Fiscal Note

Fiscal Services Division

HF 2745 – Property Taxes, Local Government Budgets, and Credits (LSB6158HV.2)
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Fiscal Note Version – Revised

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 Divisions of the Bill 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

House File 2745 is composed of 16 divisions that are related to property tax assessments, rates, credits, exemptions, budget processes and other related programs that do the following:

- **Division I** limits the growth of certain property tax levies for local governments to 102.0% of the prior year's budget, with specified adjustments and exclusions.
- **Division II** modifies the assessment limitation for commercial and industrial property by expanding the portion of value subject to the residential rollback rate.
- **Division III** establishes a homestead property tax exemption equal to 10.0% of taxable value of the home, up to $25,000 per homestead.
- **Division IV** modifies the Secure an Advanced Vision for Education (SAVE) Fund Equity Transfer percentage and extends the Fund's repeal to January 1, 2027.
- **Division V** requires county auditors to submit an annual report that includes parcel identification information.
- **Division VI** modifies provisions related to urban renewal areas and tax increment financing (TIF), including exempting certain levies, setting fixed durations to TIF Districts, and capping housing investment requirements.
- **Division VII** modifies provisions related to property assessments.
- **Division VIII** creates the Local Government Efficiency Grant Program and appropriates $10.0 million from the General Fund.
- **Division IX** creates the FirstHome Iowa Program and related fund to assist with first-time homeownership.
- **Division X** modifies provisions related to distorted market valuations.
- **Division XI** makes changes to local government property tax statements and procedures.

- **Division XII** modifies provisions related to the property tax treatment and exemption structure for data center property.
- **Division XIV** establishes a voter-approved emergency medical services (EMS) levy above the current maximum levy rate.
- **Division XV** establishes a Utility Replacement Tax Task Force.
- **Division XVI** establishes an unspent balance cap and allows schools to request a budget adjustment.

Division I — Property Tax Revenue Limitations — Bond Revenue Use Limitations

Description

Division I of the Bill does the following related to property tax revenue limitations:

- Disallows unassigned reserve funds identified within a government entity's general fund from exceeding 35.0%, beginning in FY 2028. Establishes penalties for noncompliance.
- Repeals Iowa Code section 176A.8(13), which would disallow an agricultural extension to carry forward unexpended funds.
- Limits property tax revenues to 102.0% of the prior years' revenues, excluding debt service and school districts, beginning in FY 2028.
- Includes replacement taxes detailed in Iowa Code chapters 437A and 437B in the 102.0% cap in the Bill and provides penalties for noncompliance.
- Restricts local government entities from issuing bonds or other debt for general operations beginning in FY 2027.
- Permits the DOM, in consultation with city and county finance committees, to adopt administrative rules to implement Section 7 of Division I of the Bill.

Background

Under current law, Iowa's property tax system includes multiple layers of limitations and controls that collectively influence local government revenues and tax burdens. These include biannual equalization of assessed values, annual assessment limitations (rollback) by property class, statutory levy rate limits, the school aid formula, and the local government budget and certification process. Property owners also may appeal valuations through a structured protest and appeals process.

Iowa's property tax cycle begins with the assessment of property values as of January 1, followed by assessment protests, equalization by the Department of Revenue, application of rollback to determine taxable values, and, finally, the adoption of local budgets and levy rates prior to the issuance of tax bills. Local government levy authority is further constrained by statutory rate limits and growth mechanisms. Recent legislation, including 2023 Iowa Acts, House File 718 (Property Tax, Assessments, and Board Ethics Act), and 2024 Iowa Acts, Senate File 2442 (Individual Income Tax Rate Act), modified these limitations by tying allowable levy growth to taxable valuation growth through tiered or inflation-adjusted mechanisms.

In addition, school district funding operates under the school aid formula, which combines a uniform property tax levy of $5.40 per $1,000 of taxable valuation with State General Fund aid to meet the foundation level. This structure further integrates State and local funding decisions within the overall property tax system.

Assumptions

- 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 district-level growth across property classes, projected growth rates were bounded between the 15th and 80th percentiles to limit extreme fluctuations.

