Ways and Means Acts – Fiscal Notes

HF 960 – Communications Network Equipment Sales Tax Exemption (LSB1629HV.4)
Staff Contact: Evan Johnson (515.281.6301) evan.johnson@legis.iowa.gov
Fiscal Note Version – Final Action

Description

House File 960 expands the sales and use tax exemption in Iowa Code section 423.3(47A)(a) by making all purchases of central office equipment or transmission equipment used by certain entities in the furnishing of telecommunications services and internet access services on a commercial basis exempt from sales and use tax.

Background

Under current law, a sales tax exemption is available only for central office equipment or transmission equipment primarily used by local exchange carriers and competitive local exchange service providers; by franchised cable television operators, mutual companies, municipal utilities, cooperatives, and certain communications services companies; by long distance companies; or for a commercial mobile radio service in the furnishing of telecommunications services on a commercial basis.

"Central office equipment" is defined as equipment utilized in the initiating, processing, amplifying, switching, or monitoring of telecommunications services. Central office equipment also includes ancillary equipment and apparatus that support, regulate, control, repair, test, or enable such equipment to accomplish its function.

"Transmission equipment" is defined as equipment utilized in the process of sending information from one location to another location. Transmission equipment also includes ancillary equipment and apparatus that support, regulate, control, repair, test, or enable such equipment to accomplish its function.

Assumptions

- This Act is effective July 1, 2026 (FY 2027).
- There are 116 telecommunications providers affected by this Act.
- Estimated taxable expenditures made exempt by this Act are based on appeals information filed with the Iowa Department of Revenue related to the sales tax exemption in Iowa Code section 423.3(47A)(a) and scaled to include all telecommunications and internet access providers in the State.
- The amount of taxable sales for FY 2025 that would be made exempt under this Act is $16.4 million.
- The estimated value of purchases made exempt under this Act will increase by 2.4% annually.
- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. Local option sales tax (LOST) distributions are estimated to be 0.95% of taxable expenditures.

Fiscal Impact

House File 960 is estimated to decrease annual revenue to the General Fund, the SAVE Fund, and the LOST by the amounts in **Figure 1**.

Figure 1 — Fiscal Impact of House File 960 (in Millions)

	General Fund	SAVE	LOST
FY 2027	$ -0.9	$ -0.2	$ -0.2
FY 2028	-0.9	-0.2	-0.2
FY 2029	-0.9	-0.2	-0.2
FY 2030	-0.9	-0.2	-0.2
FY 2031	-0.9	-0.2	-0.2

Effective Date

This Act is effective on July 1, 2026.

Enactment Date

This Act was approved by the General Assembly on April 22, 2026, and signed by the Governor on May 19, 2026.

Sources

Iowa Department of Revenue
Iowa Communications Alliance
Legislative Services Agency calculations

HF 1023 – IPERS Protection Occupations, Credit and Annual Adjustments (LSB2794HZ.4)
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Fiscal Note Version – Final Action

Description
House File 1023 relates to benefits and contributions for members of the Iowa Public Employees' Retirement System (IPERS) who are employed in a protection occupation.

This Act adjusts the required contribution rate for Protection Occupation members of the IPERS from a 60.0% employer/40.0% employee split to an even split between the employer and the employees beginning July 1, 2026, with 50.0% of the required contribution rate to be paid by the employer and 50.0% of the required contribution rate to be paid by the employee. The contribution rates for employers and employees have additional existing modifiers that occur after the percentage split and will continue after the adjustments of this Act become effective.

House File 1023 increases the applicable percentage for retirement benefit payments of Protection Occupation members of the IPERS retiring on or after July 1, 2026, for each calendar quarter of service beyond 22 years of service from 0.375% to 0.625%, which increases the maximum accumulation of retirement benefit payments from 72.0% to 80.0% of the average of the highest three years of compensation received by the member.

This Act establishes an annual adjustment to the monthly allowance for members who retire from IPERS Protection Occupation employment, and to any beneficiaries or contingent annuitants, for retirements occurring on or after July 1, 2026. Beginning on July 1, 2027, and each July 1 thereafter, the monthly retirement allowance will be increased by 1.5% of the monthly retirement allowance payable on that date. Protection Occupation members of the IPERS who retire after July 1, 2026, will not be eligible to receive a retirement dividend under Iowa Code section 97B.49F.

Background
The Protection Occupation membership group of the IPERS is comprised of a range of occupations, including fire fighters and police officers not covered by Iowa Code chapter 411, correctional officers, conservation officers, county attorney investigators, emergency medical service (EMS) providers, high-risk unit officers, insurance fraud investigators, and, dependent on their years of service, select Department of Transportation (DOT) peace officers.

Based on the June 30, 2025, actuarial valuation, the IPERS Protection Occupation membership group covers approximately 8,032 active members and 4,361 retired members. The current funded ratio is 104.47%. The current actuarial accrued liability is $2.386 billion, the actuarial value of assets is $2.493 billion, and the unfunded actuarial liability (UAL) is $-106.7 million.

For FY 2027, the IPERS Protection Occupation membership group's estimated contributions at the current rate of 6.335% of payroll total $34.8 million, and the employer group's estimated contributions at the current rate of 9.185% of payroll total $50.4 million. Contributions are first split 60.0% for the employer and 40.0% for the members and then, after the split, the employer contribution rate is decreased 0.125% and the employee contribution rate is increased 0.125% (2025 Iowa Acts, House File 969 (411 Retirement System, Cancer Presumptions Act)).

Figure 1 displays the contribution rates for FY 2023 through FY 2027.

Figure 1 — Contribution Rates for the IPERS Protection Occupation Membership Group Under Current Law, FY 2023 – FY 2027

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employer Contribution Rate	9.310%	9.310%	9.310%	9.310%	9.185%
Employee Contribution Rate	6.210%	6.210%	6.210%	6.210%	6.335%
Total	15.520%	15.520%	15.520%	15.520%	15.520%

Currently, a vested member of the IPERS Protection Occupation membership group is eligible to receive one of two retirement dividends under Iowa Code section 97B.49F, depending on when the member retired. A member who retired before July 1, 1990, is eligible to receive annual dividend payments in November of each year. A member who retired on or after July 1, 1990, is eligible to receive a favorable experience dividend (FED) when a favorable experience on the actuarial liabilities and assets occurs and the IPERS Fund is fully funded. Due to the funding status of the IPERS Trust Fund, the IPERS has not made any FED payments since 2014.

Protection Occupation members of the IPERS receive a retirement benefit based on the average of the highest three years of compensation times a multiplier that is determined by the member's length of service. The first 22 years of service earn the member a retirement benefit payment multiplier of 60.0%. Under current law, the applicable percentage used to calculate a retiree's monthly retirement benefit is increased by 0.375% for each calendar quarter of service beyond 22 years of service. The current maximum retirement benefit is 72.0%. This Act increases the maximum retirement benefit payment to 80.0%. **Figure 2** displays the applicable percentage for the current law and the proposed law under House File 1023.

Figure 2 — Applicable Percentage, Current and Proposed Law

Years of Service	Current Law	Proposed Law	Difference
22	60.00%	60.00%	0.00%
23	61.50%	62.50%	1.00%
24	63.00%	65.00%	2.00%
25	64.50%	67.50%	3.00%
26	66.00%	70.00%	4.00%
27	67.50%	72.50%	5.00%
28	69.00%	75.00%	6.00%
29	70.50%	77.50%	7.00%
30+	72.00%	80.00%	8.00%

Assumptions

- According to the actuarial cost study performed by Cavanaugh Macdonald Consulting in May 2025 using the FY 2023 valuation report, splitting the required contribution rate evenly between the employer and the employees, increasing the applicable percentage, and establishing a 1.5% annual adjustment to the monthly allowance for FY 2023 would have increased the IPERS Protection Occupation membership group's UAL from $-63.8 million to $151.8 million, a $215.6 million increase.
- While the results of the actuarial cost study cannot be directly applied to the FY 2025 valuation report to arrive at an updated fiscal impact, the cost study can be broadly applied to anticipate a similar impact.
- The IPERS will incur administrative costs, including costs to update software. The costs are unknown but are estimated to be nominal.
- The IPERS will issue an emergency administrative rule filing to change contribution rates for FY 2027 to reflect the 50/50 contribution rate split between employers and employees. The cost of this Act will be implemented in the FY 2028 contribution rates after the FY 2026 valuation report is published.

Fiscal Impact

The contribution rate split change from 60/40 to 50/50 for the Protection Occupation membership group of the IPERS would decrease the FY 2027 employer contribution rate by 1.55% and increase the FY 2027 employee contribution rate by 1.55%. The FY 2027 contribution rate change would reduce employer contributions by approximately $8.5 million and increase employee contributions by $8.5 million, or approximately $1,100 per employee.

Beginning in FY 2028, the full impact of this Act will take effect as detailed below.

The Cavanaugh Macdonald Consulting actuarial cost study performed in May 2025 using the FY 2023 valuation report estimated a $215.6 million increase in the UAL, a decrease in the funded ratio of 9.35%, and an increase in the required contribution rate of 5.44%. The change in the contribution split from 60/40 to 50/50 results in an increase in the contribution rate of 1.17% for the employer and 4.27% for the employee for the IPERS Protection Occupation membership group.

According to the FY 2025 valuation report, the UAL was $-106.7 million, the funded ratio was 104.47%, and the required contribution rate was 15.52% (split 60/40 between the employer and employee, and then the rate was increased by 0.125% for employers and decreased by 0.125% for employers) for the IPERS Protection Occupation membership group.

A 5.44% increase to the required contribution rate changes it from 15.52% to 20.96%. The increase would be split between the employer (1.17%) and employee (4.27%) and is estimated to increase costs by approximately $6.4 million for the employer and $23.4 million for the employee group, or $2,900 per employee.

Administrative costs to the IPERS are unknown at this time but are estimated to be nominal. Any increased administrative costs to the IPERS will be paid from the IPERS Trust Fund.

Effective Date
This Act is effective on July 1, 2026.

Enactment Date
This Act was approved by the General Assembly on April 23, 2026, and signed by the Governor on June 2, 2026.

Sources
Iowa Public Employees' Retirement System
Iowa Public Employees' Retirement System FY 2023 Actuarial Analysis
Iowa Public Employees' Retirement System FY 2024 Actuarial Analysis
Iowa Public Employees' Retirement System FY 2025 Actuarial Analysis
Cavanaugh Macdonald Consulting Cost Study for Non-Retired Protection Occupation Members (August 2024)
Cavanaugh Macdonald Consulting Cost Study for Non-Retired Protection Occupation Members (May 2025)
Legislative Services Agency

[HF 2757](#) – Nuclear Electric Generation Facilities, Sales Tax Exemption (LSB6140HV.4)
Staff Contact: Evan Johnson (515.281.6301) evan.johnson@legis.iowa.gov
Fiscal Note Version – Final Action

Description

[House File 2757](#) creates the Nuclear Energy Workforce Fund. Moneys in the Fund are appropriated to the Board of Regents (BOR) to establish and maintain programs and equipment at Regents universities that support nuclear energy workforce programs. Moneys in the Fund at the close of a fiscal year remain in the Fund and do not revert. Interest and earnings on moneys in the Fund are credited to the Fund.

The Act creates a sales and use tax exemption and refund for the construction and expansion of nuclear energy facilities. The Act applies retroactively to January 1, 2026, for the restarting of a decommissioned nuclear energy facility. To qualify for the exemption, a nuclear energy facility must commence commercial operations of at least one unit of the facility on or after January 1, 2028. The sales and use tax exemption ends when a nuclear energy facility begins commercial operation. The exemption and refund end on July 1, 2051.

The Act requires a nuclear energy facility receiving the sales and use tax exemption to annually, for up to four years, contribute to the Nuclear Energy Workforce Fund an amount equal to $2,200 for each megawatt of nameplate capacity that the nuclear energy facility is approved to produce by the Iowa Utilities Commission.

The Act requires the BOR to submit an annual report beginning January 15, 2028, to the General Assembly on the progress and implementation of nuclear energy workforce programs. The Iowa Department of Revenue (IDR) is authorized to adopt administrative rules to administer the exemption.

NOTE: *[House File 2800](#) (FY 2027 Standing Appropriations Act) amends HF 2757 by making corrective provisions*.

Background

The Duane Arnold Energy Center, located in Palo, is Iowa's only nuclear energy facility. The Center was in commercial operation from 1974 to 2020 and is expected to return to commercial operation in 2029.

Assumptions

- Exempted transactions prior to July 1, 2026, will impact FY 2027. Exempted transactions on or after July 1, 2026, will impact the fiscal year in which they occur.
- One nuclear energy facility will be under construction between January 1, 2025, and December 31, 2028, and will be commercially operational on January 1, 2029. No other nuclear energy facility project will take place during the projection period.
- The cost to construct or restart a nuclear energy facility is assumed to be $1.600 billion. This cost will be spread out equally over the construction or restarting period.

- Of the expected construction costs, 65.0% will be subject to the sales and use tax.
- Nuclear energy facilities have a nameplate capacity of 615 megawatts.
- Nuclear energy facilities have a maximum production capacity of 5.387 billion kilowatt-hours (kWh) per year and operate at 90.0% of maximum capacity.
- The value of goods and services sold to nuclear energy facilities will increase by 2.4% annually.
- Contributions to the Nuclear Energy Workforce Fund are made in the fiscal year after the calendar year in which sales and use tax exemptions and refunds are reported.
- All nuclear energy facilities in the State will be eligible to receive the sales and use tax exemption and refund created in the Act.
- The exemption and refund created in the Act do not apply to operating, maintenance, and fuel expenses.
- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. Local option sales tax (LOST) distributions are estimated to be 0.95% of taxable expenditures.

