



Fiscal Note

Fiscal Services Division



[SF 2472](#) – Property Taxation (LSB5195SV.3)
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Fiscal Note Version – As amended by House amendment [S-5210](#)

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 as amended 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 will be approximately \$130,000.

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](#) as amended by House amendment [S-5210](#) 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, limits local government's general fund unassigned reserves, and prohibits bond usage for general operations.
- **Division II** eliminates the ongoing General Fund appropriation supporting the commercial and industrial property tax replacement beginning in FY 2028 and appropriates \$125.0 million annually to the Taxpayer Relief Fund.
- **Division III** reduces the school foundation levy from \$5.40 to \$5 per \$1,000 starting in FY 2028, makes changes to school district reorganization incentives, conforms the Family Farm Tax Credit, and conforms the Agricultural Land Credit.
- **Division IV** modifies the Secure an Advanced Vision for Education (SAVE) Fund Equity Transfer percentage and extends the Fund's repeal to January 1, 2071.
- **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, and setting fixed durations to TIF Districts.
- **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** adds a second bond special election date in June and prohibits two bond elections in the same year.
- **Division XIII** establishes a voter-approved emergency medical services (EMS) levy above the current maximum levy rate.
- **Division XIV** establishes an unspent balance cap, allows schools to request a one-time budget adjustment, and requires school districts to establish policies related to unspent balances.
- **Division XV** establishes a homestead property tax exemption equal to \$15,000 in taxable value per homestead.
- **Division XVI** limits the growth of agriculture extension levies for local governments to 102.0% of the prior year's budget.

Division I — Property Tax Revenue Limitations — Bond Revenue Use Limitations — General Fund Reserves

Description

Division I of the Bill as amended makes the following changes 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\(13\)](#). This Code section allows a county agricultural extension council 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 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 reduced, representing the bulk of the decreased property taxes estimated for 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 changes in levy structure, and holds the relative composition of the tax base constant over time.
- Property tax revenue impacts will first be realized in FY 2028.

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 as amended. **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 — Taxpayer Relief Fund Appropriation

Description

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

- Eliminates the standing General Fund appropriation of \$125.0 million for the backfill to local governments, effective in FY 2028.
- Creates a standing appropriation of \$125.0 million from the General Fund to the Taxpayer Relief Fund (TPRF), beginning in FY 2028.

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.

The TPRF is authorized in Iowa Code section [8.57E](#) and is a separate fund within the State Treasury. The Fund is primarily used for tax relief purposes, including offsetting reductions in property or income tax rates, and any interest earned remains within the Fund. The TPRF was established in 2018 as a successor to the Taxpayers Trust Fund (TTF), which was originally created in 2011 Iowa Acts, chapter 123, to receive excess General Fund revenues under certain fiscal conditions. Historically, transfers into the TTF were limited and dependent on year-end surplus thresholds; however, since the creation of the TPRF, transfers have occurred through legislative action and appropriations. At the end of FY 2025, the TPRF balance totaled approximately \$4.034 billion.

Assumptions

- The Bill as amended eliminates the \$125.0 million State General Fund standing appropriation associated with the prior credit structure beginning in FY 2028. 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.

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. Division II of the Bill as amended eliminates the \$125.0 million Standing General Fund appropriation for TTAL payments beginning in FY 2028. Instead, the Bill as amended appropriates \$125.0 million annually from the General Fund to the TPRF for fiscal years beginning on or after FY 2028. The elimination of the General Fund appropriation for commercial and industrial replacement payments results in a corresponding reduction in state payments to local governments of approximately \$125.0 million annually.

Division III — School Taxes

Description

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

- Reduces the uniform property tax levy from \$5.40 to \$5 per \$1,000 of assessed valuation on all taxable property in the district, beginning in FY 2028.
- Changes the school district reorganization incentives for reorganizations that take effect on or after July 1, 2027.
- Adopts matching levy reductions for Family Farm Tax Credit rate.
- Adopts matching levy reductions for Agricultural Land Tax Credit rate.

Division III as amended specifies that beginning FY 2028, specified tax credit calculations must be based on the new uniform levy rate established in new Iowa Code section [257.3](#). The Bill as amended specifies that Division III as amended 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.

