Fiscal Note

Fiscal Services Division

SF 2472 – Property Taxation (LSB5195SV.2)

Staff Contact: Michael Peters (515.281.6934) michael.peters@legis.iowa.gov

Fiscal Note Version – As amended and passed by the Senate (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 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 24 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.
- **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 1.25%.

- **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 budget 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 and web search portal business property.
- **Division XVII** creates the FirstHome Iowa Program and a related fund to assist with first-time homeownership.
- **Division XVIII** modifies the Elderly and Disabled Property Tax Credit by eliminating the property tax freeze provision and increasing the maximum benefit.
- **Division XIX** eliminates the property tax exemption for impoundment structures and speculative shell buildings.
- **Division XX** establishes an unspent balance cap and allows schools to request budget adjustment.
- **Division XXI** requires county auditors to submit an annual report that includes parcel identification information.
- **Division XXII** excludes wind energy conversion property, the school district foundation levy, and EMS levies from urban renewal tax increment calculations.
- **Division XXIII** establishes a task force to study property tax deferral options for low-income elderly homestead owners and report to the Legislature.
- **Division XXIV** establishes a task force to study payments in lieu of property taxes and report recommendations to the Legislature.

Division I — County Property Taxes and Budgets

Description

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

- Accelerates the county general services levy cap of $3.50 and the county rural services levy cap of $3.95 per $1,000 in assessed value from FY 2028 to FY 2027.
- Beginning in FY 2028 and FY 2029, limits property tax revenue growth to the greater of:
  - 101.75% of prior-year revenue, plus revenue generated from new valuation; or
  - 100.5% of prior-year revenue.
- Beginning in FY 2030, limits property tax revenue growth to the greater of:
  - 102.0% of prior-year revenue, plus revenue generated from new valuation; or
  - 100.5% of prior-year revenue.
- Beginning in FY 2031, property tax revenue growth is limited to the greater of a Consumer Price Index for All Urban Consumers (CPI-U) indexed percentage of prior-year revenue plus new valuation, or 100.5% of prior-year revenue. For the purpose of property tax adjustments, the CPI-U change is measured by a percentage change between 20 months and 8 months prior to the beginning of the budget year. The budget adjustment factor is determined by a 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 "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 greaters	-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 county rural services levy is capped at $3.95.
- In FY 2028 and FY 2029, allowable growth in included property tax revenue is assumed to be 101.75% of prior-year revenue, plus revenue generated from new valuation.
- In FY 2030, allowable growth in included property tax revenue is assumed to be 102.0% of prior-year revenue, plus revenue generated from new valuation.
- In FY 2031 and all fiscal years thereafter, allowable growth is determined by a CPI-based formula calculated as the ratio of the CPI-U, not seasonally adjusted, for the period 20 months prior to the beginning of the budget year.
- Based on available CPI-U data, the CPI-based budget adjustment factor is estimated at approximately 102.7 and is assumed to remain constant for FY 2031 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.
- Other county levies, including debt service, EMS, and other voter-approved levies, are not subject to the limitation in Division I and are assumed to remain constant for purposes of this estimate.

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	$1,635.2	$1,682.2	$1,737.0	$1,786.8	$1,845.0	$1,898.0	$1,959.8
SF 2472 Div I	1,609.6	1,644.7	1,682.0	1,724.7	1,780.4	1,837.0	1,895.4
Net Impact	$ -25.6	$ -37.5	$ -54.9	$ -62.1	$ -64.6	$ -61.0	$ -64.4

Division II — City Property Taxes and Budgets

Description
Division II of the Bill makes the following changes 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.
- Beginning in FY 2028 and FY 2029, limits property tax revenue growth to the greater of:
  - 101.75% of prior-year revenue, plus revenue generated from new valuation; or
  - 100.5% of prior-year revenue.
- Beginning in FY 2030, limits property tax revenue growth to the greater of:
  - 102.0% of prior-year revenue, plus revenue generated from new valuation; or
  - 100.5% of prior-year revenue.
- Beginning in FY 2031, property tax revenue growth is limited to the greater of a CPI-U indexed percentage of prior-year revenue plus new valuation, or 100.5% of prior-year revenue. For the purposes of property tax adjustments, the CPI-U change is measured by a percentage change between 20 months and 8 months prior to the beginning of the budget year. The budget adjustment factor is determined by a 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%