Fiscal Impact

House File 2757 is estimated to increase revenue to the Nuclear Energy Workforce Fund and decrease revenue to the General Fund, the SAVE Fund, and LOST by the amounts shown in **Figure 1**.

Figure 1 — Fiscal Impact of House File 2757 (in Millions)

	Nuclear Energy Workforce Fund	General Fund	SAVE	LOST
FY 2027	$ 1.4	$ -20.1	$ -4.0	$ -3.8
FY 2028	1.4	-13.8	-2.8	-2.6
FY 2029	1.4	-7.0	-1.4	-1.3

Effective Date

This Act is effective July 1, 2026. Section 3 of the Act applies retroactively to January 1, 2026, for tangible personal property or specified digital products sold to or of services furnished to a nuclear electric generation facility that is restarting after a period of decommissioning.

Enactment Date

This Act was approved by the General Assembly on April 30, 2026, and signed by the Governor on June 1, 2026.

Sources
Iowa Department of Revenue
World Nuclear Association
United States Energy Information Administration
NucNet Independent Nuclear News
Legislative Services Agency calculations

HF 2766 – Captive Insurance Companies (LSB5452HV.2)
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Fiscal Note Version – Final Action

Description

House File 2766 relates to captive insurance companies and life captive reinsurance companies, includes civil penalties, and does the following:

- Creates new criminal offenses for any present or former officer or employee of the State who willfully or recklessly publishes a tax return filed pursuant to Iowa Code sections 432.1 (Tax on Gross Premiums — Exclusions) and 432.1A (Tax on Premiums — Captive Companies). The penalty for this offense is a serious misdemeanor and, in addition to any other penalty, the employee is required to be dismissed from State office or discharged from State employment.
- Removes the initial registration fee of $300 for each captive insurance company, individual series of members of a limited liability company, and each protected cell.
- Establishes a temporary premium tax waiver that non-life captive reinsurance companies may claim if they redomesticate to the State. The premium tax waiver does not apply to tax years 2030 and beyond. Includes payback provisions if a company receives the tax waiver and surrenders its license or redomesticates to another jurisdiction within five years from the date of redomestication into Iowa.
- Establishes regulatory framework for life captive reinsurance companies, including licensure requirements. Includes a $2,500 nonrefundable fee alongside a certificate of authority application by a life captive reinsurance company. Permits the Iowa Insurance Division (IID) Commissioner to retain legal, financial, and examination services from outside experts as necessary for review of the application, the reasonable cost of which may be charged to the applicant.
- Establishes a $2,500 annual renewal registration fee for a life captive reinsurance company's certificate of authority.
- Requires the IID Commissioner to examine the affairs, transactions, accounts, records, and assets of each life captive reinsurance company every five years, at minimum. Requires the life captive reinsurance company to pay for the costs incurred by the Commissioner in the examination.
- Authorizes life captive reinsurance companies domiciled in the State to apply for a certificate of dormancy. Includes requirements the company must meet for the Commissioner to authorize the certification, including the payment of an annual $1,000 dormancy tax.
- Authorizes the IID to adopt administrative rules to implement and administer subchapter II (Life Captive Reinsurance Companies) of Iowa Code chapter 521J.

Background

A serious misdemeanor is punishable by confinement for no more than one year and a fine of at least $430 but not to exceed $2,560.

According to the IID, there are three captive insurance companies currently domesticated in Iowa.

Registration fees, as well as other fees, assessments, fines, and administrative penalties collected under Iowa Code chapter 521J and all premium tax receipts collected from captive companies, are paid into the Captive Insurance Regulatory and Supervision Fund (CIRSF). Created pursuant to Iowa Code section 521J.12, the CIRSF was established by 2023 Iowa Acts, chapter 107 (Taxation of Insurance Premiums and Captive Insurance

Companies Act). The CIRSF has received a $450,000 appropriation from the General Fund in fiscal years 2024, 2025, and 2026 in the annual Administration and Regulation Appropriations Act to examine and ensure compliance matters related to captive insurance. As of May 18, 2026, the balance of the CIRSF was $688,000.

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice system policies and practices.
- County jail data is unavailable. For purposes of this analysis, the marginal cost for county jails is assumed to be $50 per day.
- Conviction data reflects the total number of convictions in adult court, which may include multiple convictions per individual. Not all convictions lead to incarceration, and there may be a delay between conviction and prison admission, which can contribute to differences in totals.
- A six-month delay is assumed from the effective date of this Act to the date the first offender will enter the correctional system.
- Offender-based convictions are a count of individuals convicted of the same offense. Each offender is counted only once per Iowa Code section, regardless of the number of individual convictions.
- Admissions are a count of individuals newly admitted to the Department of Corrections (DOC) for supervision during a selected time period, based on the most serious offense committed.
- Work associated with the licensing and approval processes can be completed with the use of current staff.
- The number of captive companies that will domicile or redomesticate is unknown.
- No captive companies will apply for a certificate of dormancy.

Correctional Impact

House File 2766 creates new offenses. The correctional impact cannot be determined because the number of new convictions under this Act is unknown. **Figure 1** shows estimates for sentencing to State prison, parole, probation, or Community-Based Corrections (CBC) residential facilities; LOS in months under those supervisions; and supervision marginal costs per day for a serious misdemeanor.

Figure 1 — Sentencing Estimates and Length of Stay (LOS) in Months

Conviction Offense Class	Percent Ordered to State Prison	FY 2025 Avg LOS in Prison (All Releases)	Marginal Cost Per Day Prison	Percent Ordered to Probation	FY 2025 Field Avg LOS on Probation	Avg Cost Per Day Probation	Marginal Cost Per Day CBC	Marginal Cost Per Day Jail	FY 2025 Field Avg LOS on Parole	Marginal Cost Per Day Parole
Serious Misdemeanor	2.3%	7.3	$23.07	44.8%	21.0	$8.00	$16.35	$50.00	N/A	$8.00

Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, *Cost Estimates Used for Correctional Impact Statements*, dated January 12, 2026, for information related to the correctional system.

Minority Impact

House File 2766 creates new offenses and, as a result, existing data cannot be used to estimate the minority impact of this Act. Refer to the LSA memo addressed to the General Assembly, *Minority Impact Statements*, dated January 12, 2026, for information related to minorities in the criminal justice system.

Fiscal Impact

The fiscal impact for House File 2766 cannot be determined because the number of companies that will domicile or redomesticate to Iowa is unknown.

The number of convictions under this Act for willfully or recklessly publishing a tax return by a State officer or employee is unknown. The average State cost per serious misdemeanor is between $350 and $6,200. This includes operating costs incurred by the Judicial Branch, the Indigent Defense Fund, and the DOC. The costs would be incurred across multiple fiscal years for prison and parole supervision.

Effective Date

This Act is effective on July 1, 2026.

Enactment Date

This Act was approved by the General Assembly on April 21, 2026, and signed by the Governor on May 15, 2026.

Sources

Department of Corrections
Iowa Insurance Division (IID), Department of Insurance and Financial Services (DIFS)
Division of Data, Planning, and Improvement (DPI), Department of Management (DOM)

[HF 2799](https://www.legis.iowa.gov) – Economic Development, Tax Credit Programs and Load Forecasting (LSB5472HV.2)
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Fiscal Note Version – Final Action

Description

House File 2799 relates to State economic development activities. The Act has six divisions.

Division I — Headquarters Expansion and Development for Growth and Employment Program

Description

Division I of the Act establishes the Headquarters Expansion and Development for Growth and Employment (EDGE) Program under the Iowa Economic Development Authority (IEDA). The EDGE Program provides tax incentives to attract and keep corporate headquarters in Iowa. The Program may provide the following incentives:

- A qualifying wage tax credit of up to 15.0% of the gross annual wages of new corporate jobs for up to three years.
- A qualifying wage tax credit of up to 1.0% of the gross annual wages of retained corporate jobs for up to three years, not to exceed $1.0 million.

Qualifying wage tax credits can be claimed against personal income tax, corporate income tax, franchise tax, and the moneys and credits tax. Any tax credit in excess of the taxpayer's liability is refundable or may be credited to the immediately succeeding tax year.

The Division allows the IEDA to establish an application fee and set requirements for the EDGE Program in administrative rules.

Assumptions

- One new headquarters agreement and one retained headquarters agreement will be reached every two years.
- Tax credits and agreements under the EDGE Program will last three years.
- The first agreements will be reached in FY 2027 with the first claims occurring in FY 2028.
- It is assumed that one-third of an awarded EDGE Program tax credit will be claimed each year.
- Tax credit awards for new corporate jobs will be 15.0% of the gross annual wages of the jobs.
- Tax credit awards for retained corporate jobs will be 1.0% of the gross annual wages of the jobs.
- Wages will increase by 3.0% each year.
- The average headquarters employs 255 employees, and 30.0% of employees meet qualifying wage requirements.
- The average qualifying wage in FY 2026 is assumed to be $140,000.

Fiscal Impact
Division I of the Act is estimated to decrease revenue to the General Fund by the following amounts:
- FY 2028 = $-1.8 million
- FY 2029 = $-1.9 million
- FY 2030 = $-3.9 million
- FY 2031 = $-2.0 million
- FY 2032 = $-4.1 million

Division II — Major Economic Growth Attraction Program

Description
Division II of the Act extends the end date of the Major Economic Growth Attraction (MEGA) Program from January 1, 2027, to January 1, 2030. The Division also modifies the definition of "foreign adversary."

Background
The MEGA Program provides tax incentives to attract capital investments from businesses that invest at least $1.000 billion in the State. The business must be primarily engaged in advanced manufacturing, bioscience, or research and development. Eligible incentives under the MEGA Program include the following:
- An investment tax credit of up to 5.0% of the business's qualifying investment.
- A refund of the sales and use taxes paid for gas, electricity, water, and sewer utility services; tangible personal property; or services rendered, furnished, or performed that contributed to the construction or equipping of the facility.
- A withholding tax credit of up to 3.0% of the gross wages paid to each employee in a project job that pays at least the qualifying wage threshold.

Tax incentives under the MEGA Program cannot currently be awarded for more than two eligible businesses or after January 1, 2027.

Businesses associated with foreign adversaries cannot participate in the MEGA Program. As of February 4, 2026, "foreign adversary" as defined in 15 C.F.R. §7.4(a) and 15 C.F.R. §791.4 includes the following:
- China
- Cuba
- Iran
- North Korea
- Russia
- Venezuelan politician Nicolás Maduro

Assumptions

- It is assumed that extending the end of the MEGA Program from January 1, 2027, to January 1, 2030, will result in one additional award.
- The IEDA will allocate the full amount of the award in the first year of the project, but claims will not be made until three years after the award is granted, upon project completion.
- The full amount of the award will be made for each of the tax credits authorized under the MEGA Program, and all credits will be fully refunded rather than carried forward against future tax liability.
- All tax credits will be remitted in the same year they are claimed.
- A qualifying investment under the MEGA Program will be $1.000 billion.
- A total of 25.0% of the project investment will be subject to sales tax and a sales tax refund.
- Secure an Advance Vision for Education (SAVE) refunds are 1.0% of taxable expenditures.
- The requirement for 50.0% of jobs created to be eligible to receive a withholding tax credit will be met in the first year of the project completion.
- Wages will increase by 3.0% each year.

Fiscal Impact

Division II of the Act is estimated to decrease revenue to the General Fund and the SAVE Fund over the five-year life of an award by the amounts shown in **Figure 1**.

Figure 1 — Fiscal Impact of Division II (in Millions)

	General Fund	SAVE
FY 2030	$ -18.0	$ -0.5
FY 2031	-18.2	-0.5
FY 2032	-18.3	-0.5
FY 2033	-18.5	-0.5
FY 2034	-18.7	-0.5

Division III — Business Incentives for Growth Program Training Fund

Description

Division III of the Act establishes the Business Incentives for Growth (BIG) Program Training Fund (Training Fund) under the control of the IEDA. The Training Fund is required to be used to reimburse certain training expenses incurred by a business for a project under the BIG Program.

The Training Fund receives funding from the withholding of income tax as specified in Iowa Code section 422.16. An amount up to 1.5% of the gross wages that a business pays to employees included under a BIG Program agreement is diverted from income tax withholding and deposited into the Training Fund.

Background

The BIG Program was created in 2025 Iowa Acts, chapter 136 (Economic Development Programs and Credits Act), as a successor to the High Quality Jobs (HQJ) Program. The BIG Program provides tax incentives, which are subject to award caps, and financial assistance, which is appropriated by the General Assembly.

Assumptions

- The number of jobs created and retained under the BIG Program will be comparable to the number of jobs created and retained under the HQJ Program in FY 2025.
- Business Incentives for Growth Program agreements will last for three years.
- The qualifying wage for participation in the BIG Program is the same as the qualifying wage for participation in the HQJ Program. Wages and qualifying wages are assumed to increase by 3.0% each year.
- Jobs included in a BIG Program agreement will be created at the beginning of the fiscal year following an award.
- Income tax withholding diverted to the Training Fund will begin in the fiscal year following the award.

Fiscal Impact

Division III of the Act is estimated to decrease revenue to the General Fund and increase revenue to the BIG Program Training Fund by the amounts shown in **Figure 2**.

Figure 2 — Fiscal Impact of Division III (in Millions)

	General Fund	BIG Program Training Fund
FY 2027	$ -0.8	$ 0.8
FY 2028	-1.6	1.6
FY 2029	-2.5	2.5
FY 2030	-2.6	2.6
FY 2031	-2.7	2.7

Division IV — Repeal of the New Jobs Tax Credit

Description

Division IV of the Act repeals the New Jobs Tax Credit against personal income and corporate income taxes. The Division is effective upon enactment.

