



# Fiscal Note

## Fiscal Services Division



[SF 2472](#) – Property Taxation (LSB5195SV)

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Fiscal Note Version – New

### Note on Fiscal Estimates

Due to the complexity and interdependence of the Bill's provisions, including multiple changes to the property tax base and levy structure, division-level estimates cannot be combined to produce a total fiscal impact. Therefore, the estimates below are provided independently and should not be summed to determine the overall fiscal impact, and each Division is modeled independently of the other Divisions.

The Department of Management (DOM) estimates the Information Technology (IT) costs to implement all Division changes to range between \$19,000 and \$40,000.

### Note on Property Taxes

All property tax rates used in this document are reflected as rates that are applied per \$1,000 of taxed property value. Taxed property value is the value determined through the assessment process, adjusted (reduced) for any rollback for the property class, and after property tax exemptions have been applied.

### Summary

[Senate File 2472](#) is composed of 18 Divisions that are related to property tax assessments, rates, credits, exemptions, budget processes, and other related programs that do the following:

- **Division I** modifies county general and rural services levy limitations by establishing a revenue-based growth cap tied to prior-year property tax dollars and the Consumer Price Index (CPI), with adjustments for new valuation and inflation beginning in FY 2027.
- **Division II** modifies city general fund levy limitations by establishing a revenue-based growth cap tied to prior-year property tax dollars and the CPI, with adjustments for new valuation and inflation beginning in FY 2027.
- **Division III** increases the State school foundation base to 100.0% of the regular program State cost per pupil, reduces the uniform levy rate, and eliminates various property tax replacement payments and related appropriations beginning in FY 2027.
- **Division IV** establishes a multiresidential property class; phases out the residential, multiresidential, commercial, and industrial assessment limitation; removes the agricultural-residential rollback tie; and modifies how agricultural buildings are assessed.
- **Division V** replaces the homestead credit with a phased-in homestead exemption and establishes an additional unencumbered homestead exemption for certain elderly homeowners.
- **Division VI** increases the military property tax exemption.
- **Division VII** establishes revenue-based growth limitations for county hospital and emergency medical services (EMS) levies.
- **Division VIII** establishes revenue-based limitations for most rate-limited property tax levies, restricts the use of debt for general operations, and establishes a legislative study of future levy rate structures.

- **Division IX** authorizes local option sales and services taxes to be imposed at rates of up to 1.5%.
- **Division X** requires annual inflation-based adjustments to motor vehicle registration fees and fuel taxes.
- **Division XI** modifies the assessor levy by imposing revenue-based growth limitations and restrictions.
- **Division XII** reduces levy rate limits and establishes growth limitations for regional transit district and municipal transit system property tax levies.
- **Division XIII** modifies the duties of the Utility Replacement Tax Task Force.
- **Division XIV** makes changes to local government property tax statements, notice requirements, and budget procedures.
- **Division XV** modifies provisions related to distorted market valuations and the equalization process.
- **Division XVI** modifies provisions related to the property tax treatment and exemption structure for data center property.
- **Division XVII** eliminates the square footage tax on certain mobile and manufactured homes in parks and exempts such property from taxation.
- **Division XVIII** modifies the Elderly and Disabled Property Tax Credit by eliminating the property tax freeze provision and increasing the maximum benefit.

## **Division I — County Property Taxes and Budgets**

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### **Description**

Division I of the Bill does the following related to county property taxes and budgets:

- Accelerates the general county services levy cap of \$3.50 per \$1,000 in assessed value from FY 2028 to FY 2027.
- Limits property tax revenue growth to the greater of 102.0% of the prior-year revenue plus new valuations or 100.5% of the prior-year revenue, beginning FY 2028.
- Limits property tax revenues to a minimum of 100.5% of the prior years' revenues, with the maximum increase determined by the assessed growth plus new valuations, beginning FY 2029. The maximum property tax increase is tied to a budget adjustment factor corresponding to the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) as follows:
  - Less than 4.0% = 102.0%
  - Greater than or equal to 4.0% and less than 6.0% = 103.0%
  - Greater than or equal to 6.0% and less than 8.0% = 104.0%
  - Greater than or equal to 8.0% = 105.0%
- Defines the change in the CPI-U for a budget year as the change in CPI-U from 20 months prior to the start of the budget year and 8 months prior to the start of the budget year.
- Limits growth for the county rural services levy to a minimum of 100.5% of the prior years' revenues, with the maximum increase determined by the assessed growth plus new valuations, beginning FY 2029. The maximum county rural services level is tied to changes in the CPI-U as outlined above for the general county services levy.
- Defines "new valuation" as the increase from the current fiscal year to the budget year in taxable valuation due to new construction, additions or improvements to existing structures, and net boundary adjustments.

Division I of the Bill takes effect January 1, 2027, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2027.

**Background**

Under current law, the general county services levy and rural county services levy rates are limited based on growth in county-taxed value, which falls into three categories established first under 2023 Iowa Acts, [House File 718](#) (Property Tax, Assessments, and Bond Elections Act), and then updated to four categories in 2024 Iowa Acts, [Senate File 2442](#) (Individual Income Tax Rate Act), as seen in **Figure 1**. The county authority for the general services levy 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](#). Counties use the greater of last year’s levy rate or the default levy rate based on their growth.

**Figure 1 — County Growth Mechanic**

Tax Base Growth	Maximum Levy Rate Adjustment
Less than 2.75%	No adjustment
2.75% but less than 4.0%	-1.00%
4.0% but less than 6.0%	-2.00%
6.0% or greater	-3.00%

The [CPI-U](#) is a measure of inflation that tracks changes in the prices of goods and services purchased by urban households. It is published monthly by the U.S. Bureau of Labor Statistics and is widely used to adjust government programs and statutory limits for changes in the cost of living.

**Assumptions**

- The estimate projects county-level taxable valuation growth using a 12-year average of historical odd and even-year growth rates by property class, beginning with assessment year (AY) 2024 values, used to account for large shifts in odd years during equalization. To moderate volatility in growth across property classes, projected growth rates were bounded between the 15th and 80th percentiles to limit extreme fluctuations.
- In FY 2027, the general county services levy is capped at \$3.50 and the rural services levy is capped at \$3.95.
- For FY 2028, allowable growth in included property tax revenue is limited to 102.0% of the prior year, consistent with the Bill’s initial implementation year.
- Beginning in FY 2029, allowable growth is determined by a CPI-based formula calculated as the ratio of the CPI-U, not seasonally adjusted, for the period 8 months prior to July 1 of the budget year divided by the CPI-U for the period 20 months prior to July 1 of the budget year.
- The resulting growth factor is subject to a statutory minimum of 100.5%, and the model applies the greater of the CPI-based growth factor or 100.5% for FY 2028 and all future years.
- Based on available CPI-U data, the CPI-based growth factor is estimated at approximately 102.7%, which is used for modeling purposes for FY 2029 and all future years.
- New Valuation is estimated by taking the district-level county data for AY 2024 and calculating the new valuation as a proportion of the county wide valuation. The estimated portion is applied by County to all future years, and the resulting taxable valuation is not subject to the growth restrictions of this Division. The valuation is reincorporated into the property tax base in the following fiscal year at which time it is subject to the CPI-based growth factor.

## Fiscal Impact

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. **Figure 2** displays the estimated reduction in property tax revenue to counties.

**Figure 2 — Property Tax Revenue Reduction (in Millions)**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	\$ 1,524.6	\$ 1,568.4	\$ 1,619.5	\$ 1,665.9	\$ 1,720.2	\$ 1,769.6	\$ 1,827.2
SF 2472 Div I	1,609.6	1,648.3	1,545.5	1,455.3	1,378.6	1,308.9	1,249.2
Net Impact	\$ 85.0	\$ 79.9	\$ -74.0	\$ -210.7	\$ -341.6	\$ -460.7	\$ -578.1

## Division II — City Property Taxes and Budgets

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### Description

Division II of the Bill does the following related to city property taxes and budgets:

- Accelerates the city general fund levy cap of \$8.10 per \$1,000 in assessed value from FY 2028 to FY 2027.
- Limits property tax revenue growth to the greater of 102.0% of the prior-year revenue plus new valuations or 100.5% of the prior-year revenue, beginning FY 2028.
- Limits property tax revenues to a minimum of 100.5% of the prior years' revenues, with the maximum increase determined by the assessed growth plus new valuations, beginning FY 2029. The maximum property tax increase is tied to a budget adjustment factor corresponding to the percentage change in the CPI-U as follows:
  - Less than 4.0% = 102.0%
  - Greater than or equal to 4.0% and less than 6.0% = 103.0%
  - Greater than or equal to 6.0% and less than 8.0% = 104.0%
  - Greater than or equal to 8.0% = 105.0%
- Defines the change in the CPI-U for a budget year as the change in CPI-U from 20 months prior to the start of the budget year and 8 months prior to the start of the budget year.

Division II of the Bill takes effect January 1, 2027, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2027.

