

F I N A L R E P O R T

PROPERTY TAX ISSUES STUDY COMMITTEE

January, 1987

The Property Tax Issues Study Committee was established by the Legislative Council to review matters relating to property taxes, including who is presently paying, what they are paying for, how collected funds are spent, effectiveness of previous tax relief measures, alternative forms of financing costs and expenses presently financed by property taxes, and review of the burden of proof in property tax assessment appeals.

Members serving on the Study Committee were:

Senator Berl Priebe, Co-chairperson
Representative Kay Chapman, Co-chairperson
Senator William Dieleman
Senator Leonard Boswell
Senator Michael Gronstal
Senator John Soorholtz
Senator Jack Hester
Senator David Readinger
Representative David Tabor
Representative Richard Varn
Representative Louis Muhlbauer
Representative Horace Daggett
Representative Kenneth De Groot
Representative Hugo Schnekloth

MEETING DAYS

The Study Committee was initially granted three meetings and was granted two additional ones so as to complete their work. Meetings were held August 27, September 19, October 16, December 12, 1986 and January 5, 1987.

At its first meeting, the Study Committee heard testimony from the Institute of Public Affairs at the University of Iowa relating to local government revenues and the importance of property taxes as a revenue source along with other data relating to property taxes over the last ten years; the Iowa Association of Counties on the costs as well as the savings to the counties resulting from the state requiring certain activities to be done by the counties and the state picking up the costs of certain activities of the

counties; and the Department of Management identifying revenue sources of the school districts.

At the second meeting, the Department of Revenue and Finance explained the property tax assessment process and individuals from taxpayer groups provided the Study Committee with their suggestions on alternative sources of revenue to replace property taxes as well as suggestions relating to changes in the assessment process and property tax exemptions or credits.

At the third meeting, the Study Committee heard from groups and associations representing farmers, bankers, municipalities, education, school boards, taxpayers, and industry on what their suggestions are as to an alternative to the property tax as a revenue source and suggested changes in assessment procedures. The Study Committee also heard from a member of a local board of review and a city and county assessor.

Before the fourth meeting, a bill proposal was drafted for discussion purposes of the Study Committee. The Study Committee spent the entire meeting going over the proposals covered by the bill and added, deleted, and changed some of them. This later version was drafted for and discussed at the last meeting. Again after much discussion and additional changes the Study Committee voted out, without recommendation, for consideration by the General Assembly this final draft entitled:

An Act relating to taxation by limiting the amount of property taxes that may be raised by school districts, cities and counties; increasing the state sales, services and use tax; establishing a state school finance program and providing for the payment of state educational aid to school districts; providing a method for funding the costs of area education agencies; providing for the funding of certain costs of school district using a combination of a property tax and an income surtax on the state income tax; updating references to the Internal Revenue Code for state income and franchise tax purposes; eliminating certain property tax credits and reimbursements; providing the procedure for using state equalization orders as guidelines for equalization; and providing effective dates.

SENATE/HOUSE FILE _____
BY (PROPOSED PROPERTY TAX ISSUES
STUDY COMMITTEE BILL VOTED
OUT WITHOUT RECOMMENDATION)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to taxation by limiting the amount of property
2 taxes that may be raised by school districts, cities and
3 counties; increasing the state sales, services and use tax;
4 establishing a state school finance program and providing for
5 the payment of state educational aid to school districts;
6 providing a method for funding the costs of area education
7 agencies; providing for the funding of certain costs of school
8 district using a combination of a property tax and an income
9 surtax on the state income tax; updating references to the
10 Internal Revenue Code for state income and franchise tax
11 purposes; eliminating certain property tax credits and
12 reimbursements; providing the procedure for using state
13 equalization orders as guidelines for equalization; and
14 providing effective dates.

15 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

2 Section 101. NEW SECTION. 442A.1 STATE SCHOOL FINANCE
3 PROGRAM.

4 A state school finance program is established. For the
5 school year beginning July 1, 1987 and each succeeding school
6 year, each school district in the state is entitled to receive
7 state aid determined in the manner provided in this chapter.