Background

The New Jobs Tax Credit allows a credit against individual and corporate income taxes of up to 6.0% of unemployment insurance taxable wages for new jobs created as a result of the Iowa New Jobs Training (260E) Program. The unemployment insurance taxable wage for calendar year (CY) 2026 is $20,400, which means the New Jobs Tax Credit could be claimed for a maximum of $1,224 for each new job created as a result of the 260E Program. The New Jobs Tax Credit can only be claimed once for each eligible new job.

Assumptions

- Based on historical claims data, it is assumed that New Jobs Tax Credit claims are equal to 1.79% of the New Jobs Withholding Credit and the Supplemental New Jobs Credit.
- Assumptions for New Jobs Withholding Credit and the Supplemental New Jobs Credit are outlined in Division VI of the ***Fiscal Note***.

Fiscal Impact

Division IV of the Act is estimated to increase revenue to the General Fund by the following amounts:

- FY 2027 = $14,000
- FY 2028 = $71,000
- FY 2029 = $145,000
- FY 2030 = $216,000
- FY 2031 = $287,000
- FY 2032 = $365,000
- FY 2033 = $434,000
- FY 2034 = $482,000
- FY 2035 = $511,000
- FY 2036 = $525,000
- FY 2037 and beyond = $528,000

Division V — Load Forecasting

Description

Division V of the Act requires the IEDA to commission the Iowa State University of Science and Technology (ISU) to produce a load forecasting report on the probable future growth of the use of electricity in Iowa and the Midwest region every two years.

The Division grants the Utilities Commission the authority to compel all public utilities to share with ISU the information necessary to develop State load forecasts and State electric transmission system expansion planning analyses.

The Division creates the Electric Transmission System Expansion Plans Analysis and Load Forecasting Fund (Fund) under the control of the IEDA. All electric utilities are required to remit to the Fund up to 0.02% of the total gross operating revenues during the last calendar year derived from the utilities' intrastate public utility operations. The Utilities Commission is required to establish a maximum amount of remittances in aggregate and provide a schedule for remittances paid by electric utilities into the Fund in administrative rules.

The Fund is under the authority of the IEDA for the load forecasting report. The Act exempts the Fund from reversion requirements and allows the Fund balance to carry forward to the next year. The Fund is allowed to retain any interest or earnings on the Fund balance.

Background

According to Iowa's Electric Profile, in CY 2024, there were 182 electric utilities that provided 54.9 million megawatt hours (MWh) of electricity to 1.7 million Iowa customers.

Assumptions

- The load forecasting report created by ISU will be substantially similar to the Indiana Electricity Projections report created by the State Utility Forecasting Group at Purdue University.
- The amount collected from electric utilities and deposited into the Fund will be less than 0.02% of the total gross operating revenues during the previous calendar year derived from the utilities' intrastate public utility operations.
- Preparation for the first biennial load forecasting report will occur between January 1, 2027, and December 31, 2028. Preparation for each biennial report thereafter will occur between January 1 and December 31 of the year of publication.
- Preparation for the load forecasting report will require the following full-time equivalent (FTE) positions:
  - 0.9 Division Director FTE position
  - 0.9 Senior Research Analyst FTE position
  - 0.9 Research Analyst 3 FTE position
  - 0.9 Research Analyst 2 FTE position
  - 0.9 Research Analyst 1 FTE position

Fiscal Impact

Division V of the Act is estimated to require an additional 4.5 FTE positions under ISU during the preparation of the load forecasting report and result in the following amounts being remitted by electric utilities to the Fund for the report:

- FY 2027 = $244,000
- FY 2028 = $489,000
- FY 2029 and beyond = $244,000

Division VI — Iowa Industrial New Jobs Training Program

Description

Division VI of the Act does the following:

- Provides that community colleges cannot extend 260E agreements entered into on or before June 30, 2026.
- Provides that payments for 260E Program costs cannot be deferred for more than seven years for agreements entered into on or after July 1, 2026.
- Prohibits a bond issued by a community college for a project from exceeding 70.0% of total program costs related to training expenses.
- Prohibits 260E Program costs from including travel, conference, or legal fee reimbursements.
- Limits community college administrative expenses to 15.0% of 260E Program costs.
- Requests the Legislative Council to establish an interim study committee during the 2026 Legislative Session to review and make recommendations regarding the 260E Program. The interim study committee must hold its first meeting on or before August 1, 2026, and must submit a report detailing the committee's findings and recommendations to the General Assembly no later than December 15, 2026.

Background

Under the 260E Program, a participating business partners with a community college, which sells bonds to finance the cost of newly established training. The business diverts 1.5% of gross payroll from the State withholding taxes generated by the new positions to the community college to retire the bonds. Participating businesses must remit payments to the community college before making claims to the withholding tax credit.

After the training obligation of a business under the 260E Program has been paid off, an amount equal to the withholding payments is credited to the Workforce Development Fund (WDF) Account for 10 years, up to a maximum of $7.8 million annually. Moneys in the WDF Account are appropriated to Iowa Workforce Development (IWD) under Iowa Code section 84G.3 to be used for apprenticeship training and job training.

Assumptions

- In FY 2025, $29.5 million in withholding tax credits was awarded under the New Jobs Withholding Tax Credit and the Supplemental New Jobs Tax Credit. It is assumed that future awards under current law would be at FY 2025 levels.
- The initial fiscal impact for claims under the Act will occur in FY 2027.
- The cost of employee training and the number of employees trained under the 260E Program will remain at FY 2025 levels.
- Bonds issued to community colleges will be for 70.0% of total program costs. The remaining 30.0% of program costs will be provided by participating businesses.
- Limiting bond issuances to 70.0% of program costs will decrease 260E Program withholding payments from businesses to community colleges by 30.0% and decrease tax credit claims on those payments by 30.0%.
- Total program costs include bond interest payments.

- Tax credits under the 260E Program are based on the gross wages of employees receiving training. The gross wages of employees receiving training are not impacted by the Act.
- Tax credits under the 260E Program cease when all bond principal and interest have been paid.
- Current community college administrative expenses are 19.5% of bond par values.
- Direct bond issuance fees do not include legal fees.
- Based on historical claim data, it is assumed that 100.0% of tax credits will be claimed, with the timing of claims under current law indicated below:
  - Year 0 = 2.7%
  - Year 1 = 10.7%
  - Year 2 = 14.0%
  - Year 3 = 13.5%
  - Year 4 = 13.5%
  - Year 5 = 14.6%
  - Year 6 = 13.1%
  - Year 7 = 9.2%
  - Year 8 = 5.4%
  - Year 9 = 2.6%
  - Year 10 = 0.7%

Fiscal Impact

Division VI of the Act is estimated to increase revenue to the General Fund by the following amounts:

- FY 2027 = $15,000
- FY 2028 = $75,000
- FY 2029 = $154,000
- FY 2030 = $230,000
- FY 2031 = $306,000
- FY 2032 = $388,000
- FY 2033 = $4.0 million
- FY 2034 = $6.7 million
- FY 2035 = $8.3 million
- FY 2036 = $9.0 million
- FY 2037 and beyond = $9.2 million

Fiscal Impact Summary

House File 2799 is estimated to increase and decrease the amount of funds available for various funds and programs as shown in **Figures 3** and **4**.

Figure 3 — General Fund Fiscal Impact of House File 2799 (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division I	$ 0.0	$ -1.8	$ -1.9	$ -3.9	$ -2.0
Division II	0.0	0.0	0.0	-18.0	-18.2
Division III	-0.8	-1.6	-2.5	-2.6	-2.7
Division IV	0.0	0.1	0.1	0.2	0.3
Division VI	0.0	0.1	0.2	0.2	0.3
Total	$ -0.8	$ -3.3	$ -4.1	$ -24.0	$ -22.2

Figure 4 — Other Fund Fiscal Impacts of House File 2799 (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division II - SAVE Fund	$ 0.0	$ 0.0	$ 0.0	$ -0.5	$ -0.5
Division III - BIG Program Training Fund	0.8	1.6	2.5	2.6	2.7
Division V - Load Forecasting Fund	0.2	0.5	0.2	0.2	0.2

Effective Date

Division IV of this Act, which repeals the New Jobs Tax Credit, is effective June 2, 2026. The remainder of this Act is effective July 1, 2026.

Enactment Date

This Act was approved by the General Assembly on May 3, 2026, and signed by the Governor on June 2, 2026.

Sources

Iowa Department of Revenue
Iowa Economic Development Authority
Iowa Economic Development Authority financial assistance reports
Purdue University State Utility Forecasting Group
Iowa Utilities Commission reports
Harvard Business School
State Accounting System

SF 639 – Business Court (LSB2452SZ)
Staff Contact: Nathan Moore (515.725.0155) nathan.moore@legis.iowa.gov
Fiscal Note Version – Final Action

Description

Senate File 639 directs the Iowa Supreme Court to establish and maintain a specialized business court within the Iowa Judicial Branch to handle complex commercial litigation. The court will have concurrent jurisdiction with district courts over cases involving compensatory damages of $200,000 or more or cases seeking primarily injunctive or declaratory relief that fall within a defined set of commercial and corporate subject matters. These include but are not limited to disputes involving the following:

- Technology or intellectual property licensing agreements.
- Internal governance of corporations, LLCs, partnerships, and other business entities.
- Business fraud, breach of contract, misrepresentation, or statutory violations between commercial parties.
- Shareholder derivative suits and commercial class actions.
- Commercial bank transactions.
- Business torts.
- Antitrust, securities, noncompete, and trade secrets disputes.
- Commercial real estate conflicts, excluding residential landlord-tenant cases.

This Act provides provisions for the filing, transfer, dismissal, retention, and removal of cases in the business court and specifies that the procedure for appeals is the same as for proceedings in a district court. This Act creates directions for the jury practice and procedure in the business court, including venue of jury trials.

This Act requires business court judges to produce written opinions to create a coherent body of law, but a judge does not have to issue a written opinion if the court has a well-developed body of law on the issue, the court is applying precedent, or another opinion on the issue will not significantly contribute to the development of the body of law. This Act authorizes the court to appoint personnel necessary for the operation of the court and creates a seal of the business court. This Act directs the Iowa Supreme Court to establish court rules as necessary for the operation of the business court.

The Business Court will consist of two judges, and on the effective date of the Act, the Iowa Supreme Court shall designate two judges currently serving in the existing business specialty court to serve as full-time business court judges. If fewer than two such judges seek appointment, any remaining vacancy shall be filled pursuant to Iowa Code chapter 46 (Nomination and Election of Judge). After the initial appointments, this Act requires the Governor to appoint two full-time judges selected from a list of nominees provided by the State Judicial Nominating Commission. A business court judge shall receive the same salary as a district court judge.

The Iowa Supreme Court may also assign district or senior judges to serve as visiting business court judges. Each case will be presided over by one judge, with a second assigned for settlement conferences. Business court judges can also be assigned to district court civil dockets when caseload permits, as determined by the Supreme Court. This Act requires the Judicial Branch to submit a report to the General Assembly by January 1, 2029, evaluating the business court's performance, caseload activity, operating costs, district court cost savings, fee revenue, judicial workload allocation, litigant and attorney survey data, and comparative appeal and reversal rates.

This Act takes effect September 1, 2026, and provides for the transfer of civil actions pending before that date to the business court by agreement of the parties.

Background

In March 2012, the Iowa Civil Justice Reform Task Force released a report proposing reforms to Iowa's civil justice system, which recommended implementing a business specialty court as a pilot program. The Iowa Supreme Court initiated a three-year pilot program that began accepting cases in May 2013 and issued a supervisory order in February 2016 declaring the Iowa business court as an ongoing part of the court system. Currently, the stated goal of the existing business specialty court is to move business and complex commercial litigation cases through the courts system efficiently and to lower costs for litigants and the court system.

Assumptions

- The Iowa Supreme Court will designate two existing judges from the current business specialty court to serve as full-time business court judges.
- Business court judges may be assigned to district court civil dockets when business court caseload permits, partially offsetting district court workload and associated costs.
- The existing specialty court staff attorney position could provide staff attorney support to the business court established by this Act and will not represent additional costs.
- Administrative costs, such as case management, trial scheduling, clerk of court docketing time, jury costs, costs for courtroom space and equipment, and Americans with Disabilities Act (ADA) accommodation request costs, would have been incurred by the Judicial Branch as district court costs and will not represent additional costs.
- Any cost associated with an interpreter or translation would be paid by the Judicial Branch but taxed to parties as court costs as is currently provided by law.
- One full-time court reporter dedicated to the business court will be necessary. If workload were to exceed the capacity of a single court reporter, the business court could utilize a court reporter from the existing district court reporter workforce.
- The cost of the first fiscal year under this Act will be incurred for 10 months of FY 2027, as the effective date of the dedicated business court is September 1, 2026.

Fiscal Impact

The total annual cost of Senate File 639 shown in **Figure 1** is estimated to be approximately $441,000 in FY 2027 and approximately $529,000 in subsequent fiscal years. This cost estimate accounts for the hiring of one dedicated court reporter and the appointment of two business court judges. Judicial costs depend on whether existing judges are reassigned or new judges are appointed to fill vacancies created by reassignment.

Figure 1 — Estimated Cost of SF 639 — FY 2027 and Subsequent Fiscal Years

Job Classification	Base Salary	Benefits	Combined Cost	First Year Cost (FY 27)	Subsequent Years Cost
Court Reporter	$ 61,095	$ 21,724	$ 82,819	$ 69,013	$ 82,819
District Court Judge	170,762	52,454	223,216	372,011	446,432
			Total	$ 441,024	$ 529,251

Effective Date
This Act is effective September 1, 2026.

Enactment Date
This Act was approved by the General Assembly on May 2, 2026, and signed by the Governor on June 1, 2026.

Source
Iowa Judicial Branch

[SF 2289](https://www.legis.iowa.gov) – Gambling, State Building Code, and Residential Care Facilities (LSB5523SV.4)
Staff Contact: Maria Wagenhofer (515.281.5270) maria.wagenhofer@legis.iowa.gov
Fiscal Note Version – Final Action

Description

Senate File 2289 has three divisions and relates to matters under the purview of the Department of Inspections, Appeals, and Licensing (DIAL), including gambling, the State Building Code, and residential care facilities.