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 greaters	-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.
- In FY 2028 and FY 2029, allowable growth in included property tax revenue is assumed to be 101.75% of the prior-year revenue, plus revenue generated from new valuation.
- In FY 2030, allowable growth in included property tax revenue is assumed to be 102.0% of the prior-year revenue, plus revenue generated from new valuation.
- Beginning in FY 2031, allowable growth is determined by a CPI-based formula calculated as the ratio of the CPI-U, not seasonally adjusted, for the period 20 months prior to the beginning of the budget year.
- Based on available CPI-U data, the CPI-based budget adjustment factor is estimated at approximately 102.7 and is assumed to remain constant for FY 2031 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.
- Other city levies, including debt service and other voter-approved levies, are not subject to the limitation in Division II and are assumed to remain constant for purposes of this estimate.

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	$1,884.1	$1,924.5	$1,987.2	$2,044.2	$2,110.8	$2,171.3	$2,242.1
SF 2472 Div II	1,870.8	1,912.3	1,957.7	2,008.3	2,075.0	2,141.6	2,211.3
Net Impact	$ -13.3	$ -12.1	$ -29.5	$ -35.9	$ -35.8	$ -29.8	$ -30.8

Division III — School Taxes and Budgets

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 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 26 related to the management levy fund reports. Division III, except for section 26 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)

Fiscal Year	2028	2029	2030	2031
Property Tax Reduction				
Reduction in Additional Levy	$ -489.2	$ -481.7	$ -488.3	$ -479.8
Reduction in Levy for AEA Media and Education Services	-71.7	-71.8	-71.6	-71.4
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
Total in Property Tax Reduction	$ -663.4	$ -656.0	$ -662.4	$ -653.7
Increase in General Fund (GF) Appropriation				
Reduction in Additional Levy paid by GF	$ 489.2	$ 481.7	$ 488.3	$ 479.8
Reduction in Levy for AEA Media and Education Services paid by GF	71.7	71.8	71.6	71.4
Eliminate GF Property Tax Adjustment Aid	-5.8	-5.5	-5.4	-5.2
Eliminate GF Property Tax Relief Payment (PTRP)	-145.9	-146.0	-145.9	-145.7
Eliminate GF Property Tax Equity Relief (PTER)	-54.2	-54.8	-54.8	-54.9
Eliminate Additional PTER	-5.6	-6.2	-6.7	-11.8
Secure and Advanced Vision for Education (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
Total Increase in GF Appropriation	$ 272.7	$ 255.2	$ 251.4	$ 226.3

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 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 for residential property by limiting the taxable value to 55.0% of the actual value in AY 2026 and increasing it to 65.0% for assessment years beginning AY 2027.
- Introduces a rollback calculation for the new multiresidential property class by limiting the taxable value to 80.0% of actual value for assessment years beginning AY 2027.
- Increases the rollback for commercial and industrial property for AY 2026 to 98.0% in AY 2025 and 100.0% in AY 2027, thus eliminating the rollback for commercial and industrial property.
- Increases the rollback calculation for railroad property to 98.0% in AY 2025 and 100.0% in AY 2026.
- 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 2027.
- Clarifies that Division IV does not affect assessment years prior to AY 2026 and budgets related to AY 2026.
- Disallows communications from Board of Review members prior to a property assessment protest.

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 6**.
- 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).
- Assessment limitations are assumed to change to 55.0% for residential property beginning in AY 2026 (increasing to 65.0% in AY 2027 and thereafter), 80.0% for multiresidential property beginning in AY 2027, 93.0% for commercial and industrial property beginning in AY 2026 (increasing to 100.0% in AY 2027), and 98.0% for railroad property beginning in AY 2026 (increasing to 100.0% in AY 2027).
- Beginning in FY 2027, the TTAL program is eliminated for commercial, industrial, and railway property by transitioning these classes to a single-tier system with 100.0% assessment. For purposes of this estimate, it is assumed the associated $125.0 million General Fund appropriation is eliminated in future budget actions. Additionally, increased statewide taxable values resulting from modifications to the assessment limitation do not increase the $5.40 school levy backfill and may reduce State costs as taxable valuations increase.