8 Sec. 102. NEW SECTION. 442A.2 DEFINITIONS.

9 As used in this chapter unless the context otherwise re-
10 quires:

11 1. "School district" means a school district as
12 constituted under chapter 274.

13 2. "Board" means the board of directors of a school dis-
14 trict.

15 3. "Base year" means the school year ending during the
16 calendar year in which a budget is certified.

17 4. "Budget year" means the school year beginning during
18 the calendar year in which a budget is certified.

19 5. "Department" means the department of education.

20 6. "State board" means the state board of education.

21 7. "Miscellaneous income" means all receipts deposited to
22 the general fund of a school district which are not obtained
23 from state educational aid, amounts received for student
24 activity programs, amounts received for public school
25 transportation programs, or amounts received for building
26 operation and maintenance costs. If actual miscellaneous
27 income for a school year exceeds the anticipated miscellaneous
28 income in a district's certified budget for the school year, a
29 school district may amend its certified budget. Miscellaneous
30 income includes property tax levied under the following:

31 a. Section 613A.7, to fund the costs of tort liability
32 insurance for the school district.

33 b. Sections 298.15 through 298.17, to fund a judgment.

34 c. Section 279.43, to fund asbestos removal or encap-
35 sulation.

1 d. Section 96.31, to fund the costs of unemployment
2 benefits.

3 Miscellaneous income also includes moneys obtained under the
4 enrichment program.

5 8. "Student activity programs" are programs that are not
6 part of the instructional program of a school district. They
7 are programs in which participation is optional and in which
8 there are opportunities for both individual and group
9 activities. Student activities include interscholastic
10 athletics, school entertainment, publications, clubs, and any
11 other co-curricular or extracurricular activities.

12 Sec. 103. NEW SECTION. 442A.3 ENROLLMENT.

13 1. Basic enrollment for the budget year beginning July 1,
14 1987 and succeeding budget years is determined by adding the
15 resident pupils who were enrolled on the second Friday of
16 September in the base year in public elementary and secondary
17 schools of the district and in public elementary and secondary
18 schools enrolled in another district or state for which
19 tuition is paid by the district.

20 Resident pupils of high school age for which the district
21 pays tuition to attend an Iowa area school are included in
22 basic enrollment on a full-time equivalent basis.

23 Shared-time and part-time pupils of school age,
24 irrespective of the districts in which the pupils reside, are
25 included in basic enrollment as of the fourth Friday of
26 September in the base year for the budget year in the
27 proportion that the time for which they are enrolled or
28 receive instruction for the school year is to the time that
29 full-time pupils carrying a normal course schedule, at the
30 same grade level, in the same school district, for the same
31 school year, are enrolled and receive instruction.

32 Pupils attending a university laboratory school are not
33 counted in any district's basic enrollment, but the laboratory
34 school shall report them directly to the department of
35 education.

1 A school district shall certify its basic enrollment to the
2 department of education by September 25 of each year, and the
3 department shall promptly forward the information to the
4 department of management.

5 2. Weighted enrollment for the budget year beginning July
6 1, 1987 and succeeding budget years is determined by adding
7 the district's additional enrollment because of special
8 education to the district's basic enrollment for the budget
9 year. A district's additional enrollment because of special
10 education is determined on December 1 of the base year by
11 multiplying the weighting for each category of special
12 education under section 281.9 by the number of children in
13 each category totaled for all categories and subtracting from
14 this total the basic enrollment for the budget year.

15 Weighted enrollment is basic enrollment as modified by the
16 application of the special education and supplementary
17 weighting plans.

18 3. A school district's certification of basic and weighted
19 enrollment is subject to audit in accordance with procedures
20 adopted by rule by the state board pursuant to chapter 17A.

21 4. "Enrollment served" means the basic enrollment plus the
22 number of pupils in approved nonpublic schools served with
23 services of the area education agency except that if a
24 nonpublic school pupil receives services through an area other
25 than the area of the pupil's residence, the pupil shall be
26 deemed to be served by the area of the pupil's residence,
27 which shall by contractual arrangement reimburse the area
28 through which the pupil actually receives services. Each
29 school district shall include in the second Friday in
30 September enrollment report the number of pupils in approved
31 nonpublic schools within each school district served by the
32 area.