### Background

Under current law, the city general fund levy is limited to a maximum of \$8.10 per \$1,000 of assessed valuation under Iowa Code section [384.1](#), with certain levies allowed under Iowa Code section [384.12](#) exempt from this cap. Similarly to the rates in Division I, city general fund levy rates are limited to property tax base growth using a tiered system based on taxable valuation growth categories first adopted under 2023 Iowa Acts, [House File 718](#) (Property Tax, Assessments, and Bond Elections Act), and then updated to four categories in 2024 Iowa Acts, [Senate File 2442](#) (Individual Income Tax Rate Act), as seen in **Figure 3**. Senate File 2442 removed the existing growth categories and replaced them with a levy growth limitation based on inflation-adjusted property tax revenue growth.

**Figure 3 — City Growth Mechanic**

Tax Base Growth	Maximum Levy Rate Adjustment
Less than 2.75%	No adjustment
2.75% but less than 4.0%	-1.00%
4.0% but less than 6.0%	-2.00%
6.0% or greater	-3.00%

The CPI-U is a measure of inflation that tracks changes in the prices of goods and services purchased by urban households. It is published monthly by the U.S. Bureau of Labor Statistics and is widely used to adjust government programs and statutory limits for changes in the cost of living.

**Assumptions**

- The estimate projects city-level taxable valuation growth using a 12-year average of historical odd and even-year growth rates by property class, beginning with assessment year (AY) 2024 values, used to account for large shifts in odd years during equalization. To moderate volatility in growth across property classes, projected growth rates were bounded between the 15th and 80th percentiles to limit extreme fluctuations.
- In FY 2027, the general county services levy is capped at \$3.50 and the rural services levy is capped at \$3.95.
- For FY 2028, allowable growth in included property tax revenue is limited to 102.0% of the prior year, consistent with the Bill’s initial implementation year.
- Beginning in FY 2029, allowable growth is determined by a CPI-based formula calculated as the ratio of the CPI-U, not seasonally adjusted, for the period 8 months prior to July 1 of the budget year divided by the CPI-U for the period 20 months prior to July 1 of the budget year.
- The resulting growth factor is subject to a statutory minimum of 100.5%, and the model applies the greater of the CPI-based growth factor or 100.5% for FY 2028 and all future years.
- Based on available CPI-U data, the CPI-based growth factor is estimated at approximately 102.7%, which is used for modeling purposes for FY 2029 and all future years.
- New Valuation is estimated by taking the district-level county data for AY 2024 and calculating the new valuation as a proportion of the county wide valuation. The estimated portion is applied by County to all future years, and the resulting taxable valuation is not subject to the growth restrictions of this Division. The valuation is reincorporated into the property tax base in the following fiscal year at which time it is subject to the CPI-based growth factor.

**Fiscal Impact**

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. **Figure 4** displays the estimated reduction in property tax revenue to cities.

**Figure 4 — Property Tax Revenue Limitations (in Millions)**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	\$1,067.2	\$1,084.5	\$1,119.9	\$1,152.0	\$1,189.5	\$1,223.7	\$1,263.5
SF 2472 Div II	1,088.6	1,111.0	1,029.4	957.7	896.5	841.2	793.8
Net Impact	\$ 21.4	\$ 26.4	\$ -90.4	\$ -194.3	\$ -293.0	\$ -382.5	\$ -469.7

## Division III — School Taxes and Budgets

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### Description

Division III of the Bill makes the following changes beginning in FY 2028:

- Increases the school foundation aid level from 88.4% to 100.0%.
- Increases the regular program foundation level used for calculating State aid for school districts from 88.4% to 100.0%.
- Increases the special education support services foundation base from 79.0% to 100.0% of the special education support services state cost per pupil.

Division III reduces the uniform levy of \$5.40 per \$1,000 of taxable valuation statewide to \$4.48662 per \$1,000 of taxable valuation statewide.

Division III changes the foundation property tax of \$4.40 per \$1,000 taxable valuation statewide to \$3.66 per \$1,000 taxable valuation statewide for school districts that have a reorganization that takes effect on or after FY 2028; reduces the first succeeding year foundation property tax per \$1,000 taxable valuation statewide after the reorganization from \$4.90 to \$4.07; reduces the second succeeding year property tax per \$1,000 taxable valuation statewide after the reorganization from \$5.15 to \$4.28; and for the third succeeding year and each year thereafter, reduces the property tax per \$1,000 taxable valuation statewide from \$5.40 to \$4.48662.

Division III restricts additional property tax computations to budget years beginning before FY 2028.

Division III restricts property tax adjustment aid and the property tax adjustment aid appropriation to budget years beginning before FY 2028. Requires any moneys remaining in the appropriation for property tax adjustment aid to be transferred to the General Fund at the conclusion of FY 2027.

Division III restricts the appropriations to the DOM from the Property Tax Equity and Relief (PTER) Fund to fiscal years before FY 2028; restricts the appropriations to the Department of Education (DE) for property tax replacement payments (PTRP) to fiscal years before FY 2028; restricts the appropriation from the General Fund to the DOM from the Foundation Base Supplement (FBS) Fund to fiscal years before FY 2028; and requires any moneys remaining in the FBS Fund at the close of FY 2027 to be transferred to the Secure an Advanced Vision for Education (SAVE) Fund.

Division III requires school districts to report the balance and expenditures from the district's management levy fund to the School Budget Review Committee (SBRC), if specified conditions are met, by November 15, 2026. The SBRC must, after reviewing management fund activity, file a report with the General Assembly by February 1, 2027, with recommendations for management levy limitations and expenditure requirements for excess management levy funds.

Division III amends Iowa Code section [298.2\(1\)](#) to decrease the following:

- Physical plant and equipment levy (PPEL) from \$1.67 per \$1,000 of assessed valuation to \$1.18 per \$1,000 of assessed valuation.
- A regular PPEL from a maximum of \$0.33 per \$1,000 of assessed valuation to \$0.24 per \$1,000 of assessed valuation.
- A voter-approved PPEL from a maximum of \$1.34 per \$1,000 of assessed valuation to \$0.94 per \$1,000 of assessed valuation.

- The PPEL limit imposed on the amount a voter-approved PPEL, for a combination of a PPEL property tax levy and a PPEL income surtax from \$1.34 to \$0.94 property tax levy.
- Limits a voter-approved PPEL, approved prior to the effective date of Division III (School Taxes and Budgets) of the Bill, to 70.0% of the rate approved at the election.
- Restricts PPEL levy rates, beginning with FY 2028, to the rate imposed by the school district during the budget year in which a loan agreement was refunded or refinanced or 70.0% of the levy rate if the refunding or refinancing occurred in the budget year beginning with FY 2027.

Division III adds the additional restriction to the management levy as specified in Section 32 of Division III.

Division III prohibits a school district from certifying a management levy if the school district's unexpended balance exceeds the following percentages during the following fiscal years for the three fiscal years immediately preceding the base year:

- FY 2029 = 180.0%
- FY 2030 = 175.0%
- FY 2031 = 170.0%
- FY 2032 = 165.0%
- FY 2033 = 160.0%

For a school district that is not already limited in its management levy, Division III provides that the maximum amount that the school district may certify for a management levy is the amount equal to the remainder of the specified percentage of the average annual expenditures from the school district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund's unexpended fund balance for the fiscal year preceding the base year.

Division III changes the levy that is estimated and certified to apply on principal for any one year from an amount of \$2.70 to \$1.89 per \$1,000 of assessed value, as approved by voters of the school district. The maximum levy is changed from an amount of \$4.05 to \$2.84 per \$1,000 of assessed value, as approved by the voters of the school district. Levy rates approved at an election before the effective date of this provision may not exceed a levy rate that is 70.0% of the rate approved at election. The levy rate limitations do not apply to the payment of general obligation bonds approved for issuance at an election held on or before November 4, 2025, that are sold on or before May 1, 2026. The payment of such bonds is subject to the levy rate limitations under Iowa Code section [298.18\(1\)\(d\)](#).

Division III requires SAVE funds to be credited to the General Fund prior to the distribution of moneys to school districts in an amount equal to the equity transfer for the fiscal year to be used for foundation aid resulting from the increase in regular program foundation base per pupil to 100.0%.

Division III repeals Iowa Code section [298.18A](#) related to levy adjustment for bond indebtedness.

Division III specifies that beginning FY 2028, specified tax credit calculations must be based on the new uniform levy rate established in new Iowa Code section 257.31. The Bill specifies that the effective date of Division III is January 1, 2027, except for Section 28 related to the

management levy fund reports. Division III, except for Section 28 related to the management levy fund reports, is applicable to fiscal years and school budget years beginning with FY 2028.