Figure 6 — Estimated Taxable Valuations (in Millions)

AY	Residential	Multiresidential	Commercial	Industrial	Railroad
2014	$ 78,887.2	$ 0.0	$ 28,263.5	$ 7,104.0	$ 1,469.1
2015	82,546.1	4,062.5	29,920.7	7,624.3	1,669.6
2016	86,414.5	3,960.9	30,889.5	7,974.4	1,923.1
2017	90,359.0	4,308.9	33,404.1	8,467.3	1,876.3
2018	94,711.7	4,250.9	34,533.7	9,171.0	2,026.9
2019	98,983.0	4,501.5	36,742.4	9,811.9	2,255.5
2020	103,360.1	4,469.8	37,917.9	10,346.8	2,351.5
2021	108,001.1	4,895.8	39,664.6	11,017.7	2,460.6
2022	107,633.0	4,993.7	38,403.8	11,457.7	2,621.8
2023	113,105.9	5,093.6	43,657.2	14,099.8	2,784.1
2024	118,550.5	5,195.5	44,655.0	15,239.9	2,812.5

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, industrial and railroad property classes, resulting in additional property tax revenues generated as shown in **Figure 7**. Additionally, the General Fund appropriations will be reduced by $125.0 million per year after the elimination of the TTAL program in FY 2027.

Figure 7 — Local Property Tax Revenues Generated with Assessment Increases

Current Law Projected Statewide Property Taxes (in Millions)

FY	Residential	Multiresidential	Commercial	Industrial	Railroad
2027	$ 4,194.1	$ 183.8	$ 1,683.5	$ 498.3	$ 83.2
2028	4,356.4	190.9	1,680.2	512.2	85.6
2029	4,544.6	199.2	1,739.4	537.9	89.9
2030	4,720.4	206.9	1,735.9	552.9	92.4
2031	4,924.3	215.8	1,797.2	580.6	97.0
2032	5,114.8	224.2	1,793.6	596.8	99.7
2033	5,335.8	233.8	1,856.8	626.7	104.7

Division IV Projected Statewide Property Taxes (in Millions)

FY	Residential	Multiresidential	Commercial	Industrial	Railroad
2027	$ 4,278.8	$ 187.5	$ 1,683.5	$ 498.3	$ 90.6
2028	5,380.1	235.8	1,829.5	557.7	95.1
2029	6,633.0	357.8	1,932.7	597.7	99.8
2030	6,889.6	371.6	1,928.8	614.3	102.6
2031	7,187.3	387.7	1,996.9	645.1	107.8
2032	7,465.3	402.7	1,992.9	663.1	110.8
2033	7,787.9	420.1	2,063.1	696.4	116.3

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

FY	Residential	Multiresidential	Commercial	Industrial	Railroad
2027	$ 84.8	$ 3.7	$ 0.0	$ 0.0	$ 7.4
2028	1,023.7	44.9	149.3	45.5	9.5
2029	2,088.4	158.6	193.3	59.8	10.0
2030	2,169.2	164.7	192.9	61.4	10.3
2031	2,262.9	171.9	199.7	64.5	10.8
2032	2,350.5	178.5	199.3	66.3	11.1
2033	2,452.0	186.2	206.3	69.6	11.6

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.
- Beginning in AY 2026, creates a homestead property tax exemption equal to 5.0% of taxable value, not less than $4,850 and not greater than $35,000.
- Beginning in AY 2027, increases the homestead property tax exemption to 15.0% of taxable value, not less than $4,850 and not greater than $150,000 of exempted taxable value.
- Beginning in AY 2027, an additional homestead property tax exemption for homeowners aged 60 or older, not to exceed $350,000 of taxable value, with the exemption equal to:
  - 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%
- Beginning in AY 2028, indexes the homestead property tax exemption amounts annually using a cumulative adjustment factor based on the annual inflation factor specified in Iowa Code section 422.4.
- Alters the definition of "homestead" for the Elderly and Disabled Property Tax Credit or rent reimbursement to specify that a homestead does not exceed one-half acre.
- Makes Iowa Code section 25B.7(1) on funding property tax credits and exemptions inapplicable to the exemptions in Division V.
- 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.

Based on the 2024 American Community Survey 5-Year Data the estimated age of Iowa homeowners is displayed in **Figure 8** below.