Division I — Gambling

Description

Division I of this Act raises the total cap on reimbursements to commissioners of the Iowa Racing and Gaming Commission (IRGC) for expenses incurred from $30,000 to $45,000.

Division I requires State income tax to be withheld on gambling winnings under Iowa Code chapters 99D and 99F if the winnings are in an amount sufficient to require that an information return be filed pursuant to 26 U.S.C. 6041, as amended to July 4, 2025, rather than if the winnings are in excess of $1,000 under Iowa Code chapter 99D or $1,200 under Iowa Code chapter 99F. This section of Division I takes effect upon enactment.

Background

The IRGC receives an annual appropriation from the Gaming Regulatory Revolving Fund (GRF) in the Administration and Regulations Appropriations Act to fund its operations. The IRGC assesses regulatory fees on racetracks and gambling boats and structures licensees based on the amount appropriated to the IRGC that is deposited into the GRF. These fees are approved at an IRGC meeting prior to the beginning of the fiscal year.

The One Big Beautiful Bill Act (OBBBA) of 2025 updated the federal income tax reporting threshold to $2,000, adjusted annually for inflation, for Forms 1099-MISC and 1099-NEC.

Assumptions

- The increase to the IRGC's annual cap on reimbursements paid to commissioners is assumed to be incorporated into the regulatory fee paid by licensees and deposited into the GRF.
- For the purposes of this ***Fiscal Note***, it is assumed that the updated $2,000 federal withholding threshold is applicable to slot machine winnings, which were subject to a $1,200 withholding threshold previously, and pari-mutuel winnings, which were subject to a $1,000 withholding threshold previously.
- Based on tax year (TY) 2024, the total amount of reported slot machine winnings between $1,200 and $2,000 was $365.7 million and the total amount of State withholding tax reported for slot machine winnings between $1,200 and $2,000 was $13.9 million.

- Based on TY 2024, the total amount of reported pari-mutuel winnings between $1,000 and $2,000 was $17.7 million and the total amount of State withholding tax reported for pari-mutuel winnings between $1,000 and $2,000 was $937,000.
- All taxpayers are required to report all gambling winnings, regardless of whether an Internal Revenue Service (IRS) W2-G was filed. It is assumed that State tax liability would not change as a result of this Act.
- It is assumed that State taxes not withheld for winnings in the second half of a fiscal year would be remitted in State tax as final payments in the subsequent fiscal year.
- It is assumed that the section of Division I amending withholding thresholds would take effect July 1, 2026 (FY 2027).
- All gambling winnings are subject to a State income tax rate of 3.8% beginning in TY 2026.
- Winnings are assumed to increase by 2.4% annually.

Fiscal Impact

Division I of this Act is anticipated to increase fees paid into the GRF by $15,000 annually. The IRGC receives an annual appropriation from the GRF in the Administration and Regulation Appropriations Act.

The fiscal impact of Division I on State income tax is anticipated to be revenue neutral but is expected to change the timing of revenues between fiscal years. Beginning in FY 2027 and for all subsequent fiscal years, the timing of revenues collected is delayed by six months compared to current law. As a result, the General Fund fiscal impact for FY 2027 is anticipated to be significant. For FY 2027, it is anticipated that there would be a decrease of $7.8 million that is instead collected in FY 2028. For all subsequent fiscal years, the annual decrease is estimated to be $188,000 that is instead collected in the next fiscal year.

Division II — State Building Code

Description

Division II of this Act requires the State Building Commissioner to consult with the Department of Homeland Security and Emergency Management (HSEMD), rather than the Department of Public Defense, when adopting administrative rules relating to safe rooms and storm shelters.

Division II of this Act also redirects fees collected by the State Building Code Commissioner under Iowa Code chapter 103A to be deposited into DIAL's Licensing and Regulation Fund instead of the General Fund.

Background

The Licensing and Regulation Fund was created in 2023 Iowa Acts, chapter 108 (FY 2024 Administration and Regulation Appropriations Act), under the authority of Iowa Code section 10A.507. The Fund consists of moneys and fees collected by DIAL. Moneys in the Licensing and Regulation Fund are appropriated to DIAL to be used to fulfill the administration and enforcement responsibilities of DIAL and licensing boards under the purview of DIAL's licensing and regulation functions.

In FY 2025, approximately $313,000 was collected in building code plan and review fees under Iowa Code chapter 103A. These fees were deposited into DIAL's Professional Licensing Division General Fund appropriation and used by DIAL.

Assumptions

For the purposes of this ***Fiscal Note***, it is assumed that building code plan and review fees collected in FY 2027 will equal the fees collected in FY 2025.

Fiscal Impact

Division II of this Act is estimated to result in approximately $313,000 being deposited into the Licensing and Regulation Fund beginning in FY 2027.

Division III — Residential Care Facilities

Description and Background

Division III of this Act allows a residential care facility that is a pediatric palliative care center to serve as few as zero individuals. Under current law, an entity must serve at least three individuals to be defined as a residential care facility.

Fiscal Impact

Division III of this Act is not anticipated to have a fiscal impact to the State.

Fiscal Impact Summary

Division I of this Act is anticipated to increase fees deposited into the GRF by $15,000 annually. The IRGC receives an annual appropriation from the GRF in the Administration and Regulation Appropriations Act.

The fiscal impact of **Division I** on State income tax is anticipated to be revenue neutral but is expected to change the timing of revenues between fiscal years. Beginning in FY 2027 and for all subsequent fiscal years, the timing of revenues collected is delayed by six months compared to current law. As a result, the General Fund fiscal impact for FY 2027 is anticipated to be significant. For FY 2027, it is anticipated that there would be a decrease of $7.8 million that is instead collected in FY 2028. For all subsequent fiscal years, the annual decrease is estimated to be $188,000 that is instead collected in the next fiscal year.

Division II of this Act is anticipated to increase fees deposited into the Licensing and Regulation Fund by $313,000 annually.

Effective Date

The majority of the Divisions of this Act are effective July 1, 2026. The portion of **Division I** of this Act related to withholding of gambling winnings is effective on May 15, 2026.

Enactment Date

This Act was approved by the General Assembly on April 28, 2026, and signed by the Governor on May 15, 2026.

Sources
Department of Inspections, Appeals, and Licensing
Iowa Racing and Gaming Commission
Iowa Advantage System
Iowa Department of Revenue
LSA calculations

SF 2472 – Property Taxation (LSB5195SV.4)

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Fiscal Note Version – Final Action

Note on Fiscal Estimates

Due to the complexity and interdependence of this Act's provisions, including multiple changes to the property tax base and levy structure, division-level estimates are modeled independently of the other divisions.

The Department of Management (DOM) estimates $130,000 in information technology (IT) costs to implement all Division changes in this Act.

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 26 divisions that are related to property tax assessments, rates, credits, exemptions, State General Fund appropriations, and 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, with adjustments for new valuation and inflation, beginning in FY 2028.
- **Division II** modifies city general fund levy limitations by establishing a revenue-based growth cap tied to prior-year property tax dollars, with adjustments for new valuation and inflation, beginning in FY 2028.
- **Division III** establishes revenue-based limitations for most rate-limited property tax levies, restricts the use of debt for general operations, and imposes restrictions on levies not imposed prior to FY 2028.
- **Division IV** creates the FirstHome Iowa Program and a related fund to assist with first-time homeownership.
- **Division V** maintains the uniform levy (also known as foundation property tax levy) rate for FY 2027 and FY 2028, decreases the uniform levy rate for FY 2029 and succeeding fiscal years, makes changes to school district reorganization incentives, conforms the Family Farm Tax Credit, and conforms the Agricultural Land Credit. This Division is applicable to FY 2028.
- **Division VI** modifies the Secure an Advanced Vision for Education (SAVE) Fund Equity Transfer percentage; extends the Fund's repeal from January 1, 2051, to January 1, 2071; and provides a reconciliation schedule by Department of Management (DOM) for SAVE funds received by school districts.

- **Division VII** increases the Elderly and Disabled Property Tax Credit maximum benefit from $1,000 to $1,500.
- **Division VIII** reestablishes a multiresidential property class beginning in assessment year (AY) 2027 and establishes a set assessment limitation 3.0% above the residential class for FY 2027 and 6.0% in FY 2028.
- **Division IX** establishes a voter-approved emergency medical services (EMS) levy above the current maximum levy rate.
- **Division X** 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. This Division is effective upon enactment.
- **Division XI** establishes a 35.0% cap on local government unobligated funds beginning in FY 2028.
- **Division XII** requires county auditors to submit an annual report that includes parcel identification information.
- **Division XIII** modifies provisions related to urban renewal areas and tax increment financing (TIF), including exempting certain levies, and setting fixed durations to TIF Districts.
- **Division XIV** modifies provisions related to property assessment procedures.
- **Division XV** modifies provisions related to distorted market valuations.
- **Division XVI** limits the growth of agriculture extension levies for local governments to 102.0% of the prior year's budget.
- **Division XVII** excludes school district property tax levies for property located in urban renewal revitalization areas beginning in FY 2028.
- **Division XVIII** modifies the duties of the Utility Replacement Tax Task Force.
- **Division XIX** establishes a task force to study payments in lieu of property taxes and report recommendations to the General Assembly.
- **Division XX** replaces the homestead credit with a phased-in homestead exemption and adjusts General Fund reimbursements beginning in AY 2026.
- **Division XXI** makes changes to local government property tax statements and procedures.
- **Division XXII** establishes revenue-based growth limitations for county hospital levies beginning in FY 2028.
- **Division XXIII** limits property tax levy growth for regional transit districts (RTD) to 103.0% of prior-year revenue beginning in FY 2028.
- **Division XXIV** eliminates the ongoing General Fund standing appropriation supporting the commercial and industrial property tax replacement beginning in FY 2028.
- **Division XXV** reduces the FY 2028 State General Fund expenditure limitation by $125.0 million and redirects certain excess Iowa Economic Emergency Fund balances to the Taxpayer Relief Fund (TPRF) in FY 2029.
- **Division XXVI** limits the growth of local emergency management levies for local governments to 103.0% of the prior year's budget.

Division I — County Property Taxes and Budgets

Description

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

- Modifies the current-law county general services levy and rural services levy growth limitation provisions, including the $3.50 and $3.95 levy thresholds, by shortening the applicability period from FY 2028 to FY 2027.
- Limits the county general services and rural services levy rates, for FY 2028 through FY 2030, to a rate calculated as 102.0% of the prior-year actual property tax dollars divided by assessed value excluding new valuation.

$$\text{Levy Rate} = \frac{1.02 \times \text{Prior Year Property Tax Dollars}}{\text{Assessed Value - New Valuation}}$$

- Limits the county general services and rural services levy rates beginning in FY 2031 to the lesser of:
  - 102.0% of the prior-year revenue, plus revenue generated from new valuation; or
  - $3.50 per $1,000 assessed value for county general services and $3.95 per $1,000 for county rural levies.
- 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. This new valuation is excluded from the levy-growth limitation calculation.
- Requires property tax replacement taxes under Iowa Code chapters 437A (Taxes on Electricity and Natural Gas Providers) and 437B (Taxes on Rate-Regulated Water Utilities) to be included in property tax calculations.

Division I of the Act takes effect January 1, 2027, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2027 (FY 2028).

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 fell into three categories established first under 2023 Iowa Acts, chapter 71 (Property Tax, Assessments, and Bond Elections Act), and then changed to four categories in 2024 Iowa Acts, chapter 1094 (Individual Income Tax Rate Act), as displayed in **Figure 1**.

Under Iowa Code section 331.423, county general services and rural services levy authority is determined using a levy growth mechanism tied to taxable valuation growth. Depending on valuation growth, counties may levy the greater of the prior year's adjusted levy authority or statutory levy thresholds of $3.50 for general services and $3.95 for rural services. Counties generally use the greater of last year's levy rate or the default levy rate based on their growth. As a result, some counties currently levy rates above the statutory thresholds of $3.50 and $3.95.

Figure 1 — County Growth Mechanism

Tax Base Growth	Maximum Levy Rate Adjustment
Less than 2.75%	No adjustment
2.75% but less than 4.00%	-1.00%
4.00% but less than 6.00%	-2.00%
6.00% or greater	-3.00%

Assumptions

- The estimate projects county-level taxable valuation growth using a 12-year average of historical odd-year and even-year growth rates by property class, beginning with 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.
- For the purposes of current law estimates, county general services and rural services levy rates are assumed to continue under the existing levy growth structure in Iowa Code section 331.423. Projected levy rates are based on FY 2026 levy rates and projected taxable valuation growth.
- In FY 2028 through FY 2030, allowable growth for included property tax revenue is 102.0% of prior-year revenue, plus revenue generated from new valuation.
- In FY 2031, allowable growth equals the lesser of:
  - 102.0% of prior-year revenue, plus revenue generated from new valuation; or
  - $3.50 per $1,000 of assessed value for the general county services levy and $3.95 per $1,000 of assessed value for the county rural services levy.
  - Counties projected to exceed the statutory levy ceilings in FY 2031 are assumed to remain at the applicable statutory levy ceiling unless the 102.0% growth limitation produces a lower allowable levy rate.
- 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 rate-limited growth factor.
- All other county levies not directly subject to the limitations established in Division I are assumed to remain constant for purposes of this estimate.

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 Act. **Figure 2** displays the estimated reduction in property tax revenue to counties.