2019 Iowa Acts, chapter [101](#) (School Districts — Whole Grade Sharing, Reorganization, or Dissolution Incentives Act), extended [school district reorganization incentives](#) until the end of FY 2024. The current provisions, originally enacted in 2001 and effective for school reorganizations between FY 2002 and FY 2007 (2001 Iowa Acts, chapter [126](#) (School Finance — Miscellaneous Changes)), were reauthorized for school reorganizations between FY 2008 and FY 2014 during the 2007 Legislative Session (2007 Iowa Acts, chapter [130](#) (School District Reorganization and Sharing Incentives)). Previously, the provisions were reauthorized for FY 2015 through FY 2020 during the 2014 Legislative Session (Iowa Code section [257.11A](#)). Incentives include the following:

- **Uniform levy rate reductions replaced with State aid.** The uniform levy rate is \$5.40 per \$1,000 of assessed valuations. The rate reductions are phased out over a three-year period. For districts with enrollments of fewer than 600 students, the uniform levy rate will

be reduced \$1 in year one, \$0.50 in year two, and \$0.25 in year three. If a school district with an enrollment exceeding 600 students merges with a district with an enrollment of fewer than 600 students, then the larger district will instead receive a reduction in the uniform levy total equal to the reduction in the uniform levy total that the smaller district receives. For example, if the rate reduction in year one generated a reduction in the uniform levy totaling \$500,000, the district with an enrollment that exceeded 600 would have its portion of the uniform levy reduced by \$500,000.

- **Reorganization supplementary weighting.** School districts that have a whole grade sharing agreement, meet specific requirements, and reorganize by FY 2024 may receive supplementary weighting equal to the whole grade supplementary weighting amount received in the year prior to the reorganization for resident students. Districts can receive reorganization incentive supplementary weighting for up to three years. However, the combined length of whole grade sharing supplementary weighting and reorganization incentive supplementary weighting cannot exceed six years.

The reorganization incentives are funded through a mix of State aid and property taxes, which are calculated through the school finance formula. Uniform levy reductions are paid by State aid through the school finance formula. The State aid cost for the uniform levy incentives depends on the enrollment and taxable valuation of a district.

The [Agricultural Land and Family Farm Property Tax Credits](#) are funded by a \$39.1 million standing limited General Fund appropriation, and the Family Farm Property Tax Credit receives a \$10.0 million allocation from that appropriation.

Assumptions

- Under current law, the State cost per pupil for FY 2027 and future fiscal years will remain at \$8,148.
- 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.
- The number of districts that will start or continue to make progress toward reorganization is unknown. The decision to pursue whole grade sharing and reorganization is a school district decision.
- There will be no change to the Agricultural Land and Family Farm Property Tax Credit appropriation.

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 as amended.

Division III of the Bill as amended related to the reduction in the uniform levy is projected to reduce property tax revenue compared to estimates for current law, and increase General Fund appropriations as shown in **Figure 2**. The fiscal impact to local governments is assumed to be net neutral.

Figure 2 — School Finance Property Tax Reduction and General Fund Appropriation Increase (in Millions)

	FY 2028	FY 2029	FY 2030	FY 2031
Property Tax Reduction From Decrease in Uniform Levy	\$ -94.8	\$ -99.3	\$ -101.6	\$ -106.1
Increase in General Fund (GF) Appropriation From Decrease in Uniform Levy	\$ 94.8	\$ 99.3	\$ 101.6	\$ 106.1

The estimated fiscal impact for Division III of this Bill as amended related to reorganization incentives is currently unknown and will depend on the number of districts that start or continue to make progress toward reorganization.

There is no fiscal impact for Division III of this Bill as amended related to the Agricultural Land and Family Farm Property Tax Credit because it is a standing limited appropriation with amounts to be prorated as necessary.

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

Description

Division IV of the Bill as amended 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 25.0% of SAVE funds to property tax relief by FY 2031. The change will be gradually implemented to increase the share of the SAVE Fund that will be used for property tax relief. The Bill as amended 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 costs 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%

Fiscal Impact

Division IV of the Bill as amended is expected to have no fiscal impact to the State for administrative purposes.

The Bill as amended is expected to increase SAVE contributions to property tax relief by \$38.9 million in FY 2027, increasing to \$121.4 million in FY 2031. **Figure 3** illustrates the estimated statewide impact of SF 2472 on property tax relief.

