise the budget year rate to $8.10 per $1,000 of assessed property value.
- For FY 2029 and after, the maximum city general fund tax rate for all cities is limited to $8.10 per $1,000 of assessed value.

Proposed Law Under This Bill

Division VI creates four growth categories, redistributes the allowable base growth, and includes an assessed value reduction for each group. The Bill adjusts the levy rates for cities and counties so cities and counties use the greater of last year's levy rate or the default levy rate based on their growth. The following four categories apply to both the county and city rates:

- **Category 1** — Counties with general services tax base growth that is less than 2.75%. A county in this category will not receive a reduction in the maximum tax rate.
- **Category 2** — Counties with general services tax base growth that equals 2.75% but is less than 4.00%: A county in this category will have its maximum property tax dollars reduced by 1.00 percentage point for the budget year through a reduction in the maximum tax rate.
- **Category 3 —** Counties with general services tax base growth that equals 4.00% but is less than 6.00%: A county in this category will have its maximum property tax dollars reduced by 2.00 percentage points for the budget year through a reduction in the maximum tax rate.
- **Category 4 —** Counties with general services tax base growth that equals or exceeds 6.00%: A county in this category will have its maximum property tax dollars reduced by 3.00 percentage points for the budget year through a reduction in the maximum tax rate.

<u>Assumptions/Fiscal Impact (Division VI)</u>

- The county authority for general services is limited to a maximum of $3.50, and the authority for the rural services levy is limited to a maximum of $3.95 pursuant to Iowa Code section [331.423](#). Properties located in cities are only subject to the general levies, while rural properties are subject to both general and rural levies.
- The city authority for the general fund levy is limited to a maximum of $8.10 per $1,000 of assessed property value. That maximum rate applies to all classes of property, with the

exception of property classified as agricultural. The tax rate that applies to agricultural property is limited to $3.00375 pursuant to Iowa Code section 384.1. City tax levies apply to taxable property located within the boundary limits of the city, although in limited cases, particular classes of property are excluded from the levy.

- FY 2024 had a total county assessed value, with gas and electric, of $202.3 billion, which generated $730.6 million in local tax dollars. FY 2025 has $214.3 billion in assessed property value.
- FY 2024 had a total rural county assessed value, with gas and electric, of $82.7 billion, which generated $264.2 million in local tax dollars. FY 2025 has $86.9 billion in assessed property value.
- FY 2024 had a total city assessed value, with gas and electric, of $119.0 billion, which generated $962.8 million in local tax dollars. FY 2025 has $126.7 billion in assessed property value.

Division VI would increase the local tax dollars collected at the county and city level by $1.43 million in FY 2025 (see **Figure 3** below).

Figure 3

FY 2025 General County, General County Rural, and General City Levy Proposal
in Millions

	FY 2024 Assessed Value	FY 2024 Tax Dollars	FY 2025 Assessed Value
County Tax	$ 202,386.29	$ 730.56	$ 214,295.47
County Rural Tax	82,713.45	264.21	86,929.77
City Tax	118,992.80	962.81	126,662.00
Total Tax	$ 404,092.55	$ 1,957.59	$ 427,887.24

	FY 2025 HF 718 Tax Dollars	FY 2025 HF 2705 Tax Dollars	FY 2025 Difference
County Tax	$ 757.96	$ 758.40	$ 0.44
County Rural Tax	291.20	291.45	0.25
City Tax	1,002.80	1,003.54	0.74
Total Tax	$ 2,051.96	$ 2,053.40	$ 1.43

Note: 2023, Iowa Acts HF 718 reduced property tax rates as described in the Fiscal Note and is current law.

Division VI applies to taxes and budgets for fiscal years beginning on or after July 1, 2025.

Division VII — Public Utility Assessment Limitations

Description and Background

Division VII removes public utility company property operating under Iowa Code chapter 428 and pipeline company property under Iowa Code chapter 438 from the calculation of the assessment limitation. The Bill also reduces the percentage of actual value at which a property is valued by 2.0% each year beginning in assessment year (AY) 2025 over the next 5 years to 90.0% in AY 2029.

Real property is taxed on a percentage of its value as determined through an assessment process. The percentage of assessed value that is subject to taxation is referred to as a rollback. Certain property classes are assigned a static rollback, and other classes have a rollback calculated annually by formula.

This Division lowers the rollback percentage for pipeline property from 100.0% to 90.0% over five years. Decreases in the rollback reduce the taxable value of a class of property and reduce property taxes owed. Through the action of Iowa's school aid formula, decreases in the rollback also increase the annual appropriation from the State General Fund to support local schools.

The changes in Division VII are first effective for FY 2027 property taxes.

Assumptions/Fiscal Impact (Division VII)

Division VII would decrease centrally assessed pipeline and utility property taxable values. The decrease in the property tax base is estimated to be $81.98 million in AY 2025. This Division would decrease local property tax revenues by an estimated $1.62 million in FY 2027.

School Foundation Aid would also increase, and the cost to the State in implementing the school aid formula would increase by $5.40 per $1,000 of the diminished property tax base. The impact to the State General Fund is estimated to increase by $0.44 million beginning in FY 2027 as a result (see **Figure 4** below).