Figure 8 — Estimated Homeowner Age in Iowa

Homeowner Age	Estimated Claimants	Percent Distribution
59 years or younger	414,270	55.7%
60 to 69 years	156,268	21.0%
70 to 79 years	110,119	14.8%
80 to 89 years	50,407	6.8%
90 to 99 years	11,455	1.5%
100 years or older	1,273	0.2%
Total	743,790	100.0%

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. 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.
- In AY 2026, the homestead exemption is assumed to be 5.0% of taxable value, not less than $4,850 and not greater than $35,000.
- In AY 2027, the homestead exemption is assumed to be 15.0% of taxable value, not less than $4,850 and not greater than $150,000.
- In AY 2028, the annual inflation factor is assumed to be 2.0% for all years and is applied cumulatively to all future years.
- For purposes of this estimate, the standard homestead exemption is applied only to homeowners under age 60. Homeowners aged 60 or older are assumed to receive the age-based homestead exemption in lieu of the standard homestead exemption. The number of homeowners who received the enhanced exemption schedule is displayed above in **Figure 8**.
- 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 fiscal impact of this Division will begin in FY 2028. **Figure 9** below displays the average homestead property tax reduction for homeowners under 60 years of age using the above assumptions.

Figure 9 — Estimated Average Property Tax Reduction per Homestead Exemption

Age	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Under 60	$ 90	$ 290	$ 290	$ 300	$ 300	$ 310
60-69	1,120	1,140	1,160	1,190	1,210	1,230
70-79	1,300	1,330	1,360	1,390	1,410	1,440
80-89	1,490	1,520	1,550	1,580	1,610	1,650
90-99	1,680	1,710	1,750	1,780	1,820	1,850
100 and Over	1,870	1,900	1,940	1,980	2,020	2,060

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

Figure 10 — Local Government Revenue Reductions (in Millions)

Age	Exemption	Population	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
60 and Under	5.0% — 15.0%	414,270	$ 39.0	$ 118.2	$ 120.6	$ 123.0	$ 125.4	$ 127.9
60-69	60.0%	156,268	174.7	178.4	182.0	185.6	189.3	192.9
70-79	70.0%	110,119	143.6	146.6	149.6	152.6	155.6	158.6
80-89	80.0%	50,407	75.2	76.7	78.3	79.8	81.4	83.1
90-99	90.0%	11,455	19.2	19.6	20.0	20.4	20.8	21.2
100 and Over	100.0%	1,273	2.4	2.4	2.5	2.5	2.6	2.6
		329,520	$ 415.2	$ 423.7	$ 432.4	$ 441.0	$ 449.7	$ 458.4

Division VI — Military Service Property Tax Exemption

Description
Division VI of the Bill updates the Military Service Property Tax Exemption not to exceed the lesser of 2.0% of the taxable value of the property or $14,000, with a minimum of $5,000.

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 11**.
- 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 11 — 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	5,000	5,000	5,000	5,000	5,000
Average Tax Savings (Current Law)	130	130	130	130	130	130
Average Tax Savings per Claimant (Under Bill)	162	162	162	162	162	162
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 12**.

Figure 12 — 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	15.3	14.4	13.5	12.7	11.8
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	2.5	2.4	2.3	2.1	2.0
Local Government Impact (Current Law)	10.8	10.2	9.6	9.0	8.5	7.9
Local Government Impact (Under Bill)	13.5	12.7	12.0	11.3	10.6	9.8
Total Impact (Net Change)	$ -3.2	$ -3.1	$ -2.9	$ -2.7	$ -2.5	$ -2.4
General Fund Impact $5.4 (Net Change)	0.5	0.5	0.5	0.5	0.4	0.4
Local Government Impact (Net Change)	$ -2.7	$ -2.5	$ -2.4	$ -2.3	$ -2.1	$ -2.0

Division VII — Hospital and Emergency Medical Services Property Tax Levies

Description
Division VII modifies the hospital and EMS property tax levies to allow revenue growth of up to 101.75% of prior-year revenue plus revenue from new valuation in FY 2028. Beginning in FY 2029 and each year thereafter, the levies may increase by up to 105.00% of prior-year revenue, excluding revenue from new valuation.

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 the lack of aggregated data on new construction, this estimate does not isolate new valuation and instead assumes that all taxable valuation is subject to the allowable growth limits of 101.75% in FY 2028 and 105.0% in FY 2029 and each year thereafter.

Figure 13 displays the maximum allowable increase in total property tax revenue for Hospital and EMS authorities.