## **Background**

For FY 1997 through FY 2022, 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. Since FY 2023, the regular program foundation level has been set at 88.4% of the State cost per pupil to offset the revenue from the elimination of the commercial and industrial property tax replacement backfill payments 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 2028, the regular program foundation level used for calculating State aid for school districts is increasing from 88.4% to 100.0%. 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 2027 and future fiscal years will remain at \$8,148.
- The foundation level will increase from \$7,203 per pupil in FY 2026 to \$8,148 per pupil in FY 2028.
- Under current law, the special education support services State cost per pupil for FY 2027 and future fiscal years will remain at \$355.75.
- Beginning in FY 2028, the special education support services foundation level used for calculating State aid for school districts is increasing from 79.0% to 100.0%. This will increase the amount of State aid going to the special education support services foundation level and decrease the additional General Fund levy.
- Since expenditures vary from year to year due to factors such as insurance and tort claims, it is not possible to determine the impact the Bill might have on management fund balances.
- A 0.00% State percent of growth (SPG) will be enacted each year.
- Property Tax Replacement Payments will be extended each year.
- The total Area Education Agency (AEA) reduction will be \$7.5 million each year, which is current law.
- School districts will have the same voted physical plant and equipment levy (VPPEL) they have in FY 2026.
- School districts will have the same board-approved PPEL rate they have in FY 2026.
- Debt service for each school district will remain the same.

## **Fiscal Impact**

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. The fiscal impact to projected State General Fund appropriation amounts, when compared to estimates for current law, are shown in **Figure 5** below. These amounts are netted with the transfer of SAVE funds to the General Fund.

Division III of the Bill is projected to reduce property tax revenue compared to estimates for current law, and increase General Fund appropriations as shown in **Figure 5** below.



**Figure 5 — School Finance Property Tax Reduction and General Fund Appropriation Increase (in Millions)**

	FY 2028	FY 2029	FY 2030	FY 2031
<b>Property Tax Reduction</b>				
Reduction in Additional Levy	\$ -489.2	\$ -481.7	\$ -488.3	\$ -479.8
Reduction in Uniform Levy	-216.5	-226.6	-232.1	-242.3
Reduction in Levy for AEA Media and Education Services	-171.6	-171.6	-171.3	-170.9
VPPEL Cap	-76.4	-76.4	-76.4	-76.4
Regular PPEL Cap	-21.5	-21.5	-21.5	-21.5
VPPEL Surtax Cap	-4.6	-4.6	-4.6	-4.6
<b>Total in Property Tax Reduction</b>	<b>\$ -979.8</b>	<b>\$ -982.4</b>	<b>\$ -994.2</b>	<b>\$ -995.5</b>
<b>Increase in General Fund (GF) Appropriation</b>				
Reduction in Additional Levy paid by GF	\$ 489.2	\$ 481.7	\$ 488.3	\$ 479.8
Reduction in Uniform Levy paid by GF	216.5	226.6	232.1	242.3
Reduction in Levy for AEA Media and Education Services paid by GF	171.6	171.6	171.3	170.9
Eliminate GF Property Tax Adjustment Aid	-5.8	-5.5	-5.4	-5.2
Eliminate GF Property Tax Relief Payment	-145.9	-146.0	-145.9	-145.7
Eliminate GF Property Tax Equity Relief	-54.2	-54.8	-54.8	-54.9
Eliminate Additional PTER	-5.6	-6.2	-6.7	-11.8
SAVE Fund transfer to GF	-52.7	-61.8	-71.7	-83.3
Eliminate Annual GF PTRP	-24.0	-24.0	-24.0	-24.0
<b>Total Increase in GF Appropriation</b>	<b>\$ 589.1</b>	<b>\$ 581.6</b>	<b>\$ 583.2</b>	<b>\$ 568.1</b>

**Division IV — Property Classifications, Valuations, and Assessment Limitations**

**Description**

- Reestablishes the multiresidential property classification for assessment years beginning on or after January 1, 2027 (assessment year (AY) 2027), which includes types of property that were classified as multiresidential property for assessment years beginning before AY 2022. All properties in both new categories continue to share the same exemptions, assessment limitation, and tax rates under this Division, and are merged into the residential property

class. For purposes of equalization, multiresidential property shall be considered residential property. The Bill provides requirements for the new multiresidential property class.

- Adjusts the inputs that calculate market value to include built-to-suit construction, sale-leaseback transactions, leased fee sales, and sales between related parties.
- Beginning in AY 2026, removes agricultural structures constructed on or after January 1, 2027, that are not agricultural dwellings from the productivity and net earning capacity model and are assessed based on replacement cost less depreciation and obsolescence. The assessed value is then multiplied by an agricultural factor to determine taxable value prior to rollback.
- Repeals the link between the assessment growth limitations for agricultural and residential property, also referred to as the agricultural tie.
- Removes current rollback calculations and shifts to a fixed phase-out for residential and multiresidential property beginning FY 2028 and eliminates the rollback for commercial and industrial property beginning AY 2026. The changes to assessment limitations are displayed in **Figure 6** below.

**Figure 6 — Assessment Limitation Schedule**

AY	Residential	Multiresidential	Commercial	Industrial
2024	47.4316%	47.4316%	90.0000%	90.0000%
2025	45.4345%	45.4345%	90.0000%	90.0000%
2026	72.5000%	72.5000%	100.0000%	100.0000%
2027	72.5000%	72.5000%	100.0000%	100.0000%
2028	75.2500%	75.2500%	100.0000%	100.0000%
2029	78.0000%	78.0000%	100.0000%	100.0000%
2030	80.7500%	80.7500%	100.0000%	100.0000%
2031	83.5000%	83.5000%	100.0000%	100.0000%
2032	86.2500%	86.2500%	100.0000%	100.0000%
2033	89.0000%	89.0000%	100.0000%	100.0000%
2034	91.7500%	91.7500%	100.0000%	100.0000%
2035	94.5000%	94.5000%	100.0000%	100.0000%
2036	97.2500%	97.2500%	100.0000%	100.0000%
2037	100.0000%	100.0000%	100.0000%	100.0000%

- Eliminates the \$125.0 million General Fund standing limited appropriation for the Two-Tier Assessment Limitation (TTAL), previously referred to as the Business Property Tax Credit (BPTC), beginning FY 2028.
- Clarifies that Division IV does not affect assessment years prior to AY 2026 and budgets related to AY 2026.

Except as otherwise provided, Division IV of the bill applies retroactively to assessment years beginning on or after January 1, 2026 (AY 2026).

Division IV changes Iowa Code sections [386.8](#), [386.9](#), [386.10](#), [404.2\(2\)\(f\)](#), [404.3\(4\)\(a\)](#), [404.3A](#), [404.3D](#), [441.21\(2\)](#), [441.21\(8\)\(b\)](#), [441.21\(13\)](#), [441.21\(14\)](#), and [558.46](#) to apply to assessment years beginning on or after January 1, 2027 (AY 2027).

## Background

Property tax assessment limitation, also commonly referred to as a “rollback,” is a method of reducing the market value of a property to the taxable value by multiplying a percentage of the

value subject to tax. The assessment limitations are intended to slow the growth of property taxes by limiting the annual growth in property values subject to tax, which shifts more of the costs of the State's school foundation aid formula to the General Fund. Assessment limitations are divided into several property classes with their own rollbacks and allowable growth, which includes residential, agricultural, multiresidential (AY 2015 through AY 2021), commercial, industrial, railroads, and utilities.

Assessment limitations limit the rate of property valuation growth to 3.0% by property class. If any individual class exceeds this cap, the values are rolled back to equal the limitation amount. Additional information on assessment limitations can be found [here](#).

Residential and agricultural assessment limitation rates are tied together by a shared growth limitation under Iowa Code section [441.21\(4\)](#). Under current law, if agricultural land value decreases, the allowable growth for residential property is zero. Residential value is additionally limited to the increase in agricultural value up to 3.0%.

The TTAL program began in FY 2024 with the passage of 2022 Iowa Acts, chapter [1061](#) (Department of Revenue Omnibus Act), which modified the assessment limitation applied to commercial and industrial property. Under the TTAL, commercial and industrial property classes are no longer subject to a single uniform rollback percentage, and instead a two-tier structure is applied to the assessed value of each parcel pursuant to Iowa Code section 441.21.

Under this system, the first \$150,000 of a commercial or industrial property's assessed value is subject to the lower residential rollback percentage, while the remaining value is subject to the commercial and industrial 90.0% rollback percentage. In practice, this results in a lower taxable value for a portion of each parcel. The rollback percentages are certified annually by the Department of Revenue (IDR) and are applied by local governments to determine taxable valuation for property tax purposes.

The TTAL system replaced the BPTC, which provided a State-funded credit on a portion of commercial and industrial property taxes, by instead reducing taxable value directly through the assessment limitation structure. Since the implementation of the TTAL, \$125.0 million has been appropriated annually from the General Fund each year to the IDR for payments to local governments to replace property taxes lost due to the rollback.

### **Assumptions**

- For years in which multiresidential property was consolidated within the residential class (AY 2022 through 2024), multiresidential taxable valuation is estimated to have grown at a constant rate of 2.0% annually, as displayed in **Figure 7**.
- Beginning in AY 2025, estimated multiresidential taxable value is separated from the residential property class and modeled as its own property class.
- Estimated assessed values for the residential and multiresidential classes are derived by dividing projected taxable values by the AY 2024 rollback percentage applicable to each property class. Projected taxable values are based on historical growth using a 12-year odd/even average by property class.
- For projection years, multiresidential growth is assumed to match residential growth rates.
- New taxable values under this Division are calculated by applying the Bill's revised rollback (assessment limitation) schedule to projected assessed values for each future year, with residential and multiresidential property following the same rollback progression.