Figure 3 — SAVE Contribution to Property Tax Relief (in Millions)

Fiscal Year	Current Law	SF 2472 as amended	SF 2472 as amended vs. Current Law
2027	\$ 51.2	\$ 90.1	\$ 38.9
2028	52.7	111.3	58.6
2029	61.8	133.5	71.7
2030	71.7	177.2	105.5
2031	82.3	203.8	121.5

Division V — Property Parcel Information

Description

Division V of the Bill as amended requires local governments to annually report parcel-level property data by January 1 of each year to the DOM, and requires the DOM to establish and maintain a searchable internet-based dashboard.

Fiscal Impact

The fiscal impact of Division V on the DOM to establish and maintain a searchable internet-based dashboard is unknown.

Division VI — Urban Renewal

Description

Division VI of the Bill as amended makes the following changes 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 as amended 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 as amended 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. Allows school districts to voluntarily contribute foundation property tax

revenues to urban renewal areas established on or after January 1, 2027, upon approval by resolution of the school board.

- Repeals the LMI housing set-aside requirements under Iowa Code section [403.22](#), which requires municipalities to allocate a portion of TIF revenues toward the development of housing for LMI families.

Division VI of the Bill as amended takes effect upon enactment.

The section of Division VI as amended that excludes taxes for emergency medical services pursuant to Iowa Code chapters [357F](#) (Emergency Medical Districts), [357G](#) (City Emergency Medical Services Districts), and [422D](#) (Optional Taxes for Emergency Medical Services) by amending Iowa Code section [403.19\(2\)\(a\)](#) is applicable to property taxes due and payable beginning on or after July 1, 2027.

The section of Division VI amending Iowa Code section 257.3 by amending Iowa Code section 403.19(2)(a) is applicable to property taxes due and payable beginning on or after July 1, 2028.

The sections of Division VI of the Bill as amended amending Iowa Code section 403.22 are applicable only to urban renewal areas in existence on or established on or after the effective date of Division VI as amended.

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](#) (Property Tax, Assessments and Bond Elections Act), 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.
- Using the AY 2024 statewide consolidated tax rate of 32.42171 per \$1,000 of taxable value and excluding the \$5.40 school foundation levy, the applicable statewide average tax rate is estimated at 27.02171 per \$1,000 of taxable value.
- The estimated fiscal impact does not address or aggregate the fiscal impact to community colleges or EMS levies.
- 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 as amended in isolation and does not account for interactions or combined effects with other divisions of the Bill as amended. **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 as amended makes the following changes 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 as amended 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 as amended establishes the Local Government Efficiency Grant Program and adopts the following provisions:

- Creates a Local Government Efficiency Grant Fund under the control of Iowa Economic Development Authority (IEDA).
- 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 IEDA 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 as amended 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 as amended 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.

Division IX as amended 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.
- Funds in FTHSAs will be transferred to the FirstHome Iowa Program.
- 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 as amended 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 as amended 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. Division X of the Bill as amended applies retroactively to assessment years beginning on or after July 1, 2026.

Fiscal Impact

Division X as amended is not anticipated to have a fiscal impact.

Division XI — Local Government Budget Statements

Description

Division XI of the Bill as amended makes the following changes 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 as amended regarding local government budget statements.
- Division XI as amended specifies that Iowa Code section 25B.2(3) does not apply to Division XI of the Bill as amended.

Division XI of the Bill as amended 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 of the Bill as amended is not anticipated to have a fiscal impact.

Division XII — Election Dates — Bonds

Description

Division XII of the Bill as amended allows a bond special election to be held 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 XII of the Bill as amended is not anticipated to have a fiscal impact.

Division XIII — Emergency Medical Services Levy

Description

Division XIII of the Bill as amended 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, for fiscal years beginning before July 1, 2027.
- 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 XIII of the Bill as amended is anticipated to have a minimal fiscal impact.

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

Description

Division XIV of the Bill as amended allows a school district for school budget years beginning on or after July 1, 2026, 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 XIV of the Bill as amended 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 2027.

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

Fiscal Impact

Division XIV of the Bill as amended is expected to have no fiscal impact.

Division XV — Homestead Credits and Exemptions

Description

Division XV of the Bill as amended adopts the following provisions related to the tax credits and exemptions related homesteads:

- Establishes a new homestead property tax exemption for the assessment year beginning January 1, 2026, and each assessment year thereafter equal to \$15,000 of a residential property's taxable value and excludes the exemption from school district levies.
- Makes Iowa Code section [25B.7\(1\)](#) on funding property tax credits and exemptions inapplicable to the Homestead Property Tax exemption changes in Division XV of the Bill as amended.
- Homestead owners who have filed for or are receiving homestead credits or exemptions before the effective date of Division XV of the Bill as amended will continue to receive the credits and exemptions the owner is eligible for assessment years beginning on or after January 1, 2026, without refile for the exemption.
- Eliminates the existing homestead tax credit for assessment years beginning on or after January 1, 2026, and as a result, the associated Homestead Credit Aid General Fund appropriation, which is estimated to be \$162.5 million in FY 2026.
- Changes apply 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.