Figure 13 — 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	165.9	174.2	182.9	186.6	190.3	194.1
Net Impact	$ 0.0	$ -0.4	$ 4.6	$ 9.9	$ 10.1	$ 10.3	$ 10.5

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

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. For FY 2028 and FY 2029, any rate-limited levy may only be imposed if a government previously imposed that levy in the prior fiscal year. Rates are capped at a rate of 101.75% of the prior year's actual property tax dollars, but not less than a rate that would generate 100.5%. For FY 2030, 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 2031, 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 property tax rates. 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 101.75% of the prior year's actual property tax revenue in FY 2028 and FY 2029 and 102.0% in FY 2030 and each year thereafter.
- The estimate does not account for potential changes to levy rate limitations beginning in FY 2031, 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 14** displays the estimated reduction in property tax revenue to local governments.

Figure 14 — Estimated Property Tax Reduction

	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	$8,414.0	$8,769.6	$9,079.2	$9,518.3	$ 9,884.4	$10,366.9
SF 2472 Div VIII	8,373.8	8,692.9	8,976.5	9,323.2	9,641.8	10,030.6
Net Impact	$ -40.2	$ -76.7	$ -102.7	$ -195.1	$ -242.6	$ -336.4

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 1.25% 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 1.25%, local government revenue is estimated to increase by the following amounts:
  - FY 2027 = $209.8 million
  - FY 2028 = $217.1 million
  - FY 2029 = $224.7 million
  - FY 2030 = $232.6 million
  - FY 2031 = $240.7 million
  - FY 2032 = $249.2 million
  - FY 2033 = $257.9 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 1.25%, 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

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 15** 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 15 — 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).
- For fiscal years before FY 2028, the assessment expense levy may not exceed $0.675.
- Beginning in FY 2028 and FY 2029, the use of levies for the maintenance of the assessor's office and other assessment procedures may not be greater than 101.75% of prior-year property tax revenue.
- In FY 2030, the levy cap may not grow by more than 102.0% of prior-year property tax revenue.

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 16**.

Figure 16 — Assessor's Utilizing Restricted Levies Utilized in FY 2026

Assessor's Office	Taxable Value	Assessment Expense	FICA	IPERS	Tort Liability	Total Rate	Total Levy
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 2026 taxable values in **Figure 17** above and projected into future years at an inflation rate of 2.0%.
- The calculation for FY 2028 and FY 2029 assumes 101.75% growth compared to the prior fiscal year's property tax revenues.
- In FY 2029, the levy rate is assumed to grow at 102.0% compared to the prior fiscal year's property tax revenues.

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 17**.

Figure 17 — Reduction in Assessor Property Tax Revenues

Assessor's Office	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Clarke County	$ -900	$ -1,800	$ -1,900	$ -1,900	$ -2,000	$ -2,000
Decatur County	-700	-1,300	-1,400	-1,400	-1,400	-1,400
Humboldt County	-1,700	-3,500	-3,500	-3,600	-3,700	-3,800
Lucas County	-800	-1,700	-1,700	-1,800	-1,800	-1,900
Monroe County	-1,100	-2,300	-2,300	-2,400	-2,400	-2,500
Ringgold County	-800	-1,700	-1,700	-1,700	-1,800	-1,800
Union County	-1,100	-2,300	-2,300	-2,400	-2,400	-2,500
Total	$-7,100	$-14,600	$-14,800	$-15,200	$-15,500	$-15,900

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 $0.88 per $1,000 of assessed value. For FY 2028 and FY 2029, the total property tax dollars levied for the combined districts cannot exceed 101.75% of the property tax dollars received by the RTD from the prior fiscal year. For fiscal years beginning in FY 2030, the total property tax dollars levied for the combined districts cannot exceed 105.0% of the property tax dollars received by the RRD 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, 7 exceeded the new $0.88 proposed cap and are displayed in **Figure 18**. Based on 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 18 — Regional Transit Districts Above the Proposed $0.80 Levy Cap

Participating Cities	Applicable Taxable Valuation	Tax Rate	Property Taxes
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 2028, all tax rates above the imposed $0.88 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.
- RTD property tax revenues are assumed to grow at 101.75% of the prior fiscal year's receipts for FY 2028 and FY 2029, and 105.0% for FY 2030 and each fiscal year thereafter.

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 19** displays the maximum fiscal impact of Division XII; however, the number of authorities that will impose the maximum rate is unknown.