- Property tax dollars were calculated using the FY 2026 consolidated tax rate by property class as follows: residential (\$33.9129), multiresidential (\$33.9129), commercial (\$36.46166), and industrial (\$31.1360).
- Beginning in AY 2026, the residential, multiresidential, commercial, and industrial assessment limitations are assumed to increase as outlined above in **Figure 6**.
- Beginning in FY 2026, the TTAL program is eliminated for commercial, industrial, and railway property by transitioning these classes to a single-tier system with 100.0% assessment and removing the associated General Fund backfill of \$125.0 million.

**Figure 7 — Estimated Taxable Valuations (in Millions)**

AY	Residential	Multiresidential	Commercial	Industrial
2014	\$ 78,887.2	\$ 0.0	\$ 28,263.5	\$ 7,104.0
2015	82,546.1	4,062.5	29,920.7	7,624.3
2016	86,414.5	3,960.9	30,889.5	7,974.4
2017	90,359.0	4,308.9	33,404.1	8,467.3
2018	94,711.7	4,250.9	34,533.7	9,171.0
2019	98,983.0	4,501.5	36,742.4	9,811.9
2020	103,360.1	4,469.8	37,917.9	10,346.8
2021	108,001.1	4,895.8	39,664.6	11,017.7
2022	107,633.0	4,993.7	38,403.8	11,457.7
2023	113,105.9	5,093.6	43,657.2	14,099.8
2024	118,550.5	5,195.5	44,655.0	15,239.9

**Fiscal Impact**

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. Division IV is estimated to increase taxable values across the residential, multiresidential, commercial, and industrial property classes, resulting in additional property tax revenues generated as shown in **Figure 8**. Additionally, the General Fund appropriations will be reduced by \$125.0 million per year after the elimination of the TTAL program in FY 2028.

**Figure 8 — Local Property Tax Revenues Generated with Assessment Increases**

**Current Law Projected Statewide Property Taxes (in Millions)**

FY	Residential	Multiresidential	Commercial	Industrial
2027	\$ 4,194.1	\$ 183.8	\$ 1,683.5	\$ 498.3
2028	4,356.4	190.9	1,680.2	512.2
2029	4,544.6	199.2	1,739.4	537.9
2030	4,720.4	206.9	1,735.9	552.9
2031	4,924.3	215.8	1,797.2	580.6
2032	5,114.8	224.2	1,793.6	596.8
2033	5,335.8	233.8	1,856.8	626.7

**Division IV Projected Statewide Property Taxes (in Millions)**

FY	Residential	Multiresidential	Commercial	Industrial
2027	\$ 4,278.8	\$ 187.5	\$ 1,683.5	\$ 498.3
2028	7,091.9	310.8	1,866.9	569.1
2029	7,398.3	324.2	1,932.7	597.7
2030	7,976.1	349.6	1,928.8	614.3
2031	8,624.7	378.0	1,996.9	645.1
2032	9,274.2	406.4	1,992.9	663.1
2033	10,004.4	438.4	2,063.1	696.4

**Current Law vs Division IV Statewide Property Taxes (in Millions)**

FY	Residential	Multiresidential	Commercial	Industrial
2027	\$ 84.8	\$ 3.7	\$ 0.0	\$ 0.0
2028	2,735.6	119.9	186.7	56.9
2029	2,853.8	125.1	193.3	59.8
2030	3,255.7	142.7	192.9	61.4
2031	3,700.4	162.2	199.7	64.5
2032	4,159.4	182.3	199.3	66.3
2033	4,668.6	204.6	206.3	69.6

**Division V — Disabled Veteran and Homestead Credits and Exemptions**

**Description**

Division V of the Bill relates to disabled veteran and homestead credits and exemptions and makes the following changes:

- Amends the Disabled Veteran program for future claimants by eliminating appurtenances and properties that are more than one-half acre in size from the definition of “homestead,” beginning July 1, 2026.
- Limits the Homestead Property Tax Credit to \$4,850 for assessment years prior to AY 2026 and eliminates the credit beginning in AY 2026, to be replaced with an exemption.
- Phases in an updated homestead tax exemption for property owners, as displayed in **Figure 9**.

**Figure 9 — Homestead Credit/Exemption Schedule**

AY	Exempt Amount	Taxable Value Cap
2026	25.00%	\$175,000
2027	27.50%	\$192,500
2028	30.00%	\$210,000
2029	32.50%	\$227,500
2030	35.00%	\$245,000
2031	37.50%	\$262,500
2032	40.00%	\$280,000
2033	42.50%	\$297,500
2034	45.00%	\$315,000
2035	47.50%	\$332,500
2036	50.00%	\$350,000

- Creates a homestead property tax exemption, not to exceed \$350,000 in taxable value, for homeowners who are aged 60 or older on January 1 of the assessment year, beginning in AY 2036, as follows:
  - Age 60 or older = 60.0%
  - Age 70 or older = 70.0%
  - Age 80 or older = 80.0%
  - Age 90 or older = 90.0%
  - Age 100 or older = 100.0%
- Creates an unencumbered homestead property tax exemption for homeowners who have no mortgage or other indebtedness or account secured by an interest in the homestead and who are aged 65 or older on January 1 of the assessment year, beginning AY 2026, as follows:
  - AY 2026 = 25.0% of taxable value
  - AY 2027 = 50.0% of taxable value
  - AY 2028 = 75.0% of taxable value
  - AY 2029 and each assessment year thereafter = 100.0% of taxable value
- Specifies that the unencumbered homestead property tax exemption does not apply to voter-approved levies, as defined in the Bill, or other voter-approved indebtedness.
- Division V applies retroactively to January 1, 2026 for assessment years beginning on or after that date.

## Background

The Homestead Property Tax Credit was enacted in 1937 to provide property tax relief and is governed by Iowa Code section [425.1](#). The current credit is equal to the actual levy on the first \$4,850 of actual value of each homestead. The General Fund appropriated \$125.2 million in FY 2025, which generated an average yearly savings of \$167 per homeowner. To be eligible for the yearly credit, the taxpayer must own and occupy the property as a homestead on July 1 of each year, declare residency in Iowa for income tax purposes, and occupy the property for at least six months of each calendar year.

The Disabled Veteran Homestead Property Tax Credit is funded through a standing General Fund appropriation and provides a 100.0% property tax credit on a qualifying homestead for eligible disabled veterans, including those receiving federal assistance, those with qualifying service-connected disabilities, and certain surviving spouses or dependents receiving federal benefits. In FY 2025, the General Fund awarded \$30.7 million to 8,354 claimants.

## Assumptions

- The new exemptions reduce taxable value but are not reimbursed by the State, including through the \$5.40 school levy, as Iowa Code section [25B.7](#) does not apply.
- In AY 2024, there were an estimated 743,790 homesteads in Iowa, and that number is assumed to remain constant for all future years. The applicable homesteads had a combined estimated assessed value of \$263.379 billion.
- Assessed valuations are assumed to grow at a rate of 2.0% year over year.
- The AY 2024 residential assessment limitation of 47.4316% is assumed to remain constant for all future years.
- The assessed value of the average homestead was derived using the 2025 first quarter median home price [published](#) by the National Association of Realtors and the average consolidated tax rate of 32.42171%. This resulted in an average statewide property tax bill of \$2,831 before any tax credits or other reductions were applied.

- The homestead exemption is calculated as 10.0% of taxable value up to a maximum of \$25,000 per homestead.
- The analysis does not incorporate the impact of reduced taxable values on the Elderly and Disabled Property Tax Credit, including the credit for claimants aged 70 and over. Any claimant crossover between these programs and the exemptions established in the Bill may reduce State General Fund expenditures for these programs.
- Division V of the bill preserves the Disabled Veteran Homestead Property Tax Credit. While the Bill modifies the definition of eligible property for new applicants, insufficient data exists to estimate the fiscal impact of these changes. Therefore, no change in State General Fund expenditures is assumed for this provision.
- The number of eligible properties for the unencumbered homestead exemption is estimated at 210,208 for all future years. This estimate is calculated by applying the share of mortgage-free homeowners aged 60 and over (28.1%), derived from American Community Survey (ACS) five-year data, to the number of homestead credit claimants in FY 2025 (748,072).
- The average value of qualifying unencumbered homesteads is assumed to be \$190,000, consistent with the average home value used in the homestead exemption analysis.
- The number of qualifying properties and average home value for the unencumbered homestead exemption are held constant across projection years for modeling simplicity.
- The unencumbered homestead exemption is assumed to apply only to non-voter-approved levy rates. Based on statewide levy data and adjustments to isolate voter-approved levies and indebtedness, approximately 65.0% of total levy rates are estimated to be subject to the exemption. This proportion is applied to the FY 2026 consolidated tax rate (32.42171%) to estimate the taxable value reduction attributable to the exemption.
- The fiscal impact of this Division will begin in FY 2028. **Figure 10** below displays the average homestead property tax reduction using the above assumptions.