The Homestead Property Tax Credit was enacted in 1937 to provide property tax relief and to encourage home ownership. The current credit is equal to the actual levy on the first \$4,850 of actual value of each homestead, with a minimum annual tax credit of \$62.50. 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 Homestead Credit Fund is funded with a standing unlimited General Fund appropriation established in Iowa Code section [425.1](#). The estimated appropriations for this credit totaled \$162.5 million in FY 2026.

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.
- 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. Using the AY 2024 statewide consolidated tax rate of 32.42171 per \$1,000 of taxable value and excluding the \$5.40 school foundation levy, the applicable statewide average tax rate is estimated at 27.02171 per \$1,000 of taxable value.
- The new homestead exemption is assumed to apply to all homesteads in the state and is equal to \$15,000 of taxable valuation per homestead. The average taxpayer benefit is assumed to be \$405.
- Because Iowa Code section [25B.7\(1\)](#) is made inapplicable under Division XV of the Bill as amended, the school foundation property tax \$5.40 backfill does not apply to these valuation changes.

Fiscal Impact

The analysis of this Division of the Bill as amended estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other divisions of the Bill as amended. Division XV of the Bill as amended eliminates an estimated \$162.5 million in General Fund appropriations supporting homestead tax credits beginning in FY 2028.

The \$15,000 homestead exemption reduces statewide taxable value by approximately \$11.157 billion, resulting in an estimated \$301.5 million annual reduction in local government property tax revenues based on the statewide average applicable levy.

Division XVI — Agricultural Extension Levy

Description

Division XVI of the Bill as amended relates to agricultural extension levies. For fiscal years beginning in FY 2028 and all future years, the agricultural extension levy shall not exceed 102.0% of the amount levied in the immediately preceding fiscal year, plus new valuation as described in Division I of the Bill as amended.

Division XVI of the Bill as amended is applicable to property taxes due and payable in fiscal years beginning on or after July 1, 2027.

Background

The County Agricultural Extension tax is governed under Iowa Code section [176A.4](#). This program, in partnership with [Iowa State University Extension and Outreach](#), provides locally administered educational programs and services focused on agriculture, home economics, and economic development. County Extension Councils are responsible for program delivery, staffing, and budgeting. Programs are supported in part by an annual State General Fund appropriation, which totaled \$18.2 million, and local property tax levies, which totaled \$30.0 million, in FY 2026. Currently, all 99 counties participate in the program and Pottawattamie County includes an East and West Agriculture Extension.

The property tax levy varies based on county population tiers and is subject to maximum revenue limits. Counties may, upon voter approval, elect to operate under an alternative levy

structure that allows higher maximum dollar limits and annual dollar increases. Under the alternative structure, the maximum allowable levy increases annually by a fixed dollar amount, based on population tier.

Assumptions

- Taxable dollars and tax rates by agricultural extension were estimated using FY 2026 taxable values and projected into future years utilizing the statewide taxable valuation three-year average growth rate of 3.9%.
- 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, property tax revenues are limited to 1.02% growth compared to the prior fiscal year’s property tax revenues.
- The estimated fiscal impact does not address or aggregate the impact of new valuation.

Fiscal Impact

The analysis of this Division of the Bill as amended estimates the fiscal impact of this Division as amended in isolation and does not account for interactions or combined effects with other divisions of the Bill. The fiscal impact of Division XVI of the Bill as amended is displayed in **Figure 7**.

Figure 7 — Reduction in Ag Extension Property Tax Revenues (in Millions)

	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Current Law	\$ 32.4	\$ 33.7	\$ 35.0	\$ 36.4	\$ 37.9	\$ 39.4
Proposed Law	31.8	32.5	33.1	33.8	34.5	35.1
Net Impact	\$ -0.6	\$ -1.2	\$ -1.9	\$ -2.6	\$ -3.4	\$ -4.2

Fiscal Impact Summary

The overall fiscal impact of the Bill as amended 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 23, 2026

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 The Fiscal Note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this Fiscal Note is available from the Fiscal Services Division of the Legislative Services Agency upon request.