Figure 2 — Division I Estimated County Property Tax Revenue Reduction (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Law	$ 1,635.2	$ 1,682.2	$ 1,737.0	$ 1,786.8	$ 1,845.0
SF 2472 Div I	1,635.2	1,674.5	1,716.5	1,759.2	1,783.7
Net Impact	$ 0.0	$ -7.7	$ -20.4	$ -27.6	$ -61.4

Division II — City Property Taxes and Budgets

Description

Division II of the Act makes the following changes related to city property taxes and budgets:

- Modifies the city general fund levy (CGFL) growth limitation provisions, including the $8.10 per $1,000 in assessed value levy threshold, by shortening the applicability period from FY 2028 to FY 2027.
- Beginning in FY 2028 through FY 2030, limits the CGFL rate to a rate calculated as 102.0% of the prior-year actual property tax dollars divided by taxable value excluding new valuation.

$$\text{Levy Rate} = \frac{1.02 \text{ x Prior Year Property Tax Dollars}}{\text{Assessed Value - New Valuation}}$$

- In FY 2031 and all fiscal years thereafter, CGFL allowable growth equals the lesser of:
  - 102.0% of the prior-year revenue, plus revenue generated from new valuation; or
  - $8.10 per $1,000 assessed.
  - Cities projected to exceed the statutory levy ceilings in FY 2031 are assumed to remain at the applicable statutory levy ceiling unless the 102.0% growth limitation produces a lower allowable levy rate.
- 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. This new valuation is excluded from the levy-growth limitation calculation.
- Requires property tax replacement taxes under Iowa Code chapters 437A and 437B to be included in property tax dollar calculations.

Division II of the Act takes effect January 1, 2027, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2027 (FY 2028).

Background

Under current law, CGFL rates are limited based on growth in city property tax valuation, which fell into three categories established first under 2023 Iowa Acts, chapter 71 (Property Tax, Assessments, and Bond Elections Act), and then changed to four categories under 2024 Iowa Acts, Senate File 2442 (Individual Income Tax Rate Act), as seen in **Figure 3**.

Under Iowa Code section 384.1, CFGL authority is determined using a levy growth mechanism tied to taxable valuation growth. Depending on valuation growth, cities may levy the greater of the prior year's adjusted levy authority or the statutory levy threshold of $8.10 for the city general fund levy. Cities generally use the greater of the prior year's adjusted levy rate or the applicable statutory levy threshold based on their growth. As a result, some cities currently levy rates above the statutory threshold of $8.10.

Figure 3 — City Growth Mechanism

Tax Base Growth	Maximum Levy Rate Adjustment
Less than 2.75%	No adjustment
2.75% but less than 4.00%	-1.00%
4.00% but less than 6.00%	-2.00%
6.00% or greater	-3.00%

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 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.
- For the purposes of current law estimates, CGFL rates are assumed to continue under the existing levy growth structure in Iowa Code section 331.423. Projected levy rates are based on FY 2026 levy rates and projected taxable valuation growth.
- In FY 2028 through FY 2030, allowable growth in included property tax revenue is 102.0% of prior-year revenue, plus revenue generated from new valuation.
- In FY 2031 and all fiscal years thereafter, CGFL allowable growth equals the lesser of:
  - 102.0% of prior-year revenue, plus revenue generated from new valuation; or
  - $8.10 per $1,000 of assessed value for the city general fund levy.
  - Cities projected to exceed the statutory levy ceilings in FY 2031 are assumed to remain at the applicable statutory levy ceiling for all subsequent fiscal 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 rate-limited growth factor.
- All other city levies not directly subject to the limitations established in Division II are assumed to remain constant for purposes of this estimate.

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 Act. **Figure 4** displays the estimated reduction in property tax revenue to cities.

Figure 4 — Division II Estimated City Property Tax Revenue Reduction (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Law	$ 1,884.1	$ 1,938.2	$ 2,001.3	$ 2,058.8	$ 2,125.8
SF 2472 Div II	1,884.1	1,930.1	1,979.6	2,029.9	2,080.8
Net Impact	$ 0.0	$ -8.1	$ -21.7	$ -28.8	$ -45.1

Division III — Rate-Limited Property Tax Levy Rates

Description

Division III of the Act changes property tax levy rates and includes the following:

- Reduces matching county and rural contributions to the county Secondary Road Fund (SRF) in Iowa Code sections 331.429 and 312.2 required to receive the full State funding match from 75.0% to 51.0% of the sum of the following:
  - $0.16875 per $1,000 of assessed value under current law, decreased to $0.118125 per $1,000 from the general fund of the county.
  - $3.375 per $1,000 of assessed value under current law, decreased to $2.102625 per $1,000 from the rural services fund of the county.
- Establishes maximum levy rate adjustments for rate-limited property tax levies beginning in FY 2028. For FY 2028 and each fiscal year thereafter, a rate-limited property tax levy is limited to 102.0% of the prior year's actual property tax dollars divided by taxable value. Property tax replacement taxes under Iowa Code chapters 437A and 437B are included in that calculation. The Act also limits the reimposition of rate-limited levies that were not imposed in the immediately preceding fiscal year.
- Provides that 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) and 331.423(2).
  - City general fund levy under Iowa Code section 384.1(3).
  - Physical plant and equipment levies under Iowa Code section 298.2.
  - School district bond tax under Iowa Code section 298.18.
  - County hospital levies under Iowa Code chapters 347 and 347A.
  - Regional transit district levies under Iowa Code section 384.12(1) and chapter 28M.
  - Levy rates used in the calculation in Iowa Code section 312.2(5)(a).
  - Self-supported municipal improvement districts under Iowa Code chapter 386.
- Prohibits cities and counties from issuing bonds or incurring other indebtedness payable from property taxes for general operations beginning July 1, 2026 (FY 2027).
- Permits the DOM, following consultation with the City Finance Committee and County Finance Committee, to adopt administrative rules for government entities to implement the requirements of Division III.

Section 19 of the Act amends Iowa Code section 312.2 in Division III to take effect January 1, 2027, and is applicable to fiscal years beginning on or after July 1, 2027 (FY 2028).

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 Act 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.

Rate-limited tax levies impacted by this Division include:

- $0.0675 for the County Pioneer Cemetery levy under Iowa Code section 331.325.
- $0.27 for the City Aviation Authority levy under Iowa Code chapter 330A.
- $1.50 for the Unified Law Enforcement levy under Iowa Code section 28E.22.
- $3.00375 for the City Agricultural Land levy under Iowa Code chapter 24.
- $0.675 for the City Capitol Improvement levy under Iowa Code section 384.7.
- Variable rates based on population for County Agricultural Extension levy under Iowa Code section 176A.10.
- $0.54 for the Sanitary Sewer District General levy under Iowa Code chapter 358.
- $1.96 for the Sanitary Sewer District Debt Service levy under Iowa Code chapter 358.
- $0.405 for the Benefitted Fire District General levy under Iowa Code section 357B.9.
- $0.81 for the Benefitted Water District General levy under Iowa Code chapter 357.
- $0.54 for the Street Lighting District General levy under Iowa Code chapter 357C.
- $0.2025 for the Community College General levy under Iowa Code chapter 260.
- $0.09 for the Community College Equipment Replacement levy under Iowa Code Section 260C.28.
- $0.2025 for the Community College Plant Funds levy under Iowa Code section 260C.22.
- $0.20 for the School District Amana Library levy under Iowa Code section 298.7.
- $0.25 for the School District Playground levy under Iowa Code chapter 300.

Assumptions

- If all counties decrease the transfer of $0.118125 from general county services and $2.102625 from rural county services to meet the new threshold, revenue to each county SRF will be reduced by an estimated $111.2 million per year. Of that total, $8.61 million is from general county services and $102.7 million is from rural county services.
- The estimate utilizes FY 2026 statewide property tax revenues from identified rate-limited levies subject to Division III. Levies explicitly exempted by the Division and all other non-rate restricted levies are excluded from this calculation.
- The estimate projects district-level taxable valuation growth using a 12-year average of historical odd-year and even-year growth rates by property class, beginning with 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.
- All estimates are based on AY 2024 taxable values, AY 2024 assessment limitations (rollback), and FY 2026 tax rates. Assessment limitations and tax rates are assumed to remain constant over the projection period.
- For community college levies, new valuation growth was estimated using the county containing each community college's primary campus as a proxy for the full merged area. This approach may overstate revenue growth for merged areas that include lower-growth counties.

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 Act.

Division III will have no fiscal impact on the State RUTF. Local revenue deposited into each county SRF may decrease. However, the number of counties that may decrease the allocations to the SRF is unknown. Any county that reduces allocations to the SRF will retain that revenue for the County General Fund.

Additionally, **Figure 5** displays the estimated reduction in property tax revenue to local governments.

Figure 5 — Division III Estimated Property Tax Reduction (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Law	$ 168.7	$ 173.5	$ 179.2	$ 184.3	$ 190.3
SF 2472 Div III	168.7	171.9	175.3	178.8	182.4
Net Impact	$ 0.0	$ -1.6	$ -3.8	$ -5.5	$ -7.9

Division IV — FirstHome Iowa Accounts

Description

Division IV of the Act 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 and adopt administrative rules to administer the Program.

The Division also prohibits the creation of new Iowa First-Time Homebuyer Savings Accounts (FTHSAs) on or after July 1, 2026.

Background

Iowa Code chapter 541B allows individuals to open interest-bearing FTHSAs to pay qualified homebuyer expenses. The maximum contribution to an FTHSA in tax year (TY) 2026 is $4,744. Interest earned on FTHSAs may be 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 moneys in the FirstHome Iowa Program are assumed to be the same as interest and earnings on moneys 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 IV of the Act is estimated to decrease General Fund revenue by approximately $1,200 each fiscal year beginning in FY 2027.

Division V — School Taxes

Description

Division V of the Act makes the following changes beginning in FY 2029:

- Decreases the uniform levy from $5.40 to $5.10 for FY 2029.
- Decreases the uniform levy from $4.90 for FY 2030 and succeeding fiscal years.
- Changes the school district reorganization incentives to be calculated based on the year of reorganization and by coupling the incentives to the uniform levy.
- Conforms the Family Farm Tax Credit and Agriculture Land Tax Credit apportionment with the changes to the uniform levy.

Division V applies to fiscal years and school budget years beginning on and after July 1, 2027 (FY 2028).

Background

For FY 1997 through FY 2022, the regular program foundation level was 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. State aid is annually appropriated from the General Fund through a standing unlimited appropriation.

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 incentives expired for FY 2025 and FY 2026, but were renewed during the 2026 Legislative Session in Division XX of House File 2800 (FY 2027 Standing Appropriations Act).

The incentives, originally enacted in 2001 and effective for school reorganizations between FY 2002 and FY 2007 (2001 Iowa Acts, chapter 126 (School Finance — Miscellaneous Changes Act)), 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 Act)). The provisions were reauthorized for FY 2015 through FY 2020 during the 2014 Legislative Session (Iowa Code section 257.11A). Incentives included the following:

- **Uniform levy rate reductions replaced with State aid.** The uniform levy rate is $5.40 per $1,000 of assessed valuation. 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[1].
- 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.
- The Agricultural Land and Family Farm Property Tax Credit appropriation is based on current law.
- From the period of FY 2004 through FY 2024, the total State aid cost for uniform levy reduction cost and supplementary weighting for whole grade sharing and joint employment has totaled $53.2 million, or an average of $2.2 million per fiscal year.

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 Act.

Division V of the Act 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 6**. The fiscal impact to local governments is estimated to be net neutral.

Figure 6 — Division V Estimated School District Property Tax Reduction and General Fund Appropriation Increase (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Property Tax Reduction From Decrease in Uniform Levy	$ 0.0	$ 0.0	$ -74.4	$ -127.0	$ -132.7
Increase in General Fund (GF) Appropriation From Decrease in Uniform Levy	$ 0.0	$ 0.0	$ 74.4	$ 127.0	$ 132.7

[1] Since FY 2018, the General Assembly has further reduced funding to AEAs by an additional amount per year. Historically, the additional reductions have been included in the annual Standing Appropriations Act. For FY 2027 and succeeding fiscal years, HF 2800 (FY 2027 Standing Appropriations Act), reduced funding to AEAs for a total of $32.5 million.

The estimated fiscal impact of the provisions in the Act related to reorganization is currently unknown and will depend on the number of districts that start or continue to make progress toward reorganization.

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

Description

Division VI of the Act extends the repeal of a 1.0% increase to the statewide sales tax from 6.0% to 5.0% from January 1, 2051, to January 1, 2071, and allocates 25.0% of SAVE funds to property tax relief by FY 2031. Property tax relief is achieved by allocating SAVE Fund amounts to the Property Tax Equity Relief Fund (PTER) and the Foundation Base Supplement (FBS) Fund. The percentage change will be gradually implemented to increase the share of the SAVE Fund that will be used for property tax relief and will reduce the amount to school districts for infrastructure. The use of SAVE by school districts for infrastructure is allowed if there is a revenue purpose statement, otherwise the dollars are required to be used to reduce specified property tax levies as defined in Iowa Code section 423F.3(1). The Act requires the 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 one-cent sales tax dedicated to K-12 infrastructure including 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. Under current law, the amount of SAVE funds going to property tax relief would have incrementally increased to 30.0% by FY 2051.

Assumptions

- There are no additional administrative costs to the State for changes made in the Act.
- Annual growth for school infrastructure sales tax will be as follows:
  - FY 2027 = 2.0%
  - FY 2028 = 2.9%
  - FY 2029 = 2.9%
  - FY 2030 = 3.2%
  - FY 2031 = 3.5%

Fiscal Impact

Division VI of the Act is expected to have no fiscal impact to the State for administrative purposes.

The Act is expected to increase SAVE contributions to property tax relief by $38.9 million in FY 2027, increasing to $121.5 million in FY 2031 and thereby reducing the amount to school districts for infrastructure. **Figure 7** illustrates the estimated statewide impact of Division VI on reduction of funds for school district infrastructure through FY 2031. It is estimated that beginning in FY 2046, the amount to school districts for infrastructure will increase.