33 Sec. 104. NEW SECTION. 442A.4 STATE PERCENT OF GROWTH --
34 ALLOWABLE GROWTH.

35 1. For the budget year beginning July 1, 1987, and

1 succeeding budget years, a state percent of growth for the
2 budget year shall be computed by the department of management
3 prior to September 15 in the base year and forwarded to the
4 director of education. The state percent of growth shall be
5 an average of the following four percentages of growth except
6 as otherwise provided in paragraph "c" of this subsection:

7 a. The difference in the receipts of state general fund
8 revenues computed or estimated as follows:

9 (1) The percentage of change between the revenues received
10 during the second year preceding the base year and the
11 revenues received during the year preceding the base year.

12 (2) The percentage of change between the revenues received
13 during the year preceding the base year and the revenues
14 received during the base year.

15 However, for computing the state percent of growth to be
16 used for the school year beginning July 1, 1987, the revenues
17 received as a result of the increase in taxes in 1985 Iowa
18 Acts, chapter 32 or as a result of the inclusion of additional
19 items subject to tax in 1985 Iowa Acts, chapter 32 shall not
20 be considered revenues received for the state general fund for
21 purposes of determining the percentages under subparagraph (1)
22 or (2).

23 b. The difference in the gross national product implicit
24 price deflator published by the bureau of economic analysis,
25 United States department of commerce, computed or estimated as
26 a percentage of change for the following:

27 (1) From the value for the quarter ending December 31
28 eighteen months prior to the beginning of the base year to the
29 value for the quarter ending December 31 six months prior to
30 the beginning of the base year.

31 (2) From the value for the quarter ending December 31 six
32 months prior to the beginning of the base year to the value
33 for the quarter ending December 31 six months prior to the
34 beginning of the budget year.

35 The computation of the percentage change in the gross

1 national product implicit price deflator shall be based, to
2 the extent possible, on the latest available values for these
3 deflators published by the bureau of economic analysis.

4 c. If the average of the percentages computed or estimated
5 under paragraph "b" of this subsection exceeds the average of
6 the percentages computed or estimated under paragraph "a" of
7 this subsection, the state percent of growth shall be the
8 average of the two percentages of growth computed or estimated
9 under paragraph "a" of this subsection.

10 2. If the state percent of growth so computed is negative,
11 that percentage shall not be used and the state percent of
12 growth shall be zero.

13 3. Each year prior to September 15 the department of
14 management shall recompute the state percent of growth for the
15 previous year using adjusted estimates and the actual figures
16 available. The difference between the recomputed state
17 percent of growth for the base year and the original
18 computation shall be added to or subtracted from the state
19 percent of growth for the budget year, as applicable.

20 With regard to values of gross national product implicit
21 price deflators, the recomputation of the state percent of
22 growth for the previous year shall be made only with respect
23 to the value of the deflator for the quarter which occurred
24 subsequent to the calculation of the state percent of growth
25 for the previous year. If subsection 1, paragraph "c" is used
26 in the calculation of the state percent of growth for the
27 previous year, the calculation made in subsection 1, paragraph
28 "b" shall not be used in the recomputation of the state
29 percent of growth for the previous year.

30 4. The basic allowable growth per pupil for the budget
31 year shall be computed by multiplying the state educational
32 aid per pupil for the base year times the state percent of
33 growth for the budget year.

34 Sec. 105. NEW SECTION. 442A.5 STATE AID.

35 Each school district in the state shall receive an equal

1 amount of state educational aid for each pupil counted in the
2 basic enrollment of the school district. For the school year
3 beginning July 1, 1987, the department of management shall
4 determine an amount of state educational aid per pupil in
5 basic enrollment for the base year by dividing the total
6 certified budgets for regular program of all school districts
7 in the state for the base year less the total of the costs of
8 student activity programs, costs of public school pupil
9 transportation, and building operation and maintenance costs
10 included in the general fund budgets, and less the amount of
11 miscellaneous income deposited in the general fund of the
12 school district for the base year, by the basic enrollment for
13 the base year. For the budget year beginning July 1, 1987 and
14 thereafter, the amount of state educational aid paid to each
15 school district per pupil in basic enrollment for regular
16 program costs for the budget year is equal to the state
17 educational aid in basic enrollment for regular program costs
18 for the base year multiplied by the sum of the state percent
19 of growth and one hundred percent.