- Levy rates for all authorities are held constant at AY 2024 levels, and revenue growth is constrained through application of a 102.0% annual growth limitation on included levies at the district level. Any revenues that grow more than 102.0% compared to last year's budgeted property tax revenues are artificially scaled back, representing the bulk of the decreased property taxes estimated by this Division.
- The estimate separates the base valuation from a new valuation using AY 2024 proportions, allowing revenue generated from new valuation to grow outside of the cap.
- Levies excluded from the growth limitation, including school district levies and debt service levies, are modeled under current law and added back after the cap is applied.
- This ***Fiscal Note*** assumes no behavioral response from local governments, assumes no changes in levy structure, and holds the relative composition of the tax base constant over time.
- Property tax revenue impacts are first seen in FY 2028.

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 1** displays the estimated reduction in property tax revenue to local governments.

Figure 1 — Property Tax Revenue Reduction (in Millions)

AY/FY	Current Law Revenue	Included Revenue	Excluded Revenue	Cap Ceiling Included	Allowed Included Revenue	Allowed Total Revenue	Local Revenue Reduction
2024/2026	$ 7,812.1	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
2025/2027	8,234.1	0.0	0.0	0.0	0.0	0.0	0.0
2026/2028	8,519.7	3,977.8	4,541.9	3,948.5	3,866.5	8,408.3	-111.4
2027/2029	8,912.0	4,166.5	4,745.6	4,069.7	3,983.0	8,728.6	-183.4
2028/2030	9,231.0	4,317.7	4,913.3	4,195.6	4,104.7	9,018.0	-213.0
2029/2031	9,667.8	4,528.4	5,139.4	4,326.7	4,231.2	9,370.6	-297.2
2030/2032	10,024.9	4,698.6	5,326.3	4,463.9	4,363.8	9,690.1	-334.8
2031/2033	10,512.4	4,934.7	5,577.7	4,607.1	4,502.0	10,079.7	-432.7

Division II — Commercial and Industrial Property Assessment Limitations

Description

Division II of the Bill does the following related to commercial and industrial property assessment limitations:

- Amends the two-tier assessments of commercial and industrial properties and increases the residential rollback threshold from $150,000 to $350,000 of the assessed value.
- Eliminates the standing General Fund appropriation of $125.0 million for the backfill to local governments, effective in FY 2028.

The sections of Division II increasing the residential rollback threshold from $150,000 to $350,000 apply retroactively for assessment years beginning on or after January 1, 2026.

Background

The Two-Tier Assessment Limitation (TTAL) program, previously referred to as the Business Property Tax Credit (BPTC), 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 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 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 TTAL, $125.0 million has been appropriated annually from the General Fund each year to the Department of Revenue for payments to local governments to replace property taxes lost due to the rollback. In FY 2025, the appropriation was able to fund 81.2% of the total requested $153.9 million in reimbursement requests.

Assumptions

- The Bill eliminates the $125.0 million State General Fund standing appropriation backfill associated with the prior credit structure. As a result, reductions in taxable valuations from the expanded assessment limitation are not offset by State payments and will result in a direct reduction in property tax revenues to local governments. The school foundation property tax $5.40 backfill associated with TIF does not apply to these valuation changes.
- The average taxable valuations of commercial/industrial properties that will benefit from the increased $350,000 threshold is unknown. The estimate assumes that 50.0% of the maximum additional benefit will be realized.
- The proportion of commercial and industrial property value affected by the expanded threshold remains constant over the projection period and grows at the same rate as total commercial and industrial taxable valuation.
- The proportion of commercial and industrial property value affected by the expanded threshold is assumed to remain constant over the projection period and grows annually at

the statewide weighted average rate of commercial and industrial taxable valuation, using separate odd- and even-year growth rates. The weighted growth rates used in the estimate are approximately 3.84% in odd years and 0.48% in even years.
- The AY 2024 residential assessment limitation of 47.4316% and commercial/industrial limitation of 90.0% is assumed fixed for all future years.
- The AY 2023 total requested amount of $153.9 million is used as the baseline for projecting future amounts under both the $150,000 threshold under current law and the proposed $350,000 threshold. The maximum projected amount under the proposed $350,000 threshold is estimated by applying a proportional factor of 2.3 to current law projections, reflecting the increase in the maximum value eligible for the residential rollback.

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. **Figure 2** displays the estimated reduction in property tax revenue to local governments in addition to the elimination of the $125.0 million General Fund backfill appropriation.