**Figure 10 — Estimated Average Property Tax Reduction per Homestead Exemption**

	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Exemption	25.0%	27.5%	30.0%	32.5%	35.0%	37.5%
Average Savings	\$ 779	\$ 874	\$ 972	\$ 1,074	\$ 1,180	\$ 1,462

### **Fiscal Impact**

The analysis of this Division estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. The elimination of the homestead credit beginning in AY 2026 is estimated to reduce General Fund appropriations by approximately \$125.2 million annually, based on the most recent FY 2025 appropriation level. **Figure 11** displays the General Fund appropriations reductions and estimated reduction in property tax revenue to local governments.

**Figure 11 — Statewide Homestead and Unencumbered Mortgage Exemption Impact  
(in Millions)**

AY/FY	Assessed Value	Taxable Value	Local Revenue			Total Local Revenue Reduction
			Reduction (Homestead)	Reduction (Unencumbered Mortgages)	State General Fund Savings	
2024/2026	\$ 263,378.9	\$ 122,936.9	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
2025/2027	268,646.5	127,423.3	0.0	0.0	0.0	0.0
2026/2028	274,019.4	129,971.8	482.7	663.3	-125.2	-1,020.8
2027/2029	279,499.8	132,571.2	541.6	665.8	-125.2	-1,082.2
2028/2030	285,089.8	135,222.7	602.7	668.1	-125.2	-1,145.6
2029/2031	290,791.6	137,927.1	665.9	670.2	-125.2	-1,211.0
2030/2032	296,607.4	140,685.6	731.5	672.2	-125.2	-1,278.5
2031/2033	302,539.6	143,499.4	906.0	650.6	-125.2	-1,431.5

**Division VI — Military Service Property Tax Exemption**

**Description**

Division VI of the Bill updates the Military Service Property Tax Exemption as follows:

- AY 2026 = \$5,000
- AY 2027 = \$6,000
- AY 2028 and after = \$7,000

Division VI applies retroactively to January 1, 2026, for assessment years beginning on or after that date.

**Background**

Under current law, the Military Service Property Tax Exemption is equal to \$4,000 of property value for qualified veterans. The exemption reduces the amount of property value subject to property tax. At \$4,000 of value and at the statewide FY 2026 average Military Service Property Tax Exemption tax rate of \$32.4217 per \$1,000 of taxable value, the average exemption reduces a veteran’s annual property tax payment by about \$140. The number of taxpayers claiming the Military Service Property Tax Exemption is estimated at 115,692 for FY 2026. The number of claimants is expected to decrease by 5,357 per year going forward.

**Assumptions**

- In FY 2024, 115,692 claimants qualified for the Military Service Tax Credit. Based on the average change in claimants from FY 2020 through FY 2024, this number is anticipated to decrease by 5,357 per year.
- The average assessed value of a homestead is assumed to be \$195,000 for AY 2024, and that average is assumed to increase 2.0% each assessment year.
- The AY 2024 assessment limitation factor (rollback) for residential property is 47.4316%, and that percentage is assumed to remain constant for this projection.
- The FY 2026 (AY 2024) Iowa average residential consolidated property tax rate equals \$33.9129 per \$1,000 of taxed value, and that tax rate is assumed to remain constant for this projection.
- Assumption projections are estimated in **Figure 12**.
- By action of the State school aid formula, property tax exemptions increase the State General Fund appropriation to schools by \$5.40 per \$1,000 of exempt value.



**Figure 12 — Military Service Exemption Assumptions**

Assessment Year	2026	2027	2028	2029	2030	2031
Fiscal Year	2028	2029	2030	2031	2032	2033
Average Homestead Assessed Value	\$202,878	\$206,936	\$211,074	\$215,296	\$219,602	\$223,994
Average Homestead Taxable Value	92,492	94,341	96,228	98,153	100,116	102,118
Military Exemption Amount (Current Law)	4,000	4,000	4,000	4,000	4,000	4,000
Military Exemption Amount (Under Bill)	5,000	6,000	7,000	7,000	7,000	7,000
Average Tax Savings (Current Law)	130	130	130	130	130	130
Average Tax Savings per Claimant (Under Bill)	162	195	227	227	227	227
Estimated Number of Claimants	99,622	94,265	88,908	83,551	78,194	72,838

**Fiscal Impact**

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. The increase in General Fund costs under the \$5.40 backfill and the associated reduction in local property tax revenues are shown in **Figure 13**.

**Figure 13 — Military Exemption Impact (in Millions)**

Assessment Year	2026	2027	2028	2029	2030	2031
Fiscal Year	2028	2029	2030	2031	2032	2033
Total Impact (Current Law)	\$ 12.9	\$ 12.2	\$ 11.5	\$ 10.8	\$ 10.1	\$ 9.4
Total Impact (Under Bill)	16.1	18.3	20.2	19.0	17.7	16.5
General Fund Impact \$5.4 (Current Law)	2.2	2.0	1.9	1.8	1.7	1.6
General Fund Impact \$5.4 (Under Bill)	2.7	3.1	3.4	3.2	3.0	2.8
Local Government Impact (Current Law)	10.8	10.2	9.6	9.0	8.5	7.9
Local Government Impact (Under Bill)	13.5	15.3	16.8	15.8	14.8	13.8
Total Impact (Net Change)	\$ -3.2	\$ -6.1	\$ -8.6	\$ -8.1	\$ -7.6	\$ -7.1
General Fund Impact \$5.4 (Net Change)	0.5	1.0	1.4	1.4	1.3	1.2
Local Government Impact (Net Change)	\$ -2.7	\$ -5.1	\$ -7.2	\$ -6.8	\$ -6.3	\$ -5.9

**Division VII — Hospital and Emergency Medical Services Property Tax Levies****Description**

Division VII of the Bill changes the hospital and Emergency Medical Services (EMS) property tax levies to allow up to 5.0% of growth, not including new construction, beginning in FY 2028. The limitation applies to levies under the following Iowa Code chapters:

- County Hospitals, Iowa Code chapter [347](#).
- County Hospitals Payable from Revenue, Iowa Code chapter [347A](#).
- Emergency Medical Services Districts (county-level), Iowa Code chapter [357F](#).
- City Emergency Medical Services Districts, Iowa Code chapter [357G](#).
- Optional Taxes for Emergency Medical Services (voter-approved), Iowa Code chapter [422D](#).

**Background**

Under current law, counties and certain districts may levy property taxes for the support of hospitals and EMS, subject to statutory maximum rates per \$1,000 of assessed value. As of AY 2024, the State has 44 county hospitals utilizing a property tax levy, which generated \$159.6 million in property taxes, and four EMS levies generating \$250,000.

**Assumptions**

- Taxable dollars per assessor were estimated using FY 2026 values and projected into future years at an inflation rate of 2.0%.

- The FY 2026 levy rates were used as the baseline and assumed to remain constant in future years for the current law assessment.
- Due to a lack of aggregated data, this estimate does not consider new construction and treats 100.0% of the taxable valuation as subject to the 105.0% growth restriction.
- **Figure 14** displays the maximum allowable increase in total property tax revenue for Hospital and EMS authorities.

**Figure 14 — Hospital and EMS Property Tax Revenue Impact (in Millions)**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	\$ 163.1	\$ 166.3	\$ 169.7	\$ 173.1	\$ 176.5	\$ 180.1	\$ 183.7
SF 2472 Div VII	163.1	171.2	174.7	178.1	181.7	185.3	189.1
Net Impact	\$ 0.0	\$ 4.9	\$ 5.0	\$ 5.1	\$ 5.2	\$ 5.3	\$ 5.4

**Fiscal Impact**

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. Under Division VII, hospital and EMS revenue may increase. However, the number of authorities that may increase their revenues is unknown.

**Division VIII — Property Tax Levy Rates**

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**Description**

Division VIII of the Bill changes property tax levy rates and includes the following:

- Eliminates additional levies from the county agricultural extension education program tax in Iowa Code section [176A.10\(2\)](#).
- Reduces the required matching county and rural contributions to the Secondary Road Fund (SRF) in Iowa Code sections [176.A](#) and [312.2](#) to receive the full State funding match. The Bill lowers the required matching threshold from 75.0% to 51.0% of the sum of the following:
  - From the general fund of the county, \$0.16875 per \$1,000 of assessed value under current law is decreased to \$0.118125 per \$1,000.
  - From the rural services fund of the county, \$3.375 per \$1,000 of assessed value under current law is decreased to \$2.102625 per \$1,000.
- Creates a temporary cap for rate-limited property tax levies. Beginning in FY 2028, any rate-limited levy may only be imposed if a government previously imposed that levy in FY 2027. Rates are capped at a rate of 102.0% of the prior year’s actual property tax dollars, but not less than a rate that would generate 100.5%. Beginning in FY 2029, rate-limited levies may be imposed at rates set later by the General Assembly after reviewing recommendations from an interim study committee. The new rate limitations do not apply to the following levies:
  - School district foundation levy under Iowa Code section [257.3](#).
  - County general services and rural services levies under Iowa Code section [331.423\(1\)](#).
  - City general fund levy under Iowa Code section [384.1\(3\)](#).
  - Physical plant and equipment levies under Iowa Code section [298.2](#).
  - Levies under Iowa Code chapters [347](#), [347A](#), [357F](#), [357G](#), and [422D](#).
  - Regional Transit District Iowa Code chapter [28M](#).
  - Levy rates used in the calculation in Iowa Code section [312.2\(5\)\(a\)](#).
  - Assessor levies under Iowa Code section [441.16](#).

