

**EIGHTY-SIXTH GENERAL ASSEMBLY
2015 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

MARCH 27, 2015

SENATE FILE 151

H-1158

1 Amend Senate File 151, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 5, by striking lines 13 and 14 and
4 inserting <diagnostic intake and classification center
5 at the Anamosa state penitentiary for male juveniles
6 under eighteen years of age, who have been prosecuted,
7 convicted, and committed to the custody of the director
8 of the department of corrections at sentencing. The
9 work of the each>

COMMITTEE ON PUBLIC SAFETY
BAUDLER of Adair, Chairperson

H-1158 FILED MARCH 26, 2015

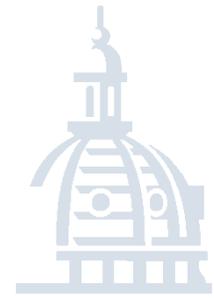
SENATE FILE 306

H-1157

1 Amend Senate File 306, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 1, line 5, before <ward> by inserting
4 <adult>
5 2. Page 1, lines 23 and 24, by striking <a ward>
6 and inserting <an adult ward>
7 3. Page 1, line 24, by striking <a ward's> and
8 inserting <an adult ward's>

COMMITTEE ON JUDICIARY
BALTIMORE of Boone, Chairperson

H-1157 FILED MARCH 26, 2015



HF 522 – Custom Farming Contract Tax Credit (LSB2359HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 522 relates to the existing Custom Farming Contract Tax Credit portion of the Beginning Farmer Tax Credit Program. This Bill extends the maximum length of a qualified custom farming contract from the existing 12 months, to 24 months. The change is effective on enactment and applies retroactively to January 1, 2015.

Background

The Custom Farming Contract Tax Credit is equal to 7.0% of the amount paid by the taxpayer to a qualified beginning farmer under a custom farming contract. For the first year of a contract, the credit is equal to 8.0% if the beginning farmer is a veteran. The credit is limited to no more than \$4.0 million across all qualified contracts in one year. A single taxpayer may not receive tax credits under the Beginning Farmer Tax Credit Program in excess of \$50,000.

The Beginning Farmer Tax Credit Program is administered by the Iowa Finance Authority and the Department of Revenue. The tax credit is not refundable or transferable but any unused credit may be carried forward for up to 10 tax years.

Assumptions

- Current usage of the Custom Farming Contract Tax Credit does not approach the existing \$4.0 million cap and it is assumed that while extending the allowed contract duration will increase utilization of the Credit, usage will still be less than the current cap.
- Tax credit usage under current law is expected to be similar to the average for 2013 through 2015 (\$30,000 per year).
- Tax credit usage with the changes proposed in this Bill is expected to double, to \$60,000 each year, beginning tax year 2015.
- Tax credit redemption will follow the following pattern: first year – 45.0%; second year – 20.0%; third year – 10.0%; fourth year – 8.0%; fifth year – 6.0%; sixth year – 3.0%. A total of 8.0% of the credits will expire unredeemed.
- The Custom Farming Contract Tax Credit will sunset at the end of tax year 2017.

Fiscal Impact

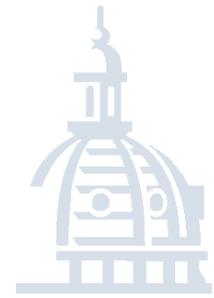
Extension of the allowable contract period for the Custom Farming Contract Tax Credit to 24 months is projected to decrease State General Fund revenue by \$83,000 over a period of eight fiscal years, beginning in FY 2016. In no year is the impact expected to exceed \$25,000.

Source

Department of Revenue

/s/ Holly M. Lyons

March 23, 2015



HF 557 – Rural Improvement Zones (LSB1257HV)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)

Fiscal Note Version – New

Description

House File 557 relates to the establishment, operation, duration, and dissolution of Rural Improvement Zones (Iowa Code chapter **357H**).

Background

Under current law, Rural Improvement Zones are allowed in counties with a population of 20,000 or less according to the 2000 federal census. A Rural Improvement Zone must surround a lake and be in an unincorporated portion of the county. A Rural Improvement Zone is created by petition of the landowners of the lake area, with approval by the Board of Supervisors.