Figure 2 — Two-Tier Assessment Limitation Increase (in Millions)

Fiscal Year	Minimium Projection Under $150,000 Threshold	Maximum Projection Under $350,000 Threshold	Estimated Reduction Under $350,000 Threshold	General Fund Backfill ($5.40 levy)	Local Revenue Reduction
2026	$ 154.6	$ 0.0	$ 0.0	$ 0.0	$ 0.0
2027	160.5	0.0	0.0	0.0	0.0
2028	161.3	376.4	268.9	44.9	-224.0
2029	167.5	390.8	279.2	46.6	-232.6
2030	168.3	392.7	280.5	46.8	-233.7
2031	174.8	407.8	291.3	48.6	-242.7
2032	175.6	409.7	292.7	48.9	-243.8
2033	182.3	425.5	303.9	50.7	-253.2

Division III — Homestead Property Tax Exemption

Description
Division III establishes a new homestead property tax exemption equal to the lesser of $25,000 or 10.0% of a residential property's taxable value and excludes the exemption from school district levies.

Division III makes Iowa Code section 25B.7(1) on funding property tax credits and exemptions inapplicable to the Homestead Property Tax exemption changes in the Division.

Division III applies retroactively to assessment years beginning on or after January 1, 2026.

Background
Iowa law provides several property tax credits and exemptions that apply to homestead properties. These programs reduce taxable valuation or tax liability for eligible homeowners and are administered through a combination of State-funded credits and local property tax adjustments. State-funded reductions in tax liability (credits) and reductions in taxable value (exemptions) are governed under Iowa Code chapter 425. Examples include:
- The **Homestead Tax Credit**, which reduces the taxable value of eligible owner-occupied residential property.

- The **Elderly and Disabled Tax Credit**, which provides additional relief based on income eligibility.
- The **Military Service Tax Exemption**, which provides a partial exemption for qualifying veterans.
- The **Disabled Veteran Homestead Credit**, which provides a full exemption for certain qualifying veterans.

Assumptions

- 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. The average consolidated tax rate of 32.42171 was adjusted to exclude the school district share of property taxes using a statewide average proportion of 40.13%, resulting in an effective non-school tax rate of 19.41088 for purposes of this exemption. 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 fiscal impact of this Division will begin in FY 2028. **Figure 3** below displays the average homestead property tax reduction using the above assumptions.
- Because Iowa Code section 25B.7(1) is made inapplicable under Division III, the school foundation property tax $5.40 backfill does not apply to these valuation changes.

Figure 3 — Estimated Average Property Tax Reduction per Homestead Exemption

FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
$190.00	$190.00	$190.00	$200.00	$200.00	$210.00

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. **Figure 4** displays the estimated reduction in property tax revenue to local governments.

Figure 4 — New Homestead Revenue Impact (in Millions)

AY/FY	Assessed Value	Taxable Value	Homestead Exempt Value	Local Revenue Reduction
2024/2026	$ 263,379	$ 122,936.9	$ 0.0	$ 0.0
2025/2027	268,646.5	127,423.3	0.0	0.0
2026/2028	274,019.4	129,971.8	7,145.6	-138.7
2027/2029	279,499.8	132,571.2	7,288.5	-141.5
2028/2030	285,089.8	135,222.7	7,434.2	-144.3
2029/2031	290,791.6	137,927.1	7,582.9	-147.2
2030/2032	296,607.4	140,685.6	7,734.6	-150.1
2031/2033	302,539.6	143,499.4	7,889.3	-153.1

Division IV — Secure an Advanced Vision for Education Fund — Equity Transfer Percentage — Future Repeal

Description
Division IV extends the statewide sales tax rate of 6.0% and the SAVE Fund from a repeal date of January 1, 2051, to January 1, 2071, and allocates 30.0% of SAVE funds to property tax relief by FY 2035. The change will be gradually implemented to increase the share of the SAVE Fund that will be used for property tax relief. The Bill requires the Department of Management (DOM) to adjust or reconcile SAVE funds to be received by school districts in the fiscal year immediately following the fiscal year during which the revenues were collected.

Background
Secure an Advanced Vision for Education is a statewide 1-cent sales tax dedicated to K-12 infrastructure such as new school construction, major renovations, technology infrastructure, paying debt on eligible school bonds, and property tax relief. The Department of Education (DE) is required to issue an annual legislative report detailing the collection and use of SAVE funds.