Figure 4

Projected Property Tax Change Under Division VII (FY 2026 — FY 2031)
Dollars in Millions

	AY 2024 FY 2026	AY 2025 FY 2027	AY 2026 FY 2028	AY 2027 FY 2029	AY 2028 FY 2030	AY 2029 FY 2031
Assessed Value of Public Utility Under Current Law	$4,018.67	$4,099.04	$4,181.02	$4,264.65	$4,349.94	$4,436.94
Assessed Value of Public Utility Under Division VII	4,018.67	4,017.06	4,013.78	4,008.77	4,001.94	3,993.24
Total Decrease in Assessed Value	$ -	$ 81.98	$ 167.24	$ 255.88	$ 348.00	$ 443.69
Rollback	100.00%	98.00%	96.00%	94.00%	92.00%	90.00%
General Fund Impact	$ -	$ 0.44	$ 0.90	$ 1.38	$ 1.88	$ 2.40
Local Levy Authority Impact	-	$ 1.62	$ 3.31	$ 5.06	$ 6.89	$ 8.78
Total Revenue Impact	$ -	$ 2.06	$ 4.21	$ 6.44	$ 8.76	$ 11.17

The net of the decrease in State Foundation Aid and the statewide fiscal impact of the Bill on local jurisdictions is estimated to be a decrease of $2.1 million in FY 2027. The fiscal impact is estimated to increase each year until FY 2031 as a result of the assessment limitation downward schedule.

Division VIII — Taxpayer Relief Fund

Description and Background

Division VIII of the Bill:

- If actual net revenue is less than net General Fund appropriations for a fiscal year, 50.0% of the difference between actual net revenue and net General Fund appropriations is transferred from the TRF to the General Fund beginning in FY 2025.
- Removes transfers from the TRF to the General Fund if enacted in Division VIII from calculation of the annual expenditure limitation.

- Repeals current Iowa Code section 8.57E(2), which authorizes a transfer from the TRF to the General Fund if actual net revenue from the General Fund is less than 103.5% of the actual net revenue of the General Fund for the prior fiscal year.

Division VIII of the Bill is repealed July 1, 2029.

The TRF is established in Iowa Code section 8.57E and is required to be used only as appropriations or transfers made by the General Assembly for tax relief or reductions in income tax rates. Pursuant to Iowa Code section 8.55, a transfer is made to the Economic Emergency Fund (EEF), and excess money after the transfer to the EEF is transferred to the TRF based on the difference between the actual net revenue for the General Fund in a fiscal year and the adjusted revenue estimate for the fiscal year. It is estimated that the TRF will have a balance of $3,662.9 million at the close of FY 2024.

Assumptions/Fiscal Impact (Division VIII)

- In TY 2023, net actual revenue to the General Fund equaled $9,845.3 million, while net actual appropriations from the General Fund equaled $8,211.5 million. Under current law and assumptions, revenues are not estimated to fall below appropriations through FY 2029.
- The automatic TRF transfer procedure created in the Bill will not be activated unless a specific State General Fund financial situation occurs in the future. The specific financial conditions required to trigger a transfer are not predictable.

The fiscal impact of Division VIII cannot be estimated due to a lack of information.

Division IX — Corrective Provision

Description and Background

Division IX makes a technical correction to 2024 Iowa Acts, SF 574 (Economic Development Authority, Major Economic Growth Attraction Program Bill).

Assumptions/Fiscal Impact (Division IX)

Division IX is estimated to have no fiscal impact.

Fiscal Impact

The Bill is projected to reduce individual income tax, corporate income tax and franchise tax liability and State General Fund revenue by the amounts in **Figure 5**.

Figure 5 — General Fund Revenue Impact (in Millions)

	Division I 3.8% TY 2025 Income Tax	Division II Targeted Jobs Credit	Division VII Public Utility Assessment	Total General Fund Revenue Change
FY 2025	$ -328.2	$ -0.1	$ 0.0	$ -328.3
FY 2026	-605.3	-0.3	0.0	-605.6
FY 2027	-97.0	-0.6	-0.4	-98.0
FY 2028	-96.8	-0.8	-0.9	-98.5
FY 2029	-99.5	-1.0	-1.4	-101.9
FY 2030	-102.4	-1.0	-1.9	-105.3

The Iowa Department of Management is expected to incur costs totaling $20,000 due to Division IV of the Bill.

The Bill is projected to reduce local government revenue by the amounts in **Figure 6**.

Figure 6 — Local Government Revenue Impact (in Millions)

	Division I 3.8% TY 2025 Income Tax	Division IV Property Tax Procedures	Division VI County/City Tax Levy	Division VII Public Utility Assessment	Total Local Government Revenue Change
FY 2025	$ -8.1	$ 0.1	$ 1.4	$ 0.0	$ -6.5
FY 2026	-15.0	0.1	1.4	0.0	-13.4
FY 2027	-2.4	0.1	1.4	-1.6	-2.4
FY 2028	-2.4	0.1	1.4	-3.3	-4.1
FY 2029	-2.5	0.1	1.4	-5.1	-6.0
FY 2030	-2.5	0.1	1.4	-6.9	-7.8

Sources

Iowa Department of Revenue
Iowa Department of Management
Iowa State Association of Counties
Legislative Services Agency analysis

/s/ Jennifer Acton

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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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