There are currently four Rural Improvements Zones in Iowa:

- Lake Panorama – Guthrie County
- Diamondhead Lake – Guthrie County
- Holiday Lake – Poweshiek County
- Sun Valley – Ringgold County

Rural Improvement Zones potentially impact State and local government revenue and expenditures in two direct ways. First, Iowa Code allows Rural Improvement Zones to divide property tax revenue paid on property within the Zone between the regular local governments (schools, county, etc.) and the governing body of the Zone. This type of revenue division is commonly referred to as Tax Increment Financing (TIF). In addition, the Zone governing body is allowed to impose a special property tax levy on property within the Zone. That special levy (Iowa Code section **357H.9(4)**, if imposed, must equal a rate between \$0.50 and \$2.50 per \$1,000 of taxed value. For FY 2015, only Lake Panorama utilized the special levy (\$2.50/\$1,000).

For FY 2015, the four Rural Improvement Zones had a combined assessed value of \$601.3 million and a taxed value of \$331.5 million. Of that taxed value, \$10.8 million (33.4%) was increment value. The two Zones that have existed the longest are utilizing the higher percentage as increment value. Lake Panorama utilizes 40.0% of the taxable value and Diamondhead Lake utilizes 39.9%.

Assessed and Taxed Value of Existing Rural Improvement Zones						
FY 2015 Data - Dollars in Millions						
	Base Year	Total Assessed Value	Frozen Base Value	Total Taxed Value	Increment Value	% of Taxed Value in Increment
Lake Panorama	1996	\$ 358.9	\$ 114.6	\$ 199.9	\$ 79.9	40.0%
Diamondhead Lake	1997	28.0	12.8	15.3	6.1	39.9%
Holiday Lake	2007	79.0	68.4	42.9	10.6	24.7%
Sun Valley	2007	135.4	47.7	73.4	14.2	19.3%
		\$ 601.3	\$ 243.5	\$ 331.5	\$ 110.8	33.4%

For the division of property tax revenue under TIF, the regular taxing authorities receive the property tax revenue from all property that is not included in the increment value and they also receive the proceeds of any debt levies generated from increment value. The authority that created the TIF area, in this case a Rural Improvement Zone Board of Trustees, receives all non-debt levy property tax generated from the increment value.

All property in Iowa subject to property tax pays, as part of the consolidated property tax rate, a rate of \$5.40 per thousand of taxed valuation for basic school operation (referred to as the basic levy). When revenue is divided under a TIF arrangement, revenue from the \$5.40 levy goes not to the school district, but to the authority creating the TIF area. Through operation of the School Aid Formula, this directly increases the State General Fund appropriation for school finance by \$5.40 per thousand of increment value. For FY 2015, this backfilling of TIF increment value by the State General Fund totaled \$55.5 million.

Fiscal Impact

[House File 557](#) makes several changes that may alter the fiscal impact of the existing four Rural Improvement Zones, as well as any potential Zones established in the future. The Bill:

- Changes the powers of the Board of Supervisors related to approving a petition for the establishment of a Zone from “shall” to “may.”
- Changes the federal census population requirements for Zone establishment.
- Defines a lake as a water surface area of at least 80 acres.
- Adds water quality to the definition of allowed lake improvements.
- Modifies the timeframe available for the issuance of debt certificates.
- Modifies the base value used to calculate the available TIF increment value.
- Dissolves existing Zones on June 30, 2019, or 20 years after first receiving property tax revenue through Tax Increment Financing, whichever is later.
- Permits the Board of Supervisors to approve an unlimited number of 20-year extensions to the dissolution date of the Zone.

The overall fiscal impact and timing of the Rural Improvement Zone changes contained in this Bill on local government finance and the State General Fund appropriation for school finance cannot be determined. If the changes lead to less incremental value in Rural Improvement Zones in future years than would otherwise be the case, the regular local government authorities taxing the property will receive more tax revenue and the State General Fund appropriation for school aid will be reduced.

Sources

Department of Management Property Valuation System
Legislative Services Agency analysis

/s/ Holly M. Lyons

March 25, 2015

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