Assumptions
- There is no additional administrative burden to the State for changes made in the Bill.
- Annual growth for school infrastructure sales tax will be as follows:
  - FY 2027 = 2.00%
  - FY 2028 = 2.90%
  - FY 2029 = 2.90%
  - FY 2030 = 3.20%
  - FY 2031 = 3.50%
  - FY 2032 = 2.45%
  - FY 2033 = 2.45%
  - FY 2034 = 2.45%
  - FY 2035 = 2.45%

Fiscal Impact
Division IV is expected to have no fiscal impact to the State for administrative purposes.

The Bill is expected to increase SAVE contributions to property tax relief by $20.9 million in FY 2027, increasing to $110.4 million in FY 2033. **Figure 5** illustrates the estimated statewide impact of HF 2745 on property tax relief.

Figure 5 — SAVE Contribution Transfer Impact (in Millions)

Fiscal Year	SAVE Contributions to Property Tax Relief Current Law	SAVE Contributions to Property Tax Relief HF 2745	HF 2745 vs. Current Law
2027	$ 51.2	$ 72.1	$ 20.9
2028	52.7	92.7	40.0
2029	61.8	114.5	52.7
2030	71.7	137.8	66.2
2031	82.3	163.0	80.7
2032	92.7	187.9	95.2
2033	103.5	213.9	110.4
2034	114.8	241.0	126.2
2035	126.6	269.4	142.8

Division V — Property Parcel Information

Description
Division V of the Bill requires local governments to annually report parcel-level property data by January 1 of each year to the DOM.

Fiscal Impact
The fiscal impact of Division V is unknown.

Division VI — Urban Renewal

Description
Division VI of the Bill does the following related to urban renewal:

- Changes the definition of "low or moderate income families" to "low and moderate income families" (or LMI families) who earn no more than 80.0% of the median family income of the county or statewide median income as reported by the U.S. Department of Housing and Urban Development (HUD).
- All TIF districts created without an end date are restricted to collect only 60.0% of the available TIF revenues 20 years following the effective date of Division VI or 20 years from the calendar year that loans, advances, indebtedness, or bonds were first taken out, whichever is later. This limitation does not apply to community colleges.
- Limits all urban renewal revenues created after the passage of this Bill to 20 years or 23 years, for TIFs categorized as Economic Development/Slum and Blight, from the calendar date that loans, advances, debt, or bonds are first certified. Once a TIF reaches their limitation, the local ordinance automatically terminates and revenue associated with the urban renewal is no longer collected. This limitation does not apply to community colleges.
- Excludes school district foundation property taxes and EMS property tax levies from urban renewal capture.
- Changes urban renewal financial requirements for LMI family housing by lowering the population criteria of municipalities from 15,000 to 5,000, and updates required expenditures on LMI housing projects from 10.0% to the lesser of 20.0% of the project cost, or $350,000. Removes the requirement of municipalities with populations below 5,000 from this requirement.

Division VI takes effect upon enactment.

The section of Division VI amending Iowa Code section 403.19(2)(a) is applicable to property taxes due and payable beginning on or after July 1, 2027.

The sections of Division VI amending Iowa Code section 403.22(1)(a), 403.22(1)(b), 403.22(1)(c), and 403.22(5)(d) are applicable only to urban renewal areas in existence on or established on or after the effective date of Division VI.

Background

Tax increment financing is a financing mechanism used for urban renewal, and involves dividing the property taxes paid from property within a designated area between the traditional taxing authorities (counties, cities, schools, etc.) and the taxing authority that created the TIF area. Local governments establish urban renewal areas and use TIF revenue to finance projects, including the repayment of debt associated with those projects. In FY 2025, TIF property tax revenues totaled $486.9 million. Local governments reported a total of $4.681 billion in outstanding debt that they expect to repay with future TIF revenue.

Beginning in 1996, a 20-year duration limit was applied to certain economic development urban renewal areas, though not all areas were subject to this requirement. 2023 Iowa Acts, House File 718, extends this concept by requiring all new urban renewal areas to include a defined maximum duration, generally 20 years for economic development areas and up to 25 years for areas that include housing-related activities, thereby eliminating the creation of new areas without end dates.