- Prohibits cities and counties from issuing bonds or other debts for general operations beginning in FY 2027.
- Establishes a property tax rate study committee during the 2026 and 2027 General Assembly interims to examine appropriate rates of property tax imposed by local governments following implementation of the Bill and determine alternative methodologies and periods of time to increase the percentage of actual value at which residential and multiresidential property are subject to tax under Iowa Code sections [441.21](#)(4) and [441.21](#)(13). The committee is required to make recommendations in a report to the General Assembly no later than January 15, 2028.

Division VIII changes to Iowa Code sections [176A.10](#) and [312.2](#) to take effect January 1, 2027, and are applicable to fiscal years beginning on or after July 1, 2027.

### **Background**

Iowa Code section [331.426](#) gives counties the authority to levy a maximum of \$3.50 for general county services and \$3.95 for rural county services. Iowa Code section [331.429](#) gives counties the authority to transfer \$0.16875 from the funds collected for general county services and \$3.00375 from the funds collected for rural county services to the SRF. Counties also receive 24.5% of the Road Use Tax Fund (RUTF) pursuant to Iowa Code section [312.2](#); however, counties are required to transfer at least 75.0% of their RUTF allocation from property taxes levied to their SRF.

If an individual county fails to transfer the minimum 75.0%, its RUTF distribution is reduced by the same amount it is short. In FY 2025, only one county failed to meet the 75.0% transfer threshold.

The Bill also makes changes to the County Agricultural Extension Education Tax in Iowa Code section 176A.10, which helps to fund a network of county-based educational programs led by Iowa State University Extension and Outreach.

### **Assumptions**

- If all counties decrease the transfer amount of \$0.118125 from general county services and \$2.102625 from rural county services to meet the new threshold, the county SRF will potentially lose an estimated \$8.6 million from general county services and \$102.7 million from rural county services for a total loss of \$111.2 million.
- Levies and associated property tax revenues explicitly exempted under Division VIII are excluded from this estimate.
- The estimate projects district-level taxable valuation growth using a 12-year average of historical odd and even-year growth rates by property class, beginning with assessment year (AY) 2024 values, used to account for large shifts in odd years during equalization. To moderate volatility in growth across property classes, projected growth rates were bounded between the 15th and 80th percentiles to limit extreme fluctuations.
- Both current law and estimated revenues are based on assessment year (AY) 2024 taxable values, AY 2024 assessment limitations (rollback), and fiscal year (FY) 2026 tax rates. Assessment limitations and tax rates are assumed to remain constant over the projection period.
- For purposes of this estimate, all included property tax levies are assumed to grow at 102.0% of the prior year's actual property tax dollars in each subsequent year.
- The estimate does not account for potential changes to levy rate limitations beginning in
- FY 2029, which are subject to future legislative action following the required interim study.

## Fiscal Impact

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill.

Division VIII will have no fiscal impact on the State RUTF. Local revenue deposited into the county SRF may decrease. However, the number of counties that may decrease the allocations to the SRF is unknown.

Additionally, **Figure 15** displays the estimated reduction in property tax revenue to local governments.

**Figure 15 — Estimated Property Tax Reduction**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	\$8,195.9	\$8,482.2	\$8,873.9	\$9,191.9	\$9,628.0	\$9,984.3	\$10,471.0
SF 2472 Div VIII	8,063.4	8,373.9	8,692.7	8,980.4	9,331.4	9,649.2	10,037.1
Net Impact	\$ -132.6	\$ -108.4	\$ -181.2	\$ -211.6	\$ -296.7	\$ -335.1	\$ -434.0

## Division IX — Local Sales and Services Tax

### Description

Division IX of the Bill allows a county to impose a local sales and services tax, also known as a local option sales tax (LOST), at a rate of 1.5% of the sales price of sales that are subject to the State sales tax.

Division IX takes effect upon enactment.

### Background

Under current law, a county may impose a LOST of 1.0% of the sales price of sales that are subject to the State sales tax. Revenue collected from the LOST is distributed to counties and cities as provided in Iowa Code section [423B.7](#).

### Assumptions

- In FY 2025, \$605.2 million in LOST revenue was collected and distributed to counties and cities.
- Based on the [March 2026](#) Revenue Estimating Conference (REC) sales and use tax estimate, LOST revenue is assumed to increase by 4.0% in FY 2026 and by 3.7% in FY 2027. For FY 2028 and subsequent fiscal years, LOST revenue is assumed to increase by 3.5%.
- Secure an Advanced Vision for Education refunds are 1.0% of taxable expenditures. Distributions for LOST under current law are estimated to be 0.95% of taxable expenditures.
- If all counties impose a LOST rate of 1.5%, local government revenue is estimated to increase by the following amounts:
  - FY 2027 = \$382.3 million
  - FY 2028 = \$395.7 million
  - FY 2029 = \$409.5 million
  - FY 2030 = \$423.9 million
  - FY 2031 = \$438.7 million
  - FY 2032 = \$454.0 million
  - FY 2033 = \$469.9 million

## **Fiscal Impact**

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. Division IX of the Bill allows counties to impose a LOST rate of 1.5%, which may increase local government revenue. The number of counties that will choose to impose this rate is unknown; therefore, the fiscal impact of this Division is unknown.

## **Division X — Adjustments to Motor Vehicle Registration Fees and Fuel Taxes**

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### **Description**

Division X requires the Department of Transportation (DOT) to adjust additional fees for electric motor vehicles, hybrid vehicles, and electric motorcycles and requires the IDR to adjust motor fuel taxes and special fuels beginning at the start of each fiscal year to account for increases in the CPI-U. The DOT and IDR must calculate the adjusted fees using a formula based on the change in CPI. The Bill establishes that the CPI increase can only go up to 3.0% and can only occur three years consecutively.

Division X requires that the DOT and the IDR submit to the General Assembly and the DOM reports on the adjusted fees and excise taxes by January 15 of each year.

Division X of the Bill requires the IDR to adopt administrative rules for the electric motor vehicle registration fee adjustments in Section 104 of the Bill.

Division X takes effect January 1, 2027.

### **Background**

Under current law, when a person pays the annual registration fee for a motor vehicle, if that vehicle is a battery electric motor vehicle or a plug-in hybrid electric motor vehicle including a motorcycle, that person must pay an additional electric motor vehicle registration fee each year. The additional fee for a battery electric motor vehicle is \$130, the additional fee for a plug-in hybrid electric motor vehicle is \$65, and the additional fee for an electric motorcycle is \$9.

Under current law, the excise tax on a gallon of motor fuel, other than ethanol blended gasoline classified as E-15 or higher, special fuel, ethanol blended gasoline, and biodiesel blended fuel classified as B-20 or higher, and each kilowatt-hour of electric fuel delivered or placed into a battery or storage device for an electric motor vehicle can range from \$0.50 to \$0.325. Article VII, section 8, of the Constitution of the State of Iowa requires all motor vehicle registration fees and excise taxes on motor vehicle fuel, other than the cost of administration, to be used exclusively for the construction, maintenance, and supervision of the public highways exclusively within Iowa, or for the payment of bonds issued for such purposes. Iowa Code section [312.2](#) provides the formula for distribution of the RUTF.

### **Assumptions**

- According to Moody's CPI-U forecast, the average CPI increase is estimated to increase an average of 2.2% after FY 2027.
- Refund rates for motor fuel are based on FY 2025 rates.
- Fuel consumption for future years is based on consumption in FY 2025.
- Additional revenue from electric motor vehicles, hybrids, and electric motorcycles is unknown.

## Fiscal Impact

The analysis of this Division models the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. Division X will increase revenue to the RUTF. **Figure 16** shows the increase to the RUTF and the and the distribution to the various road funds. Annual registration fees will increase each year per the CPI forecast.

**Figure 16 — Fuel Excise Tax Revenue (in millions)**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Applied CPI Adjustment	2.2%	2.2%	2.2%	0*	2.2%
Revenue Inc. vs Current Law	\$ 15.7	\$ 31.3	\$ 47.0	\$ 47.0	\$ 63.3

\*Note: Senate File 2472 establishes that there will not be an adjustment if there was an adjustment for three consecutive years.