Figure 7 — Division VI Estimated SAVE Contribution Decrease to School Districts (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Decrease to School Districts From Change to SAVE Allocation	$ -38.9	$ -58.6	$ -71.7	$ -105.5	$ -121.5

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

Description

Division VII increases the maximum credit for the Elderly and Disabled Tax Credit and maximum payment for Rent Reimbursement from $1,000 to $1,500.

Division VII of the Act is applicable for credits against property taxes due and payable in FY 2028 and for reimbursement for rent constituting property taxes paid in base years in FY 2027.

Background

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

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

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.
- The number of claimants is assumed to decrease by 4.0% annually for the income-based Elderly and Disabled Property Tax Credit and 0.5% for the rent reimbursement program.

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 Act. Increasing payments for 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 as displayed in **Figure 8**.

Figure 8 — Division VII General Fund Appropriations Increase (Dollars in Millions)

Fiscal Year	Tax Credit Claims	Tax Credit Cost	Rent Claims	Rent Credit Cost	Total Appropriations Increase
2026	9,505	$ 0.0	17,394	$ 0.0	$ 0.0
2027	9,125	0.0	17,307	0.3	0.3
2028	8,760	0.2	17,220	0.3	0.5
2029	8,409	0.2	17,134	0.3	0.5
2030	8,073	0.2	17,048	0.3	0.5
2031	7,750	0.1	16,963	0.3	0.5

Division VIII — Property Classifications and Assessment Limitations

Description

- Reestablishes the multiresidential property classification for assessment years beginning on or after January 1, 2027 (AY 2027), which includes properties 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. For purposes of equalization, multiresidential property shall be considered residential property. The Act provides requirements for the new multiresidential property class.
- Establishes a new assessment limitation for multiresidential property beginning in AY 2027. For AY 2027, multiresidential property is assessed at the residential assessment limitation percentage plus 3.0%, not to exceed 100.0% of actual value. Beginning in AY 2028 and thereafter, multiresidential property is assessed at the residential assessment limitation percentage plus 6.0%, not to exceed 100.0% of actual value.

Division VIII of the Act is effective and applicable to assessment years beginning on or after January 1, 2027 (AY 2027).

Changes to 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 take effect January 1, 2027, and 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 the market value of a property by 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 different rollbacks and allowable growth. The classes include 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 is available in the Assessment Limitation Fiscal Topic.

The multiresidential property class was created as part of the 2013 property tax reform legislation enacted under the 2013 Iowa Acts, chapter 123 (Property Tax Changes Act). The new class applied to property primarily consisting of three or more separate living quarters, including apartments, assisted living facilities, and manufactured home communities. Prior to its creation, these properties were generally taxed as commercial property. The legislation established a phased rollback schedule intended to gradually reduce the taxable value percentage for multiresidential property from the commercial rate toward the residential rollback rate over several years, thereby lowering property tax liability for qualifying housing. The separate multiresidential classification was eliminated beginning in AY 2022 and merged those properties were merged into the residential property class, subjecting them to the residential rollback calculation instead under the 2021 Iowa Acts, chapter 20 (Multiresidential Property Tax Act).

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 9**. The projected distribution between residential and multiresidential classes will be used as the baseline for the fiscal impact.

Figure 9 — Estimated Taxable Valuations (in Millions)

AY	Residential	Multiresidential
2014	$ 78,887.2	$ 0.0
2015	82,546.1	4,062.5
2016	86,414.5	3,960.9
2017	90,359.0	4,308.9
2018	94,711.7	4,250.9
2019	98,983.0	4,501.5
2020	103,360.1	4,469.8
2021	108,001.1	4,895.8
2022	107,633.0	4,993.7
2023	113,105.9	5,093.6
2024	118,550.5	5,195.5

- Beginning in AY 2027, 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 Act's revised rollback (assessment limitation) schedule to projected assessed values for each future year.
- Residential and multiresidential property tax dollars are calculated using the FY 2026 statewide average consolidated residential property tax rate.
- All other property classes' assessment limitations are assumed to remain constant for 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 Act. Division VIII is estimated to increase taxable values across the residential and multiresidential property classes, resulting in additional property tax revenues generated as shown in **Figure 10**.

Figure 10 — Division VIII Estimated Property Tax Revenues (in Millions)

Fiscal Year	2027	2028	2029	2030	2031
Multiresidential Rollback	45.4345%	45.4345%	48.4345%	51.4345%	51.4345%
Current Law Revenue	$ 183.8	$ 190.9	$ 199.2	$ 206.9	$ 215.8
Division VIII Revenue	187.5	194.8	216.6	238.9	249.2
Net Impact	$ 3.7	$ 3.9	$ 17.4	$ 32.1	$ 33.4

Division IX — Emergency Medical Services Levy

Description
Division IX prohibits an EMS levy above $0.75 per $1,000 of assessed value for counties for FY 2027, unless a rate not to exceed $1.50 per $1,000 of assessed value is approved at an election held on or after July 1, 2026. Division IX allows counties to increase the EMS 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, a total of 20 counties levied EMS levies under Iowa Code chapter 422D, and of those, 10 counties levied the current $0.75 maximum amount.

Fiscal Impact
Division IX of the Act is anticipated to have a minimal fiscal impact.

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

Description
Division X of the Act limits a school district's unspent balance from the previous year to no more than 35.0% of the school district's authorized expenditures for the current year beginning in FY 2027. A greater unspent balance may be authorized by the School Budget Review Committee (SBRC). The Act allows a school district to request an on-time budget adjustment, and requires a school board to establish defined policies on unspent balances that must be annually reviewed and entered into the Board minutes.

Division X of the Act 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 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
Additional SBRC hearings may be required due to an increase in school district requests, but there will be no additional administrative costs to the State for changes made in the Act.

Fiscal Impact
Division X of the Act is expected to have no fiscal impact to the State. Changes related to the unspent balance cap will have an impact on the budgeting for school districts but will vary depending on enrollment changes and local policy. Requests to the SBRC related to on-time budget adjustments may have an impact on property taxes, but the amount cannot be determined because it is dependent on enrollment changes and local policy.

Division XI — General Fund Reserves

Description
Division XI of the Act makes the following changes related to local government budgets:

- Imposes a new cap on general fund reserve balances. The Act limits unassigned general fund reserves to 35.0% of current-year budgeted general fund expenditures beginning in FY 2028. This limit does not apply to school districts or governmental entities that maintain the highest bond rating for the relevant budget year. The bond rating must be established by at least one of the standard rating services approved by the Superintendent of Banking under Iowa Code chapter 17A.

- Requires each governmental entity to establish an obligated funds account within the governmental entity's general fund. This account allows local governments to separately reserve money for major equipment purchases, infrastructure projects, or other specifically planned obligations without those balances counting toward the 35.0% reserve cap.
- Repeals the authority for county agricultural extension councils in Iowa Code section 176.8(13) to carry forward unexpended funds and invest retained balances.
- Requires the Auditor of the State to examine a governmental subdivision's compliance with General Fund reserve limitations within the scope of an audit beginning in FY 2028.

Assumption
Local budget documents do not consistently distinguish unobligated and obligated fund balances.

Fiscal Impact
The fiscal impact of Division XI of the Act is unknown.

Division XII — Property Parcel Information

Description
Division XII of the Act requires local governments to annually report parcel-level property data to the DOM. The first annual report is due no later than September 1, 2027.

Fiscal Impact
The fiscal impact of Division XII on the DOM to establish and maintain a searchable online dashboard is unknown.

Division XIII — Urban Renewal

Description
Division XIII of the Act 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). Expands urban renewal and economic development to include workforce housing activities, including housing-related public improvements and the construction of housing for LMI families.
- For division-of-revenue ordinances in effect on the effective date of the Act that are not otherwise subject to a duration limitation, municipalities may retain no more than 60.0% of otherwise available tax increment revenues beginning 20 years after enactment or 20 years after the first certification of qualifying indebtedness, whichever is later. The remaining 40.0% of revenues are distributed to the

affected taxing entities. This limitation does not apply to community colleges under Iowa Code chapter 260E or rural improvement zones under Iowa Code chapter 357H.

- Limits the duration of urban renewal areas established on or after the effective date of the Act which are designated as Economic Development or Slum and Blight. The starting date is based on the calendar year that loans, advances, indebtedness, or bonds are first certified. Upon reaching the applicable duration limitation, the division-of-revenue ordinance automatically terminates, and no additional tax increment revenues may be collected. This limitation does not apply to community colleges.
- Excludes school district foundation property tax levies imposed under Iowa Code section 257.3 from urban renewal capture for ordinances adopted on or after January 1, 2027. Allows school districts to voluntarily contribute foundation property tax revenues to municipalities for deposit in an urban renewal special fund upon approval by resolution of the school board.
- Repeals Iowa Code section 403.22, which required municipalities to allocate a portion of tax increment revenues toward housing assistance for LMI families.

Division XIII of the Act takes effect upon enactment.

The provisions of Division XIII excluding school district foundation property taxes from divisions of revenue are applicable to property taxes due and payable beginning in FY 2029.

The provisions of Division XIII repealing Iowa Code section 403.22 apply to urban renewal areas in existence on or established on or after the effective date of the Division.

Background

Tax increment financing (TIF) is a financing mechanism used for urban renewal that divides 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 sourced from 1,683 taxing districts. Of those reporting revenue, 851 or 20.0% did not have a statutory end date. 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, chapter 71 (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 Act’s proposed time limit in FY 2025. Tax increment financing districts were assigned the following purpose designations:

- 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 date reported in the FY 2025 TIF Report served as the baseline for this analysis, and all future tax increment revenues subject to the 60.0% retention limitation are assumed to increase by 2.0% annually.
- The statewide urban renewal data contains districts that do not report a creation date. Because the available data does not identify the age of those districts, the estimate assumes such districts exceed the 20-year threshold established by the Act and are subject to the 60.0% retention limitation beginning in FY 2028.
- Urban renewal areas currently subject to a statutory duration limitation were assumed to continue under current law and were excluded from the estimate.
- Using the AY 2024 statewide consolidated tax rate of $32.42171 per $1,000 of taxable value and excluding the $5.40 uniform levy through FY 2028, $5.10 in FY 2029, and $4.90 in FY 2030 and all future years 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 rural improvement zone 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 in isolation and does not account for interactions or combined effects with other divisions of the Act. **Figure 11** shows the estimated reduction in retained TIF revenues for taxing districts without a statutory end date.

Figure 11 — Division XIII Estimated Phased Out Tax Increment Financing (Dollars in Millions)

Fiscal Year	Total Districts	TIF Revenue (Current Law)	Districts Subject to 60/40	Revenue Retained	Revenue Returned to Tax Base	Change to General Fund Appropriations to Local Governments
2027	851	$ 300.9	0	$ 300.9	$ 0.0	$ 0.0
2028	851	307.0	486	134.4	89.6	-14.9
2029	851	313.1	493	138.1	92.1	-14.5
2030	851	319.4	500	141.6	94.4	-14.3
2031	851	325.7	510	144.9	96.6	-14.6

Division XIV — Assessment Procedures

Description

Division XIV of the Act 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 if the increase is not attributable to equalization, improvements, or renovations.
- Disallows communications from Board of Review members prior to a property assessment 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 XIV is unknown; however, local governments may incur additional costs to prepare assessment notices or defend assessments at the Board of Review, district court, or PAAB level.

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

Description

Division XV of the Act amends Iowa Code section 428A.7 governing real estate transfer tax forms for the declaration of value as determined by the Iowa Department of Revenue (IDR). The Act adds built-to-suit construction; sale-leaseback transactions; leased fee sales; and replaces sales to immediate family with sales between related parties to the list of examples of abnormal property transactions required to be excluded from consideration or adjusted to eliminate distortions of market value when valuing property. Division XV applies retroactively to assessment years beginning on or after January 1, 2026 (AY 2026).

Fiscal Impact

Division XV is not anticipated to have a fiscal impact.

Division XVI — Agricultural Extension Levy

Description

Division XVI of the Act 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 valuations as described in Division I of the Act under Iowa Code section 444.25.

Division XVI of the Act is applicable to property taxes due and payable in fiscal years beginning on or after July 1, 2027 (FY 2028).

Background

The County Agricultural Extension Tax is governed under Iowa Code section 176A.10. 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 valuations for agricultural extensions are 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 Act estimates the fiscal impact of this Division in isolation and does not account for interactions or combined effects with other divisions of the Act. The fiscal impact of Division XVI of the Act is displayed in **Figure 12**.

Figure 12 — Division XVI Estimated Ag Extension Property Tax Revenue Reduction (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Law	$ 31.2	$ 32.4	$ 33.7	$ 35.0	$ 36.4
Proposed Law	31.2	31.9	32.6	33.3	34.1
Net Impact	$ 0.0	$ -0.5	$ -1.1	$ -1.7	$ -2.3

Division XVII — Chapter 404 — School Taxes

Description

Division XVII of the Act exempts school districts from property tax revenue divisions remitted for properties located in an urban renewal area that received an urban revitalization exemption.

Division XVII takes effect upon enactment.

Background

Under current law, a property tax abatement exempts all or a portion of a property's otherwise taxable value from property tax for a period of time. Iowa Code chapter 404 (Urban Revitalization) provides several exemption schedules for cities and counties to abate taxes on property that qualifies under urban revitalization programs established by a city or a county. Abatements decrease property tax revenue available to cities, counties, schools, and other local governments. Also, the State General Fund appropriation for school aid backfills $5.40 per $1,000 of exempted value, which means that $1.0 million in property tax abatements on property that would otherwise be taxed will increase the State General Fund appropriation to school finance by $5,400. Data on properties subject to this Division is unavailable.