Figure 19 — Property Tax Revenue Reduction to RTDs (in Millions)

	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	$ 29.2	$ 29.8	$ 30.4	$ 31.0	$ 31.6	$ 32.3
SF 2472 Div XII	29.1	29.7	31.1	32.7	34.3	36.0
Net Impact	$ -0.1	$ -0.1	$ 0.7	$ 1.7	$ 2.7	$ 3.8

Division XIII — Utility Replacement Tax Task Force

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

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

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 and Web Search Portal Businesses

Description
Division XVI of the Bill applies to data centers and web search portal businesses and includes the following:

- Excludes the school district foundation property tax from Tax Increment Financing (TIF) districts established for data centers and web search portal businesses.
- 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.
- Defines a qualified web search portal business to mean the same as defined in Iowa Code sections 423.3(92) and 423.3(93) when site preparation activities, as defined in Iowa Code section 423.3(95), begin on or after the effective date of Division XVI of the Bill.
- 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, property used by a data center or web search portal business 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 — FirstHome Iowa Accounts

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

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

Description
Division XVIII modifies the elderly and disabled property tax credit and rent reimbursement provisions by:

- Increasing the maximum amount of property taxes due or rent constituting property taxes paid that may be used in calculating the credit or reimbursement from $1,000 to $1,500
- Revising inflation adjustment language and modifying provisions applicable to claimants age 70 or older with household income below 250.0% of the federal poverty level.

- Eliminates the property tax limitation for claimants age 70 or older with household income below 250.0% of the federal poverty level by striking Iowa Code section 425.23(1)(c). This change is applicable beginning in FY 2030 and is expected to increase local government property tax revenues.

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, for both programs 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, with an average credit of $647 per claimant.

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. No additional benefit is assumed for claimants below the current maximum credit.
- 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. No additional benefit is assumed for claimants below the current maximum credit.
- 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). This number is assumed to remain constant in future years and the average tax savings under the limitation is assumed to increase by $50 per year. For calendar year 2025, 250.0% of the FPL in the contiguous United States is $39,125 for a single individual. Elimination of the limitation beginning in FY 2030 is assumed to return the estimated lost local government revenue to the tax base.
- The number of claimants for the income-based elderly and disabled property tax credit is assumed to decline by an average annual rate of 4.0% and a decline of 0.5% for the rent reimbursement program. The average refund is assumed constant for all future years.

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 and the removal of the 70-and-over homestead freeze is estimated to increase local government revenue which are both displayed in **Figure 20** below.

Figure 20 —Local Government Revenue Effects of Eliminating the 70+ Property Tax Limitation and General Fund Cost of Expanding the Elderly and Disabled Credit (in Millions)

Fiscal Year	Estimated Credit/Loss of Revenue to Local Government Under Current Law	Increased Revenue to Local Government	Increased General Fund Cost
2026	$ -22.1	$ 0.0	$ 0.0
2027	-27.6	0.0	0.0
2028	-33.1	0.0	0.0
2029	-38.7	0.0	0.0
2030	0.0	44.2	0.5
2031	0.0	49.7	0.5
2032	0.0	55.2	0.5
2033	0.0	60.8	0.4

Division XIX — Property Tax Exemptions — Impoundment Structures and Speculative Shell Buildings

Description
Division XIX of the Bill eliminates property tax exemptions for impoundment structures and speculative shell buildings.

Division XIX of the Bill takes effect January 1, 2031, and applies to assessment years beginning on or after January 1, 2031.

Background
In AY 2024, approximately $940,000 in industrial property was exempt under this provision. The State is estimated to contribute approximately $5,100 from the General Fund to backfill the school foundation levy on this value; returning the valuation to the tax base would reduce this obligation beginning in FY 2033.

Assumptions
- The AY 2024 exempt valuation ($940,000) is used as the base and is grown forward to AY 2031 using a 2.0% annual increase in taxable valuation.
- Property tax revenues generated from the returned valuation are allocated across levy authorities using the FY 2026 statewide consolidated tax of $32.42171.
- As valuation is returned to the tax base, the State's General Fund obligation for the $5.40 school foundation levy backfill is reduced. The General Fund appropriations are estimated

by applying the proportion of the $5.40 levy relative to the FY 2026 consolidated tax rate to the returned valuation.

Fiscal Impact
In FY 2033, Division XIX would decrease the General Fund appropriation by approximately $5,800 and increase local government property tax revenues by an additional $29,200.

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

Description
Division XX allows a school district to retain an unspent balance not to exceed 35.0% of the preceding year's budget unless a greater amount is approved by the 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 XX 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, AEAs, 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 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 on 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 burden to the State for changes made in the Bill.

Fiscal Impact

Division XX is expected to have no fiscal impact.