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Primary Road Fund	\$ 7.4	\$ 14.9	\$ 22.3	\$ 22.3	\$ 30.1
Secondary Road Fund	3.8	7.7	11.5	11.5	15.5
Farm-to-Market Fund	1.3	2.5	3.8	3.8	5.1
City Street Fund	3.1	6.3	9.4	9.4	12.7
Total	\$ 15.7	\$ 31.3	\$ 47.0	\$ 47.0	\$ 63.3

## Division XI — Office of the Assessor — Budget and Levy

### Description

Division XI of the Bill relates to assessments made for assessor expenses and makes the following changes:

- Restricts the ability of an assessor to use levies that pay for unemployment benefits (Iowa Code section [96.31](#)), Iowa Public Employees' Retirement System (IPERS) benefits (Iowa Code section [97B.9](#)), or workers' compensation (Iowa Code section [97C.10](#)).
- Restricts the ability of an assessor to use levies greater than 102.0% of prior-year property tax for the maintenance of the assessor's office and other assessment procedures.

Division XI of the Bill takes effect January 1, 2027, and is applicable to property taxes due and payable in fiscal years beginning on or after July 1, 2027.

### Background

County and city assessors are responsible for determining the assessed value of all taxable property within their jurisdiction in accordance with State law and applicable valuation methods. These assessments form the basis for calculating property taxes and are subject to equalization and review to ensure uniformity and compliance. The State of Iowa has 99 county assessor offices and seven city offices, including Ames, Cedar Rapids, Davenport, Dubuque, Iowa City, Mason City, and Sioux City. Assessor duties and responsibilities are governed under Iowa Code section [441.17](#). As of AY 2024, no city assessor office in the State utilizes the IPERS or workers' compensation levies. The counties affected by Division XI are outlined in **Figure 17**.

**Figure 17 — Assessor’s Utilizing Restricted Levies Utilized in FY 2026**

Assessor's Office	Taxable Value	Assessment			Tort Liability	Total Rate	Total Levy
		Expense	FICA	IPERS			
Clarke County	\$ 500,069,091	0.6750	0.0154	0.0190	0.0000	0.7095	\$ 363,809
Decatur County	346,918,761	0.6750	0.0303	0.0360	0.0000	0.7413	262,022
Humboldt County	922,113,057	0.6750	0.0222	0.0267	0.0000	0.7239	692,815
Lucas County	437,850,478	0.6750	0.0331	0.0409	0.0026	0.7515	336,967
Monroe County	584,760,195	0.6750	0.0336	0.0413	0.0000	0.7499	445,141
Ringgold County	435,457,653	0.6750	0.0293	0.0361	0.0000	0.7404	327,692
Union County	606,197,824	0.6750	0.0209	0.0249	0.0000	0.7208	458,196

**Assumptions**

- Taxable dollars and tax rates by assessor were estimated using FY 2025 taxable values in **Figure 17** above and projected into future years at an inflation rate of 2.0%.
- The calculation for FY 2027 and all following years utilizes the new levy rate formula of 102.0% growth compared to the prior fiscal year’s property tax revenues, excluding prohibited IPERS levy.

**Fiscal Impact**

The analysis of this Division estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. The fiscal impact of Division XI is displayed in **Figure 18**.

**Figure 18 — Reduction in Assessor Property Tax Revenues**

Assessor's Office	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Clarke County	\$ -9,700	\$ -9,900	\$ -10,100	\$ -10,300	\$ -10,500
Decatur County	\$ -12,700	\$ -13,000	\$ -13,300	\$ -13,500	\$ -13,800
Humboldt County	\$ -25,200	\$ -25,700	\$ -26,200	\$ -26,700	\$ -27,200
Lucas County	\$ -18,200	\$ -18,600	\$ -19,000	\$ -19,400	\$ -19,700
Monroe County	\$ -24,600	\$ -25,100	\$ -25,600	\$ -26,100	\$ -26,700
Ringgold County	\$ -16,100	\$ -16,400	\$ -16,700	\$ -17,000	\$ -17,400
Union County	\$ -15,400	\$ -15,700	\$ -16,000	\$ -16,300	\$ -16,600
Total	\$ -121,900	\$ -124,400	\$ -126,900	\$ -129,300	\$ -131,900

**Division XII — Regional Transit District Levy**

**Description**

Division XII of the Bill reduces the total that a regional transit district (RTD) may levy up to a combined maximum of \$0.80 per \$1,000 of assessed value. Beginning in FY 2027, the total property tax dollars levied for the combined districts cannot exceed 102.0% of the property tax dollars received by the RTD from the prior fiscal year.

Division XII takes effect January 1, 2027, and is applicable to property taxes due and payable in fiscal years beginning on or after July 1, 2027.

**Background**

Regional transit districts formed via intergovernmental agreements under Iowa Code chapter [28M](#) may impose a property tax levy to fund operations and maintenance, contingent on

approval by participating counties and city councils. Under current law, cities also have separate authority under Iowa Code section [384.12](#) to levy an RTD for similar transit purposes. Under current law, a combined maximum levy of \$0.95 per \$1,000 of assessed value was allowed for Municipal Transit Districts and RTDs to fund operations and maintenance, and reserve funds when other revenues were insufficient.

In FY 2026, the RTDs are estimated to collect \$27.0 million in property tax dollars to cover the remaining operation and maintenance after other revenue sources were first exhausted. As of FY 2026, there were 48 RTDs being utilized across the State, and of these, eight exceeded the new \$0.80 proposed cap and are displayed in **Figure 19**. Analyzing the Des Moines Area Regional Transit (DART) partnerships, property tax revenues between FY 2022 and FY 2026 grew, on average, 4.8% per year.

**Figure 19 — Regional Transit Districts Above the Proposed \$0.80 Levy Cap**

Participating Cities	Applicable Taxable Valuation	Tax Rate	Property Taxes
Altoona	\$ 1,323,838,221	0.80317	\$ 1,063,267
Des Moines	9,241,030,540	0.95000	8,778,979
West Des Moines	6,783,579,646	0.95000	6,444,401
Windsor Heights	264,422,826	0.95000	251,202
Holstein	63,338,905	0.95000	60,172
Iowa City	4,493,695,553	0.95000	4,269,011
Davenport	5,407,833,854	0.91000	4,921,129
Sioux City	3,531,173,087	0.95000	3,354,614

### Assumptions

- Taxable dollars per assessor were estimated using FY 2026 values and projected into future years at an inflation rate of 2.0%.
- The FY 2026 levy rates were used as the baseline and assumed to remain constant in future years for the current law assessment.
- Starting in FY 2027, all tax rates above the imposed \$0.80 per \$1,000 of assessed value were reduced to this rate for all future years. RTDs with rates below this maximum rate are not included in this calculation as they are not impacted by these changes.

### Fiscal Impact

The analysis of this Division estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. The fiscal impact of Division XII is displayed in **Figure 20**.

**Figure 20 — Property Tax Revenue Reduction to RTDs (in Millions)**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	\$ 29.7	\$ 30.3	\$ 30.9	\$ 31.5	\$ 32.2	\$ 32.8	\$ 33.5
SF 2472 Div XII	26.1	27.4	28.8	30.3	31.8	33.4	35.0
Net Impact	\$ -3.6	\$ -2.9	\$ -2.1	\$ -1.3	\$ -0.4	\$ 0.5	\$ 1.5



## **Division XIII — Utility Replacement Tax Task Force**

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### **Description**

Division XIII of the Bill requires the Utility Replacement Tax Task Force to modernize, simplify, study the accuracy of, and eliminate replacement taxes imposed under Iowa Code chapters [437A](#) and [437B](#).

Division XIII of the Bill takes effect upon enactment.

### **Fiscal Impact**

Division XIII is not anticipated to have a fiscal impact.

## **Division XIV — Local Government Budget Statements**

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### **Description**

Division XIV of the Bill allows the annual budget statements sent out by mail by the county assessor for school districts, counties, and cities to be posted and maintained on the political subdivision's website instead of regular mail.

Division XIV of the Bill is applicable to taxpayer statements under Iowa Code section [24.2A](#) for budgets beginning with fiscal years on or after July 1, 2027.

### **Fiscal Impact**

Division XIV is not anticipated to have a fiscal impact.

## **Division XV — Real Estate Transfer Tax Forms**

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### **Description**

The Division amends Iowa Code section [428A.7](#) governing real estate transfer tax forms for the declaration of value as determined by the IDR. The Bill modifies the list of examples of abnormal property transactions that are to be excluded from consideration or adjusted to eliminate distortions of market value when valuing property to include built-to-suit construction, sale-leaseback transactions, leased fee sales, and instead of sales to immediate family, sales between related parties.

### **Fiscal Impact**

Division XV is not anticipated to have a fiscal impact.

## **Division XVI — Division of Revenue — Data Centers**

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### **Description**

Division XVI of the Bill applies to data centers and includes the following:

- Excludes the school district foundation property tax from Tax Increment Financing (TIF) districts established for data centers.
- Defines a qualified data center as a data center, as defined by Iowa Code section [423.3\(95\)](#), for which site preparation activities begin on or after the effective date of Division XVI.
- Prohibits the foundation property tax from being divided and paid into a municipality's special fund for the payment of urban renewal indebtedness, and instead requires the tax to be levied, collected, and paid to a school district.

Division XVI takes effect upon enactment and applies to property taxes due and payable beginning in FY 2028.