20 Sec. 106. NEW SECTION. 442A.6 AUTHORIZED BUDGET.

21 Moneys in the certified budget of a school district for a
22 base year and not expended during that year may be carried
23 over and expended during the budget year. The amount not ex-
24 pended shall be included in the authorized budget for the
25 budget year.

26 The authorized budget of a school district for a budget
27 year is the sum of the following:

- 28 1. State educational aid for the district.
- 29 2. Miscellaneous income.
- 30 3. Amount received for student activity programs.
- 31 4. Amount received for public school transportation
32 programs.
- 33 5. Amount received for building operation and maintenance
34 costs.
- 35 6. Unexpended moneys included in the certified budget of a

1 school district from the base year.

2 Sec. 107. NEW SECTION. 442A.7 UNEXPENDED CASH BALANCE.

3 The board of directors of a school district may request
4 approval from a committee consisting of the director of the
5 department of education, the director of the department of
6 management, and the treasurer of state to spend a reasonable
7 and specified amount from its unexpended cash balance for
8 educational or capital purposes.

9 Sec. 108. NEW SECTION. 442A.8 ADDITIONAL ENRICHMENT
10 AMOUNT.

11 1. For the budget year beginning July 1, 1987, and each
12 succeeding school year, if a school board wishes to spend more
13 than its authorized budget for a period of up to five budget
14 years, it may adopt a resolution directing the county
15 commissioner of elections to call an election on the question
16 of whether to raise an additional enrichment amount for a
17 period of not exceeding five years. The additional enrichment
18 amount shall not exceed ten percent of the state educational
19 aid amount per pupil for a budget year multiplied by the basic
20 enrollment in the district for the budget year, as provided in
21 this section.

22 2. The board shall determine the additional enrichment
23 amount per pupil needed, within the limits of this section,
24 and shall direct the county commissioner of elections to sub-
25 mit the question of whether to raise that amount under this
26 section and section 442A.9, to the qualified electors of the
27 school district at a regular school election held during
28 September of the base year or at a special election held not
29 later than February 15 of the base year. Only one election on
30 the question shall be held during a twelve-month period. If a
31 majority of those voting favors raising the enrichment amount,
32 the board may include the approved amount in its certified
33 budget for the period approved at the election.

34 3. The additional enrichment amount needed shall be raised
35 within the limits provided in this section by a combination of

1 an enrichment property tax and a school district income
2 surtax, with one-half the amount raised by a property tax levy
3 and one-half the amount raised by an income surtax.

4 4. Any additional enrichment amount of a school district,
5 not exceeding ten percent of the state cost per pupil, which
6 was approved at a referendum prior to January 1, 1987 shall
7 remain in effect for the period for which it was approved,
8 except that the department of management shall adjust the
9 enrichment amount based upon the difference between the state
10 cost per pupil for the school year beginning July 1, 1986 and
11 the state educational aid amount calculated for the school
12 year beginning July 1, 1986 pursuant to section 442A.5.

13 Sec. 109. NEW SECTION. 442A.9 COMPUTATION OF ENRICHMENT
14 AMOUNT.

15 If a majority of those voting in an election approves
16 raising the additional enrichment amount under section 442A.8
17 and this section, the board shall certify to the department of
18 management that the required procedures have been carried out,
19 and the department of management shall establish the amount of
20 additional enrichment property tax to be levied and the amount
21 of school district income surtax to be imposed for each school
22 year for which the additional enrichment amount is authorized
23 in the manner specified in section 442A.8.