The following statistics related to the TIF area designation are based on the TIF districts that submitted reports through the FY 2025 TIF annual report process. There were approximately 1,808 TIF districts that exceeded the Bill's proposed time limit in FY 2025. Tax increment financing districts received purpose designations in the following numbers:

- Slum, Blight, or both, but not Economic Development = 213
- Economic Development and Slum/Blight = 403
- Economic Development Only = 2,117
- No designated purpose provided = 1,531

Local government urban renewal projects are also required to include assistance for LMI housing if the project is in an economic development urban renewal area and if the project aids or provides public improvements related to housing and residential development. The amount of required LMI assistance varies by city population. The Iowa Code does not specify when the expenditure on LMI housing assistance must occur. Therefore, local governments that are required to expend funds on LMI housing but have yet to do so reflect the obligation as an outstanding debt; the FY 2025 TIF Report identifies approximately $24.8 million in such obligations. As of FY 2025, there were 62 local governments engaged in 75 active LMI projects.

Assumptions

- The analysis does not distinguish between urban renewal areas currently with and without defined duration limits. All TIF districts are therefore assumed to remain active and subject to the 60.0% retention and 40.0% return framework. Urban renewal areas that reach their applicable 20-year or 23-year duration under current law are assumed to terminate, returning additional property tax revenue to the tax base over time.
- For purposes of estimating TIF duration, districts designated for Economic Development, including those with combined Economic Development and Slum/Blight designations, are

assumed to be subject to a 20-year duration limit. Districts designated as Slum/Blight are assumed to be subject to a 23-year duration. Districts with no designation provided are allocated proportionally based on the distribution of reported designations. Under these assumptions, approximately 92.2% of TIF Districts are modeled using a 20-year duration and 7.8% using a 23-year duration.

- The estimated fiscal impact does not address or aggregate the impact to community colleges.
- Low- and moderate-income changes are assumed to not impact current agreements, and future impacts cannot be estimated.

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. **Figure 6** shows the estimated phase-out of TIF revenue under the Bill based on statutory duration limits. All TIF revenue is assumed to be subject to the 60.0% retention and 40.0% return framework; however, urban renewal areas that naturally reach their defined duration will accelerate the shift of property tax dollars back to the tax base, increasing General Fund savings over time.

Figure 6 — Phased Out Tax Increment Financing (in Millions)

Fiscal Year	Districts (Current Law)	TIF Revenue (Current Law)	Districts Subject to 60/40	TIF Revenue Retained (60.0%)	TIF Revenue Returned to Tax Base (40.0%)	Estimated General Fund Savings ($5.40 Backfill)
2027	2,326	234,202,302	1,931	$151,636,574	$101,091,049	$16,837,226
2028	2,187	223,346,701	2,070	$158,149,934	$105,433,290	$17,560,448
2029	2,065	217,760,613	2,192	$161,501,587	$107,667,725	$17,932,605
2030	1,935	204,141,407	2,323	$169,673,111	$113,115,407	$18,839,944
2031	1,796	196,601,690	2,462	$174,196,941	$116,131,294	$19,342,255
2032	1,679	187,819,626	2,578	$179,466,179	$119,644,120	$19,927,334
2033	1,507	173,935,042	2,751	$187,796,930	$125,197,953	$20,852,353

Division VII — Assessment Procedures

Description

Division VII of the Bill does the following related to assessment procedures:

- Requires an assessor to include additional information in the taxpayer's statement to justify an assessment year increase if a property's assessed value increases by 10.0% or more in a year, beginning January 1, 2027.
- Requires an assessor to defend a property's assessed value through protest and/or appeal if an assessed valuation increases by 10.0% or more and is not attributable to equalization, improvements, or renovations.
- Disallows communications from Board of Review members prior to a protest.

Background

County assessors are required to assess all property annually by January 1 and mail assessment notices to all taxpayers by April 1. Any property owner, taxpayer, or public official may protest or appeal a property assessment by April 30 under Iowa Code section 441.37.

Under current law, the burden of proof in a protest or appeal is upon the complainant. When the complainant offers competent evidence that the market value of the property is different than the market value determined by the assessor, then the burden of proof is upon the officials seeking to uphold the property valuation. This protest takes place in front of the Board of Review, which issues a decision by May 31. A taxpayer has the additional option to further appeal the decision to either the district court or the Property Assessment Appeal Board (PAAB).

Fiscal Impact
The fiscal impact of Division VII is unknown; however, local governments may experience additional costs associated with the preparation of assessment notices or defending assessments at the Board of Review, district court, or PAAB level.