## Background

Under current law, pursuant to Iowa Code section [427.1\(37\)](#), property used by a data center other than land, buildings, and other improvements is exempt from property tax.

In FY 2025, the counties of Dallas, Polk, Pottawattamie, and Warren had web/data centers with a total taxable valuation of \$1.650 billion.

## Fiscal Impact

The fiscal impact of Division XVI is unknown.

## Division XVII — Mobile Home, Manufactured Home, and Modular Home Taxes

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### Description

Division XVII of the Bill modifies the square foot tax system by exempting mobile and manufactured homes in parks from property tax and the square foot tax. Division XVII requires mobile and manufactured homes located outside of a mobile home park or manufactured home community to be assessed and taxed as real property.

Division XVII repeals Iowa Code section [435.29](#), which assesses a civil penalty of \$100 on a person who moves a mobile home or manufactured home without having attained a tax clearance statement. The penalty is credited to the county's general fund.

Division XVII of the Bill does not affect the operation of or prohibit the application of the manufactured or mobile home tax assessed for taxes due and payable before July 1, 2026.

### Background

Under current law, mobile and manufactured homes located within a mobile home park or manufactured home community are exempt from the traditional property tax assessment process. As a replacement, a mobile or manufactured home located in a mobile home park or manufactured home community is subject to a tax that equals a maximum of \$0.20 per square foot of floor space. The maximum tax rate is reduced as the home ages. Homes that are 6 to 9 years old are taxed at a maximum rate of \$0.18 per square foot, while homes 10 years or older are taxed at a maximum rate of \$0.16 per square foot. Modular homes located in a mobile home park or manufactured home community that was in existence before January 1, 1998, are subject to the square foot tax.

Iowa Code section [435.22](#) provides for a reduced or eliminated square-foot tax for low-income homeowners. For 2025, a homeowner with a household income of less than \$8,500 is exempt from the square foot tax, while homeowners with household income of \$8,500 through \$16,500 are subject to a reduced rate of \$0.03 to \$0.15 per square foot. An eligible low-income homeowner must file an annual [application](#) with the county. The State reimburses local governments for the revenue reduction that is the result of the lower tax rate for low-income households through the General Fund appropriation for the Elderly and Disabled Property Tax Credit.

### Assumptions

- The total number of housing units in parks and communities is estimated to be 44,868. This estimate utilizes a 2019 [survey](#) completed by the Legislative Services Agency with the assistance of the Iowa State Association of Counties.
- The estimated age of this housing population was estimated utilizing the U.S. Census [Shipment of New Manufactured Homes](#) Annual Shipments by State data table. 28,487 new manufactured homes were shipped to Iowa from 1994 through 2025, with 2,651 shipped in

the last 5 years, 2,106 shipped during the 4 years prior to that, and 23,730 shipped from 10 to 32 years ago. It is estimated that 70.0% of these homes are placed inside a mobile home park and eligible for this credit.

- The first two assumptions result in the following estimates of the number of mobile and manufactured homes located in Iowa mobile home parks and manufactured home communities:
  - Less than six years — 1,856 (subject to a \$0.20 square foot tax).
  - Six through nine years — 1,474 (subject to a \$0.18 square foot tax).
  - Ten years or older — 41,538 (subject to a \$0.16 square foot tax).
- According to the [United States Census Bureau](#), the average Iowa mobile or manufactured home from 2014 through 2025 has 1,312 square feet of floor space. A 1,312-square-foot mobile or manufactured home is subject to an annual tax assessment of \$210 to \$262. If the homeowner qualifies as low-income, the annual tax is lower and potentially \$0.
- It is estimated that the State reimbursed local governments an average of \$94,000 through the General Fund Elderly and Disabled Property Tax Credit appropriation for the impact of low-income square foot tax rate reductions.

### **Fiscal Impact**

The analysis of this Division estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. Eliminating the square foot tax on mobile and manufactured homes will reduce annual taxes owed by homeowners by an estimated \$9.5 million per year and will also reduce the annual local government reimbursement (paid through the State Elderly and Disabled Property Tax Credit appropriation) by \$94,000. The two reductions will result in an estimated annual local government revenue reduction of \$9.6 million. All changes will start with FY 2028.

The estimate does not include the annual traditional property tax reduction that will result from the provisions of the Bill that exempt existing modular homes located within mobile home parks or manufactured home communities from the square foot tax or traditional property tax, nor does it include an estimate of the reduction in traditional property tax associated with exempting garages and other buildings currently located in parks and communities.

### **Division XVIII — Elderly and Disabled Property Tax Credit and Rent Reimbursement**

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#### **Description**

Division XVIII of the Bill makes changes to the Low-Income and Elderly and Disabled Property tax credits and makes the following changes:

- Removes the income threshold of 250.0% of the poverty level from consideration for an additional homestead tax credit for eligible elderly and disabled individuals who are 70 years of age or older.
- Increases the maximum amount of the additional homestead property tax credit or reimbursement for rent constituting property taxes paid from \$1,000 to \$1,500.

Division XVIII of the Bill takes effect January 1, 2030, and is applicable for credits against property taxes due and payable in fiscal years beginning on or after July 1, 2030, and for reimbursement for rent constituting property taxes paid in base years beginning on or after January 1, 2029.

## Background

Under current law, the Elderly and Disabled Property Tax Credit provides property tax relief to eligible homeowners aged 65 and older or individuals who are totally disabled. The credit is income-based and calculated using household income and property tax liability, with the amount of property taxes used in the calculation capped at \$1,000. In addition to the homestead tax credit, eligible claimants aged 65 and older qualify for a homestead tax exemption equal to \$3,250 of taxable value for assessment year 2023 and \$6,500 for assessment years beginning on or after January 1, 2024.

In FY 2025, the Elderly and Disabled Property Tax Credit program provided \$3.5 million in General Fund support to approximately 9,901 claimants, with an average credit of \$349 per claimant. Under current law, the maximum amount of property taxes used in calculating the credit is capped at \$1,000. The Elderly and Disabled Rent Reimbursement program received \$11.3 million in an FY 2025 General Fund appropriation for an estimated 18,301 claimants.

In FY 2020, Senate File [619](#) (Taxation and Other Provisions Act) expanded eligibility for the property tax credit for claimants aged 70 and older. This expansion offset increases in property taxes above a base year amount beginning in FY 2022. The 70-and-over property tax freeze reduces local government property tax revenues without State reimbursement.

## Assumptions

- The expansion of the Elderly and Disabled Property Tax Credit assumes that 7.5% of the 9,901 current claimants utilize the full \$1,000 maximum credit. For those claimants, the additional credit is assumed to average \$250 per claimant.
- The expansion of the elderly and disabled rent reimbursement assumes that 7.5% of the 18,301 current claimants utilize the full \$1,000 maximum credit. For those claimants, the additional credit is assumed to average \$250 per claimant.
- Based on ACS population and household income data, approximately 110,500 homesteads owned by individuals aged 70 or older are estimated to have household income below 250.0% of the federal poverty level (FPL). For FY 2025, 250.0% of the FPL in the contiguous United States is \$39,125 for a single individual.
- This estimate does not account for changes in the number of qualifying homeowners since the credit was introduced in FY 2022 and assumes that 110,500 homesteads qualified in each of the six years.
- For purposes of this estimate, property taxes for the average eligible homestead are assumed to increase by \$50 per year.
- The final year of local government revenue impact from the 70-and-over property tax freeze occurs in FY 2028, corresponding to the last applicable assessment year (AY 2026).

## Fiscal Impact

The analysis of this Division estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other Divisions of the Bill. The expansion of the Elderly and Disabled Property Tax Credit and rent reimbursement program from \$1,000 to \$1,500 is estimated to increase annual General Fund appropriations by approximately \$0.5 million. The removal of the 70-and-over homestead freeze is displayed in **Figure 21** below.

**Figure 21 — Removal of the 70+ Homestead Freeze (in Millions)**

<b>Fiscal Year</b>	<b>Credit/Loss of Revenue to Local Government</b>	<b>Increased Revenue to Local Government</b>
2026	\$ -22.1	\$ 0.0
2027	-27.6	0.0
2028	-33.1	0.0
2029	0.0	38.7
2030	0.0	44.2
2031	0.0	49.7
2032	0.0	55.2
2033	0.0	60.8

**Fiscal Impact Summary**

The overall fiscal impact of the Bill is unknown. Due to the complexity and interdependence of the Bill’s provisions, including multiple changes to the property tax base and levy structure, Division-level estimates cannot be combined to produce a total fiscal impact. Therefore, the estimates above are provided independently and should not be summed to determine the overall fiscal impact.

**Sources**

- Legislative Services Agency calculations
- Department of Health and Human Services
- Department of Management
- Department of Revenue Reports
- Department of Transportation
- FY 2025 Annual Urban Renewal Report
- U.S. Bureau of Labor Statistics
- Moody’s Consumer Price Index Forecast
- American Community Survey
- Iowa County Engineers Association

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/s/ Jennifer Acton  
April 8, 2026

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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.