This Division amends Iowa Code chapter 404, which was created under 2023 Iowa Acts, chapter 71 (Property Tax, Assessments, and Bond Elections Act), which establishes that:

- Cities and counties may not provide new commercial property abatements under Iowa Code chapter 404 unless the property owner enters into a written assessment agreement.
- Residential property tax abatements do not apply to school district property taxes.

The Department of Revenue reports that $1,609.3 million in taxable value is exempt through urban revitalization property tax abatements for FY 2026 (AY 2024), which equates to an estimated $52.2 million in uncollected property taxes after applying the statewide consolidated tax rate of $32.42171. Of that amount, $20.9 million represents abated school property tax. Through the school aid formula, the State General Fund backfills an estimated $3.5 million of the reduced school property tax.

Fiscal Impact

The fiscal impact of Division XVII is unknown. Data on the portion of residential properties which receive an urban revitalization exemption and are located within an urban renewal area is unavailable.

Exempting school property tax levies from new Urban Revitalization residential abatements will reduce the abatement impact on school finance and the State General Fund appropriation for school aid. As existing abatements expire and new abatements become subject to the restriction, the annual amount of school property tax backfill provided through the school aid appropriation will gradually decline.

Division XVIII — Utility Replacement Tax Task Force

Description

Division XVIII of the Act requires the Utility Replacement Tax Task Force to study replacement taxes imposed under Iowa Code chapters 437A and 437B. The Task Force will study the accuracy of the taxes, and options to simplify, modernize, or eliminate replacement taxes. The Division requires the DOM to notify the General Assembly of recommendations to replace taxes.

Division XVIII of the Act takes effect upon enactment.

Fiscal Impact

Division XVIII is not anticipated to have a fiscal impact.

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

Description

Division XIX of the Act establishes a task force convened by the IDR to study the feasibility of a program for counties to collect 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 XIX of the Act is not anticipated to have a fiscal impact.

Division XX — Homestead Credits and Exemptions

Description

Division XX of the Act relates to disabled veteran and homestead credits and exemptions and makes the following changes:

- Replaces the current homestead property tax credit with a new homestead property tax exemption beginning in AY 2026 equal to 10.0% of a residential property's taxable value, with a minimum exemption of $5,000 in taxable value and a maximum exemption of $20,000 in taxable value. The exemption excludes school district foundation property tax levies from homestead replacement funding calculations.
- Maintains the current disabled veterans homestead property tax credit.
- Beginning in AY 2027 and each assessment year thereafter, the maximum taxable value eligible under this exemption will be adjusted annually by a cumulative adjustment factor (CAF) determined by the IDR. The CAF is based on the annual inflation factor under Iowa Code section 422.4 and compounds each subsequent assessment year.
- Makes the Homestead Property Tax exemption changes in Division XX of the Act exempt from Iowa Code section 25B.7(1) on funding property tax credits and exemptions.
- Phases out the existing Homestead Tax Credit Replacement payments and the associated standing General Fund appropriation over three years beginning in FY 2028, excluding the portion that funds the Disabled Veteran Tax Credit, and prorates the associated Homestead Credit Aid General Fund appropriation, which is estimated to be $162.5 million in FY 2026. The phase-out schedule is as follows:
  - In FY 2028, the General Fund appropriation is equal to 66.6% of the FY 2027 payments.
  - In FY 2029, the General Fund appropriation is equal to 33.3% of the FY 2027 payments.
  - In FY 2030 and all subsequent years, the General Fund appropriation is equal to 0.0%.

Homestead owners who have filed for or are receiving homestead credits or exemptions before the effective date of Division XX of the Act will continue to receive the credits and exemptions for which the owner is eligible for assessment years beginning on or after January 1, 2026, without refiling for the exemption.

Changes apply retroactively to assessment years beginning on or after January 1, 2026 (AY 2026).

Background

The Homestead Property Tax Credit was enacted in 1937 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 Assembly appropriated $162.2 million in FY 2025, which generated an average yearly savings of $167 per homeowner. To be eligible for the yearly credit, the taxpayer must own and occupy the property as a homestead on July 1 of each year, declare residency in Iowa for income tax purposes, and occupy the property for at least six months of each calendar year.

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

Assumptions

- The new exemptions reduce taxable value but are not reimbursed by the State, including through the uniform levy, as Iowa Code section 25B.7 does not apply to the Homestead Exemption established in Division XX.
- 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 combined estimated assessed value of eligible homesteads was $263.379 billion.
- Residential assessed values are assumed to increase at a rate of 2.0% annually.
- 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 by county was derived using the 2025 first-quarter median home price published by the National Association of Realtors. The estimate uses average homestead values by county and does not model the distribution of individual property values within each county. As a result, the estimate may understate the impact of future increases to the maximum exemption amount for higher-valued residential properties.
- The FY 2026 average statewide residential consolidated tax rate of 36.01239 was projected to all future years.
- Beginning in FY 2029, the annual inflation factor used to calculate the CAF was 2.0% and compounds annually thereafter.
- Division XX preserves State funding for the Disabled Veteran Homestead Property Tax Credit. While the Act modifies eligibility for certain future applicants, insufficient data exists to estimate the impact of those changes. Therefore, future State funding was projected using the historical 10-year compound annual growth rate of program expenditures.

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 Act. **Figure 13** displays the estimated reduction in property tax revenue to the State General Fund and local governments.

Figure 13 — Division XX Estimated Local Government Revenue Reductions and General Fund Appropriations Decrease (in Millions)

	Current Law	Division XX Impact			
AY/FY	Homestead Credit	General Fund Homestead Credit	General Fund Net Impact	Local Revenue New Homestead Exemption	Net Local Revenue Reduction
2024/2026	$ 124.7	$ 124.7	$ 0.0	$ 0.0	$ 0.0
2025/2027	124.1	124.1	0.0	0.0	0.0
2026/2028	123.5	82.7	-40.8	-300.1	-217.4
2027/2029	123.0	41.4	-81.6	-306.1	-264.8
2028/2030	122.4	0.0	-122.4	-312.3	-312.3
2029/2031	121.8	0.0	-121.8	-318.5	-318.5

Division XXI — Local Government Budget Statements

Description
Division XXI of the Act allows the annual budget statements mailed by the county auditor on behalf of school districts, counties, and cities to be posted and maintained on the political subdivision's website instead of regular mail. The Division also includes additional statement requirements. Iowa Code section 25B.2(3) is made inapplicable to Division XXI.

Division XXI of the Act is applicable to taxpayer statements under Iowa Code section 24.2A for budgets beginning in FY 2028.

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

Division XXII — Hospital Property Tax Levies

Description
Division XXII of the Act limits county hospital property tax levy growth under Iowa Code chapter 347 beginning in FY 2028 to 104.0% of prior-year revenue minus revenue from new valuation. The levy limitation includes utility replacement tax revenues received under Iowa Code chapters 437A and 437B.

Background
Under current law, counties and certain districts may levy property taxes for the support of hospitals, 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 revenue.

Assumptions
- Current-law taxable dollars were estimated using the FY 2026 levy, and each hospital was projected based on individual annual growth rate, which averaged 11.6% statewide.
- To reduce the impact of one-time capital projects, debt changes, and other irregular funding fluctuations, annual growth rates were constrained using a lower bound of -10.0% and an upper bound of 15.0%.
- Property tax revenues are assumed to grow at 103.0% annually in FY 2028 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 Act. **Figure 14** displays the estimated revenue reduction of Division XXII.

Figure 14 — Division XXII Estimated Hospital Property Tax Revenue Reduction (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Law	$ 179.7	$ 190.9	$ 202.8	$ 215.3	$ 228.7
SF 2472 Div XXII	179.7	186.9	194.4	202.2	210.3
Net Impact	$ 0.0	$ -4.0	$ -8.4	$ -13.2	$ -18.5

Division XXIII — Transit Taxes

Description

Division XXIII of the Act limits property tax levy growth for regional transit districts (RTD) under Iowa Code chapter 28M to 103.0% of prior-year revenue beginning in FY 2028. The levy limitation includes utility replacement tax revenues received under Iowa Code chapters 437A and 437B.

Background

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 or MTD (Municipal transit district) for similar transit purposes. Under current law, a combined maximum levy of $0.95 per $1,000 of assessed value was allowed for MTDs and RTDs to fund operations and maintenance, and reserve funds when other revenues were insufficient.

In FY 2026, the Des Moines Regional Transit Authority (DART) was the only approved RTD in the State and collected an estimated $27.6 million in property tax dollars for the remaining operation and maintenance costs after other revenue sources were exhausted. From FY 2021 to FY 2026, the DART RTD property tax dollars grew at an average annual growth rate of 4.7%. The State's 29 MTDs in FY 2026 collected $163.5 million in statewide property tax dollars, which is an annual growth rate of 2.5%.

Assumptions

- City growth rates were projected using individual FY 2021 through FY 2026 compound annual growth rates.
- Under the Act, annual property tax revenue growth is limited to 3.0%. Jurisdictions with historical growth rates exceeding 3.0% are assumed to grow at 3.0%, while jurisdictions with historical growth rates below 3.0% retain their historical growth rate.

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 Act. **Figure 15** displays the maximum fiscal impact of Division XXIII.

Figure 15 — Division XXIII Estimated Property Tax Revenue Reduction to Transit Districts (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
RTD Current Law	$ 29.0	$ 30.5	$ 32.0	$ 33.7	$ 35.5
RTD Div XXIII	29.0	29.8	30.6	31.4	32.2
RTD Net Impact	$ 0.0	$ -0.7	$ -1.5	$ -2.3	$ -3.3

Division XXIV — Commercial and Industrial Property Tax Replacement Payments

Description

Division XXIV of the Act eliminates the standing General Fund appropriation of $125.0 million for the Two-Tier Assessment Limitation (TTAL) program paid to local governments, effective 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 IDR and are applied by local governments to determine taxable valuation for property tax purposes.

The TTAL system replaced the BPTC, which began in FY 2015 and 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, approximately $125.0 million has been appropriated from the General Fund each year to the IDR for payments to local governments to replace property taxes reduced due to the rollback. In FY 2025, the appropriation funded 81.2% of the total $153.9 million requested reimbursements.

Assumptions

- The Act 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 received by or collected by local governments.
- The uniform levy 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 Act. Division XXIV of the Act eliminates the $125.0 million Standing General Fund appropriation for TTAL payments beginning in FY 2028. The elimination of the General Fund appropriation for the TTAL results in a corresponding reduction in State payments to local governments of approximately $125.0 million annually.

Division XXV — Iowa Economic Emergency Fund — Taxpayer Relief Fund

Description

Division XXV reduces the State General Fund expenditure limitation under Iowa Code section 8.54 by $125.0 million in FY 2028. Division XXV establishes a one-time transfer of the excess Economic Emergency Fund (EEF) balance of $125.0 million to the TPRF for FY 2029.

Background

Under current law, the TPRF is authorized in Iowa Code section 8.57E. The Fund is required to be used for tax relief purposes, including offsetting reductions in property or income tax rates. 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 (State and Local Taxation of Property and Income Act), to receive surplus General Fund revenues under certain fiscal conditions. Under current Iowa Code section 8.55(2)(a), of the excess moneys in the Economic Emergency Fund, the portion that is the difference between the actual net revenue for the General Fund for the fiscal year and the adjusted revenue estimate for the fiscal year is transferred to the TPRF. At the end of FY 2025, the TPRF balance totaled approximately $4.034 billion.

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 Act. The fiscal impact of Division XXV is unknown.

Division XXVI — Local Emergency Management Property Taxes

Description

Division XXVI establishes a 103.0% annual growth limitation beginning in FY 2028 on the combined property tax dollars levied by participating governmental entities for local emergency management agencies and commissions. The calculation includes utility replacement tax payments collected under Iowa Code chapters 437A and 437B.

Background

The Local Emergency Management Commission (EMC) was established in the 1990s. The EMC's purpose is to establish, manage, and sustain an emergency management program to address the preparedness, mitigation, response, and recovery of emergencies and disasters that could threaten or impact the State of Iowa. Under current law, Iowa Code section 29C.17 allows local emergency management commissions to fund operations through one or more revenue sources, including property taxes levied by participating governmental entities.

A county commission is comprised of a member of the county board of supervisors, the sheriff, and the mayor from each city within the county. In FY 2026, a total of 155 cities utilized the EMC levy to generate $2.2 million in property tax dollars. A local emergency management agency's approved budget may be funded by one or any combination of the following:

- A countywide special levy authorized under Iowa Code section 331.423.
- A per capita allocation funded from city and county general funds or by a combination of city and county special levies.
- An allocation among participating jurisdictions based on each jurisdiction's relative share of the county's total assessed valuation.
- A voluntary share allocation or other funding sources allowed by law.

Fiscal Impact

Division XXVI of the Act is anticipated to have a minimal fiscal impact.

Fiscal Impact Summary

Due to the complexity and interdependence of the Act's provisions, including multiple changes to the property tax base and levy structure, Division-level estimates are modeled independently of the other divisions. The net impacts presented below may overstate or understate the Act's overall fiscal impact because interactions among Divisions are not modeled. Additionally, future inflation and taxable value growth that differ from the assumptions used in individual Division estimates may cause actual fiscal impacts to differ from those presented below.

Figure 16 presents the estimated impacts to the State General Fund.

Figure 16 — Projected State General Fund Appropriation Increases/Decreases (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division V	$ 0.0	$ 0.0	$ 74.4	$ 127.0	$ 132.7
Division VII	0.3	0.5	0.5	0.5	0.5
Division XIII	0.0	-14.9	-14.5	-14.3	-14.6
Division XX	0.0	-40.8	-81.6	-122.4	-121.8
Division XXIV	0.0	-125.0	-125.0	-125.0	-125.0
Net Impact	$ 0.3	$ -180.2	$ -146.2	$ -134.2	$ -128.3

Figure 17 presents the estimated cumulative fiscal impact to affected local taxing authorities. The impacts shown may reflect reductions in local property tax revenue, reductions in State General Fund appropriations supporting local property tax relief or related programs, or a combination of both.