Division VIII — Local Government Efficiency Grant Program

Description and Background
Division VIII of the Bill does the following related to a Local Government Efficiency Grant Program:
- Creates a Local Government Efficiency Grant Fund under the control of Iowa State University (ISU).
- Appropriates $10.0 million in FY 2027 from the General Fund to the Local Government Efficiency Grant Fund for a Local Government Efficiency Grant Program to be awarded to help consolidate government positions and create sharing agreements between local governments to reduce property taxes.
- Establishes the Local Government Efficiency Commission at ISU to administer the grant program.
- Local governments eligible for the Local Government Efficiency Grant Program include counties, cities, townships, or any special-purpose district or authority. Some local governments currently have sharing agreements; however, the number of sharing agreements is unknown beyond the $10.0 million General Fund appropriation for FY 2027.

Fiscal Impact
Division VIII is not anticipated to have a fiscal impact beyond the $10.0 million General Fund appropriation for FY 2027.

Division IX — FirstHome Iowa Accounts

Description
Division IX of the Bill establishes the FirstHome Iowa Program under the Treasurer of State. The Program allows individuals to invest money in a public trust for future application to the payment of qualified homebuyer expenses. The maximum contribution to the Program that may be deducted from Iowa personal income tax is $5,500 per beneficiary per year, adjusted annually to account for inflation. Interest and earnings received from contributions are deducted from Iowa personal income tax. The Treasurer of State may collect fees to administer the Program.

The Division also provides that no new Iowa First-Time Homebuyer Savings Accounts (FTHSAs) may be established on or after July 1, 2026.

Background
Iowa Code chapter 541B allows individuals to open interest-bearing FTHSAs for the purpose of paying qualified homebuyer expenses. The maximum contribution to an FTHSA in tax year (TY) 2026 is $4,744. Interest earned on FTHSAs is deducted from Iowa personal income tax. In TY 2024, FTHSA program participants claimed a statewide aggregate deduction amount of approximately $200,000.

Assumptions

- Participation in the FirstHome Iowa Program will be comparable to participation in the FTHSA program.
- Interest and earnings on money in the FirstHome Iowa Program is assumed to be the same as interest and earnings on money in FTHSAs.
- There will be no contributions to FTHSAs on or after July 1, 2026.
- In FY 2024, the average contribution to an FTHSA was 64.2% of the maximum allowable contribution. It is assumed that the average contribution to the FirstHome Iowa Program will be 64.2% of the maximum allowable contribution.

Fiscal Impact

Division IX of the Bill is estimated to decrease General Fund revenue by approximately $1,200 each fiscal year beginning in FY 2027.

Division X — Valuations — Abnormal Transactions — Real Estate Transfer Tax Forms

Description

Division X of the Bill amends Iowa Code section 428A.7 governing real estate transfer tax forms for the declaration of value as determined by the Department of Revenue. 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. This Division applies retroactively to assessment years beginning on or after July 1, 2026.

Fiscal Impact

Division X is not anticipated to have a fiscal impact.

Division XI — Local Government Budget Statements

Description

Division XI of the Bill does the following related to local government budget statements:

- Updates Iowa Code section 24.2A(2)(b), which details the contents of a property tax statement or budget that is mailed to each taxpayer.
- Allows a property tax statement to be accessible on a website in lieu of a mailing beginning in FY 2028.
- Requires the DOM to consult with the Iowa League of Cities and the Iowa State Association of Counties (ISAC) to create standardized formatted statements.
- Makes Iowa Code section 25B.2(3) on unfunded state mandates inapplicable to Division XI of the Bill regarding local government budget statements.

Division XI of the Bill applies to political subdivision budgets beginning FY 2028.

Background

Under current law, the county auditor mails a budget statement to each property owner or taxpayer within the county by March 15 each year. The Iowa Legislature last amended these statements in AY 2025 in 2024 Iowa Acts, Senate File 2442 (Individual Income Tax Rate Act).

Fiscal Impact

Division XI is not anticipated to have a fiscal impact.

Division XII — Division of Revenue — Data Centers

Description
Division XII of the Bill applies to data centers and does the following:
- Excludes the school district foundation property tax from 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 XII.
- 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 XII 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 $1.65 billion.

Fiscal Impact
Division XII is not anticipated to have a fiscal impact.