Division XXI — Property Parcel Information

Description

Division XXI 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 XXI is unknown.

Division XXII — Urban Renewal

Description

Division XXII of the Bill places limits on urban renewal areas and includes the following:

- Establishes duration limits for existing tax increment financing (TIF) districts that currently lack such limits, setting the duration at the lesser of 20 years or until all outstanding debt is retired.
- Allows division of revenue ordinances in effect to continue until the urban renewal area is dissolved but disallows boundaries of the area to include new territory not previously subject to the ordinance before the effective date of Division XXII of the Bill.
- Creates a 20-year limit for divisions of revenue for urban renewal districts created after the effective date of Division XXII of the Bill, which does not apply to community colleges or rural improvement zones.
- Allows tax increment financing revenues from wind energy conversion property under Iowa Code section 427B.26, foundation property taxes for a school district under Iowa Code section 257.3, and taxes for EMS under Iowa Code chapter 357F, 357G, or 422D to be separated and used in an urban renewal area without limitation established after the effective date of Division XXII.
- Disallows extra assistance from another municipality's urban renewal fund or use of urban renewal funds for the relocation of a commercial or industrial enterprise.
- Allows a school district to make foundation property tax revenues available from the school's general fund to the municipality's urban renewal special fund, beginning in FY 2028.
- Prohibits revenues levied for urban renewal to be used for salaries or benefits of permanent staff from a municipality or local or regional economic development entity.
- Creates an urban renewal task force convened by the IDR to study urban renewal and Iowa Code chapter 403. Requires a report to be prepared and submitted to the General Assembly outlining any recommended changes by January 1, 2027.

Division XXII of the Bill is effective upon enactment. Property taxes due and payable due to the Bill's changes to Iowa Code section 403.19(2)(a) are applicable for fiscal years on or after July 1, 2027.

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, required 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

Assumptions

- Urban renewal areas without defined duration limits are assumed to be subject to a maximum duration of 20 years and are modeled as phasing out at 5.0% per year over that period. Urban renewal areas with existing statutory duration limits, including 20-year and 23-year limitations, are assumed to continue under those timelines until debt is retired.
- 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.
- Provisions allowing certain revenues, including wind energy conversion property, the school district foundation levy, and EMS levies, to be used without limitation are assumed to apply only to divisions of revenue established after the effective date of Division XXII.
- The estimated fiscal impact does not address or aggregate the impact to community colleges.
- As TIF revenues are returned to the taxable base, the State's General Fund obligation for the $5.40 school foundation levy backfill is reduced. For purposes of this estimate, the General Fund reduction is calculated by applying the proportion of the $5.40 levy relative to the FY 2026 consolidated tax rate ($32.42171) to the amount of valuation returned to the tax base.

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 21** 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, reducing General Fund appropriations over time.

Figure 21 — Phased Out Tax Increment Financing (in Millions)

Fiscal Year	Expired Districts	TIF Revenue Returned to Tax Base	Reduction to General Fund Appropriation ($5.40 Backfill)
2028	109	$ 13,430,000	$ -2,240,000
2029	225	27,530,000	-4,590,000
2030	347	42,000,000	-7,000,000
2031	476	56,940,000	-9,480,000
2032	613	72,530,000	-12,080,000
2033	757	90,130,000	-15,010,000

Division XXIII — Property Tax Deferral — Task Force

Description

Division XXIII of the Bill establishes a property tax deferral task force convened by the IDR to study the establishment of a program to allow low-income elderly homestead owners to apply to defer property taxes owed until the occurrence of a qualifying event. These events include but are not limited to the death of the owner, sale of the property, or transfer of the property to someone other than a surviving spouse. The IDR is required to prepare and submit a report, including recommended legislative actions, to the General Assembly by January 10, 2027.

Fiscal Impact

Division XXIII of the Bill is not anticipated to have a fiscal impact.

Division XXIV — Payments in Lieu of Property Taxes — Task Force

Description

Division XXIV of the Bill establishes a payments in lieu of property taxes task force convened by the IDR to study the potential for counties to implement a program for the collection of payments in lieu of property taxes from owners. The IDR is required to prepare and submit a report, including recommended legislative actions, to the General Assembly by January 10, 2027.

Fiscal Impact

Division XXIV of the Bill is not anticipated to have a 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 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

/s/ Jennifer Acton
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The Fiscal Note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this Fiscal Note is available from the Fiscal Services Division of the Legislative Services Agency upon request.