Figure 17 — Net Impact to Local Taxing Authority Revenue (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division I	$ 0.0	$ -7.7	$ -20.4	$ -27.6	$ -61.4
Division II	0.0	-8.1	-21.7	-28.8	-45.1
Division III	0.0	-1.6	-3.8	-5.5	-7.9
Division VI	38.9	58.6	71.7	105.5	121.5
Division VIII	3.7	3.9	17.4	32.1	33.4
Division XIII	0.0	-14.9	-14.5	-14.3	-14.6
Division XVI	0.0	-0.5	-1.1	-1.7	-2.3
Division XX	0.0	-217.4	-264.8	-312.3	-318.5
Division XXII	0.0	-4.0	-8.4	-13.2	-18.5
Division XXIII	0.0	-0.7	-1.5	-2.3	-3.3
Division XXIV	0.0	-125.0	-125.0	-125.0	-125.0
Net Impact	$ 42.6	$ -317.5	$ -372.0	$ -393.1	$ -441.6

The Department of Management (DOM) estimates $1.3 million in information technology costs to implement all Division changes in this Act.

Effective Date

The Act is generally effective July 1, 2026. The following Divisions have different effective and/or applicability dates:

- **Division I** (County Property Taxes and Budgets) is effective January 1, 2027, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2027 (FY 2028).
- **Division II** (City Property Taxes and Budgets) is effective January 1, 2027, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2027 (FY 2028).
- **Division III** (Rate-Limited Property Tax Levy Rates), Section 19, is effective January 1, 2027, and applies to fiscal years beginning on or after July 1, 2027 (FY 2028).
- **Division V** (School Taxes) applies to fiscal years and school budgets year beginning on or after July 1, 2027 (FY 2028).
- **Division VII** (Elderly and Disabled Property Tax Credit and Rent Reimbursement) applies to credits against property taxes due and payable in FY 2028 and for reimbursement for rent constituting property taxes paid in base years in FY 2027.
- **Division VIII** (Property Classification and Assessment Limitations) is effective January 1, 2027.
- **Division X** (School District Unspent Balances — On-Time Funding and Modified Supplemental Amounts) is effective May 18, 2026.
- **Division XIII** (Urban Renewal) is effective May 18, 2026. The provisions excluding school district Foundation property taxes from divisions of revenue are applicable to property taxes due and payable in FY 2029.
- **Division XV** (Valuations — Abnormal Transactions — Real Estate Transfer Tax Forms) applies retroactively to January 1, 2026.

- **Division XVI** (Agricultural Extension Levy) applies to property taxes due and payable in fiscal years beginning on or after July 1, 2027 (FY 2028).
- **Division XVII** (Chapter 404 — School Taxes) is effective May 18, 2026.
- **Division XVIII** (Utility Replacement Tax Task Force) is effective May 18, 2026.
- **Division XX** (Homestead Credits and Exemptions) applies retroactively to January 1, 2026.
- **Division XXI** (Local Government Budget Statements) applies to budgets beginning on or after July 1, 2027 (FY 2028).

Enactment Date

This Act was approved by the General Assembly on May 3, 2026, and signed by the Governor on May 18, 2026.

Sources

Legislative Services Agency calculations
Department of Management
Department of Revenue
FY 2025 Annual Urban Renewal Report

[SF 2480](#) – Taxation of Vapor Products, Appropriations (LSB6950SV.3)
Staff Contact: Evan Johnson (515.281.6301) evan.johnson@legis.iowa.gov
Fiscal Note Version – Final Action

Description

Senate File 2480 relates to the regulation and taxation of alternative nicotine products and vapor products.

The Act does the following:

- Imposes an alternative nicotine products tax of $0.05 per container containing up to 20 units and a proportionate tax at the same rate on each unit in excess of 20 units.
- Imposes a vapor products tax of $0.05 per milliliter of a solution containing nicotine or a nicotine analog and a proportionate tax at the same rate on any fractions of a milliliter.
- Includes alternative nicotine products and vapor products in the inventory tax.

Revenue generated from the alternative nicotine products tax and vapor products tax is deposited into the Health Care Trust Fund (HCTF). The Act creates a standing HCTF appropriation to the Board of Regents (BOR) beginning in FY 2028 of the first $3.0 million from revenue collected attributable to the alternative nicotine products tax and vapor products tax. The appropriation is used for the purpose of conducting pediatric cancer research, clinical therapy access, and providing physician-scientist leadership at the State University of Iowa Stead Family Children's Hospital.

The Act requires the BOR to submit an annual report beginning December 1, 2028, on the appropriation to the General Assembly describing the following:

- The research programs initiated or advanced as a result of the appropriation.
- The number of patients served, including patients enrolled in clinical trials or therapy.
- Any outcomes to the extent available on the efficacy of the funded programs, trials, or therapies.

The Act regulates nicotine analogs in the same manner as alternative nicotine products and modifies requirements for distributors, manufacturers, and subjobbers that sell alternative nicotine products and vapor products. A component, part, or accessory of a vapor product is considered a vapor product if sold in combination with a substance containing nicotine, a nicotine analog, tobacco, or tobacco derivatives.

The Act takes effect January 1, 2027.

House File 2800 (FY 2027 Standing Appropriations Act) amends SF 2480 in the following ways:

- Removes physician scientist leadership as an eligible use of the HCTF appropriation created in the Act.
- Provides that the HCTF appropriation created in the Act cannot be used for administrative expenses, overhead costs, or other activities not directly related to the purposes of the appropriation.

- Provides that common carriers must file reports with the Director of the Department of Revenue related to shipments of tobacco products, alternative nicotine products, or vapor products that are knowingly transported into the State.

Background

The HCTF is annually appropriated to the Department of Health and Human Services (HHS) to support the Medicaid Program. In FY 2025, $144.4 million was appropriated from the HCTF to the HHS for Medicaid.

The inventory tax is applied on the effective date of an increase to the tax rate for cigarettes, little cigars, tobacco products, unused cigarette tax stamps, and unused metered imprints. The inventory tax rate is the difference between the amount of tax paid on each item and the new amount required to be paid on each item. The inventory tax is applied only if there is an increase in the tax rate for cigarettes, little cigars, tobacco products, unused cigarette tax stamps, and unused metered imprints.

Alternative nicotine products and vapor products are subject to the sales and use tax. Cigarette and tobacco taxes do not apply to alternative nicotine products and vapor products that do not contain tobacco.

Under current law, a component, a part, or an accessory of a vapor product is not regulated as a vapor product. Nicotine analogs are not considered alternative nicotine products. A nicotine analog is a substance that has a chemical structure substantially similar to nicotine or that has an effect on the central nervous system that is substantially similar to, or greater than, the effects of nicotine.

A State permit under Iowa Code section 453A.13 and a local permit under Iowa Code section 453A.47A are required for the sale of alternative nicotine products and vapor products.

Assumptions

- Each container of alternative nicotine products contains 20 units.
- The largest alternative nicotine product brand has a market share of 68.0% and had a shipment volume of 794.0 million containers in 2025.
- There were 21.1 million standardized unit sales of vapor products in June 2024.
- Disposable vapor products account for 58.1% of standardized unit sales and have an average volume of 11.7 milliliters per device.
- Prefilled cartridges account for 41.9% of standardized unit sales and have an average volume of 1.3 milliliters per pod. There are five pods in a standardized unit.
- Online sales will be 20.0% of total vapor product sales.
- Sales of alternative nicotine products and vapor products will increase by 5.54% each year.
- Sales of alternative nicotine products and vapor products in Iowa will be proportional to the State's share of the national population.
- Alternative nicotine products and vapor products will be taxed when transported from distributors to retailers.
- Alternative nicotine products and vapor products stored in inventory at retailers on the effective date of the Act will be subject to the alternative nicotine products tax and the vapor products tax.
- Businesses involved in the distribution and retail of alternative nicotine products and vapor products keep two months of inventory.

- It is estimated that the tax on alternative nicotine products and vapor products stored in inventory will result in approximately $400,000 in one-time moneys being deposited into the HCTF.
- Because the new excise tax on vapor products and alternative nicotine products takes effect January 1, 2027, the FY 2027 revenue is for six months. This is estimated to be $1.2 million and will be deposited into the HCTF to be used for Medicaid.
- Beginning in FY 2028, any revenue generated by the excise tax on vapor products and alternative nicotine products will be deposited into the HCTF and the first $3.0 million will be appropriated to the BOR through an annual standing appropriation.

Fiscal Impact

Senate File 2480 is estimated to increase revenue to the HCTF by the following amounts:

- FY 2027 = $1.6 million
- FY 2028 = $2.6 million
- FY 2029 = $2.7 million
- FY 2030 = $2.9 million
- FY 2031 = $3.0 million

Under the Act, it is estimated that the annual standing appropriation from the HCTF to the BOR for pediatric cancer research will be the following amounts:

- FY 2028 = $2.6 million
- FY 2029 = $2.7 million
- FY 2030 = $2.9 million
- FY 2031 = $3.0 million

Effective Date

This Act is effective January 1, 2027.

Enactment Date

This Act was approved by the General Assembly on May 2, 2026, and signed by the Governor on May 26, 2026.

Sources
Iowa Department of Revenue
Centers for Disease Control and Prevention
Census Bureau
Statista
American Journal of Preventive Medicine
Maryland Tobacco Control Resource Center
Monitoring Tobacco Product Use
Truth Initiative
Philip Morris International 2025 Investor Report
Legislative Services Agency calculations

SF 2492 – Corporate Income Tax, Section 951A Income (LSB5960SZ.2)
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Fiscal Note Version – Final Action

Description
Senate File 2492 creates a State corporate income tax deduction for net controlled foreign corporation (CFC) tested income (net CFC tested income or NCTI) from a foreign corporation, replacing the tax deduction for global intangible low-taxed income (GILTI).

This Act applies retroactively to tax years beginning on or after January 1, 2026.

Background
The One Big Beautiful Bill Act of 2025 replaced GILTI with NCTI, which is a U.S. tax law that requires Americans who are owners of foreign corporations to pay federal tax, offset by a 40.0% federal deduction. Currently, the Iowa Code specifically references a deduction for GILTI under 26 U.S.C. §951A; however, federal code changed GILTI to NCTI.

Assumptions
- The projection for NCTI is based on tax year (TY) 2023 and TY 2024 GILTI information reported on Iowa corporate income tax returns.
- Net CFC tested income represents 103.5% of GILTI reported on Iowa corporate tax returns, based on Internal Revenue Service ratios of NCTI to GILTI from TY 2018 and TY 2021.
- Iowa's total apportioned share of GILTI reported in TY 2024 is approximately $39.750 billion from 838 taxpayers, representing approximately 87.0% of all corporate income tax returns that are expected to be filed.
- The number of corporate income taxpayers in TY 2024 remains similar to the amount in TY 2023.
- The Iowa Department of Revenue (IDR) estimates a TY 2024 revenue impact of $10.9 million due to the NCTI deduction.
- Based on Moody's projections used by the IDR, the annual average percentage increase in corporate profits is 1.9%, which is assumed for tax years beginning in TY 2025.
- This Act is expected to have fiscal impacts beginning annually in FY 2026 due to the retroactivity of this Act.

Fiscal Impact
Senate File 2492 is expected to decrease revenue to the General Fund by the following amounts:
- FY 2026 = $2.1 million
- FY 2027 = $9.2 million
- FY 2028 = $11.4 million
- FY 2029 = $11.7 million
- FY 2030 = $11.9 million
- FY 2031 = $12.1 million

Effective Date
This Act is effective July 1, 2026, and applies retroactively to tax years beginning on or after January 1, 2026.

Enactment Date
This Act was approved by the General Assembly on May 2, 2026, and signed by the Governor on May 15, 2026.

Sources
Iowa Department of Revenue
Internal Revenue Service

General Fund Fiscal Impact Estimates for 2026 Enacted Legislation

Act	Short Title/Provision	Revenue Changed/Tax Type	FY 2026	FY 2027	FY 2028
HF 960	Communications Network Equipment Sales Tax Exemption Act	Sales Tax	$ 0	$ -858,000	$ -879,000
HF 990	Cannabidiol Dispensaries, Maximum Number of Licensees Act	Sales Tax	0	156,000	160,000
HF 2739	Supplemental Appropriations and Transfers Act	Insurance Premium Tax	-6,552,000	-13,162,000	-13,778,000
HF 2757	Nuclear Electric Generation Facilities, Sales Tax Exemption Act	Sales Tax	0	-20,128,000	-13,795,000
HF 2768	Administration and Regulation Appropriations Act	Transfers	0	-12,760,000	-12,250,000
HF 2770	Justice System Appropriations Act	Judicial Revenue	0	0	-317,000
HF 2783	Education Appropriations Act	Fees, Licenses, and Permits	0	-600,000	-600,000
HF 2799	Economic Development, Tax Credit Programs and Load Forecasting Act	Individual Income Tax	0	-758,078	-3,293,212
SF 2168	Reemployment Case Management and Unemployment Insurance Processing Act	Individual Income Tax	0	-1,500,000	-1,500,000
SF 2231	Educational Programs, Eligibility of Sectarian Programs and Costs Act	Individual Income Tax Refunds	-2,000	-457,000	-454,000
SF 2289	Gambling, State Building Code, and Residential Care Facilities Act	Individual Income Tax	0	-7,822,000	-188,000
SF 2492	Corporate Income Tax, Section 951A Income Act	Corporate Income Tax	-2,054,000	-9,226,000	-11,380,000
Total Revenue Adjustments			$ - 8,608,000	$ - 67,115,078	$ - 58,274,212

Note: The totals listed on this table may not tie to the totals on the General Fund Revenue Adjustment table due to rounding.