Division XIII — Election Dates — Bonds

Description
Division XIII of the Bill allows a bond special election to take place on the first Tuesday after the first Monday in June, in addition to an election in November, but prohibits two bond elections in the same year.

Background
Under current law (Iowa Code section 39.2(4)(d)), a bond special election may only take place on the first Tuesday after the first Monday in November.

Fiscal Impact
Division XIII is not anticipated to have a fiscal impact.

Division XIV — Emergency Medical Services Levy

Description
Division XIV of the Bill does the following related to the EMS levy:
- Prohibits an EMS levy above $0.75 per $1,000 of assessed value for counties that do not already have a levy, beginning FY 2028.
- Allows counties that already have an EMS levy in place to increase the levy to $1.50 per $1,000 of assessed value, beginning FY 2028.

Background
Under current law, a county may impose an EMS levy of up to $0.75 per $1,000 of assessed value for counties (Iowa Code section 422D.1(1)(a)(2)). As of AY 2024, at total of 20 counties

levied EMS levies under Iowa Code chapter 422, and of those, 10 levied the current $0.75 maximum amount.

Fiscal Impact
Division XIV is not anticipated to have a fiscal impact.

Division XV — Utility Replacement Tax Task Force

Description
Division XV of the Bill does the following related to the utility replacement tax task force:
- Modifies the duties of the task force to study the accuracy of replacement taxes and methods of simplification for the administration or elimination of these taxes.
- Requires the DOM to transmit any modifications of replacement taxes to the General Assembly.

Division XV of the Bill takes effect upon enactment.

Background
Pursuant to Iowa Code section 437A.15(7)(b), the utility replacement tax task force studies the effects of replacement taxes and recommends modifications to the replacement tax that will further the purpose of tax neutrality.

Fiscal Impact
The fiscal impact of Division XV is unknown.

Division XVI — School District Unspent Balances — On-Time Funding and Modified Supplemental Amounts

Description
Division XVI allows a school district to retain an unspent balance not to exceed 35.0% of the preceding year budget unless a greater amount is approved by the School Budget Review Committee (SBRC), allows for a school district to request an on-time budget adjustment, and requires a school board to establish defined policies that are to be annually reviewed and entered into the Board minutes.

Division XVI of the Bill takes effect upon enactment.

Background
The SBRC is a nonpartisan body established to review budgets and to hold hearings on requests to modify budgetary limitations from school districts, area education agencies, and community colleges. The SBRC is an independent agency separate from the DE and the DOM. According to Iowa Code section 257.31, the SBRC is required to review a school district's unspent balance prior to any decision to increase a modified supplemental amount (MSA).

A school district's unspent balance, or the unspent authorized budget (UAB), is the amount of unused district General Fund spending authority left over at the end of the fiscal year that is carried over into the next fiscal year. School boards can set goals or parameters around the UAB, and the UAB is separate from the school district's cash available. For FY 2025, the statewide UAB was 22.3%.

2026 Iowa Acts, Senate File 2201 (Supplemental State Aid Act), modifies the methodology used to determine a school district's annual basic enrollment from a single October enrollment count to a count based on the average of a district's actual enrollment for the base year and the district's adjusted enrollment for the base year. The adjusted enrollment is required to be determined annually on January 15, or the third Monday in January if January 15 falls on a Saturday or Sunday. This second enrollment count will be certified as the district's adjusted enrollment and submitted to the DE by February 15 of each year. The DE is required to promptly forward the adjusted enrollment to the DOM. This revised basic enrollment count will be used to calculate State aid and property taxes related to State aid. The new adjusted enrollment methodology will apply to school budget years beginning in FY 2028.

The SBRC has a schedule for hearings to review, approve, or deny a school district's request for an MSA. The SBRC can set a special hearing at any time. The hearing dates for FY 2027 are as follows:

- October 13, 2026, with requests due September 4, 2026.
- December 15, 2026, with requests due October 30, 2026.
- January 26, 2027, considered a special hearing.
- March 30, 2027, with requests due February 12, 2027.

Assumption

There is no additional administrative costs to the State for changes made in the Bill.

Fiscal Impact

Division XVI is expected to have no fiscal impact.

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 Management
Department of Revenue
FY 2025 Annual Urban Renewal Report

/s/ Jennifer Acton
April 14, 2026

Doc ID 1604223

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.