24 An additional enrichment amount authorized under section
25 442A.8, or a lesser amount than the amount so authorized, may
26 be continued for the period approved at the election. If the
27 amount authorized is less than the maximum of ten percent of
28 the state educational aid per pupil and the board wishes to
29 increase the amount, it shall reestablish its authority to do
30 so in the manner provided in section 442A.8. If the board
31 wishes to continue any additional enrichment amount beyond the
32 five-year period, it shall reestablish its authority to do so
33 in the manner provided in section 442A.8 within the twelve-
34 month period prior to termination of the five-year period.

35 Sec. 110. NEW SECTION. 442A.10 BUDGETS.

1 The board of directors shall adopt separate budgets for the
2 costs of student activity programs, public school student
3 transportation costs, and building operation and maintenance
4 costs. The budget for the costs of student activity programs
5 shall specify the portion to be paid from the general fund of
6 the school district.

7 Sec. 111. NEW SECTION. 442A.11 CALCULATION OF SURTAX AND
8 PROPERTY TAX.

9 The department of management shall determine the amount of
10 property tax to be levied and the amount of income surtax to
11 be imposed based upon the most recent figures available for
12 the district's valuation of taxable property, individual state
13 income tax paid, and basic enrollment in the district, and
14 shall certify to the district's county auditor the amount of
15 property tax, and to the director of revenue and finance the
16 amount of income surtax to be imposed.

17 The board of directors shall estimate and certify to the
18 department of management the amount required from property tax
19 revenues to pay one-half the total of the amount of the costs
20 of the student activity programs funded from the general fund,
21 public school transportation costs, and building operation and
22 maintenance costs. The board of directors of the school
23 district shall estimate and certify to the department of
24 management the amount required from the income surtax to pay
25 one-half the amount of the costs of student activity programs
26 funded from the general fund, public school transportation
27 costs, and building operation and maintenance costs.

28 Annually the department of management shall establish the
29 amount of property tax to be levied and the amount of the
30 income surtax to be imposed under this section.

31 The board of directors shall list the amount budgeted for
32 each of the three categories separately.

33 Sec. 112. NEW SECTION. 442A.12 INCOME SURTAX.

34 The income surtax shall be imposed on the state individual
35 income tax for each calendar year, or for a taxpayer's fiscal

1 year ending during the second half of the calendar year or the
2 first half of the succeeding calendar year, and shall be
3 imposed on all individuals residing in the school district on
4 the last day of the applicable tax year. As used in this
5 section, "state individual income tax" means the tax computed
6 under section 422.5, less the deductions allowed in sections
7 422.10, 422.11, and 422.12.

8 The director of revenue shall deposit all moneys received
9 as income surtax to the credit of each district from which the
10 moneys are received, in the income surtax fund established in
11 section 442A.16.

12 Annually, after crediting to the department of revenue and
13 finance a reasonable amount for costs of administration, the
14 treasurer of state shall remit to the school districts their
15 share of the balance in the income surtax fund. The costs of
16 administration shall be determined by the department of
17 revenue and finance, and shall be based on a share of the
18 total cost of administering the department, in the same
19 proportion as the amount of income surtax collected is to the
20 amount of state income taxes collected.

21 Sec. 113. NEW SECTION. 442A.13 TAX FORMS.

22 The department of revenue and finance shall supply appro-
23 priate forms, or provide space in the regular state income tax
24 forms, for reporting school district income surtax liability,
25 and shall administer the income surtax as nearly as possible
26 in conjunction with the administration of the state income tax
27 law, for purposes of economy and efficiency. The department
28 of revenue and finance shall adopt rules to administer the
29 income surtax.

30 Sec. 114. NEW SECTION. 442A.14 STATUTES APPLICABLE.

31 The director of revenue and finance shall administer any
32 school district income surtax imposed under this chapter, and
33 all the provisions of sections 422.20, 422.22 to 422.31,
34 422.68, and 422.72 to 422.75, shall apply in respect to
35 administration of the school district income surtaxes.

1 Sec. 115. NEW SECTION. 442A.15 FORM AND TIME OF RETURN.

2 Each school district income surtax shall be made a part of
3 the Iowa individual income tax return subject to the
4 conditions and restrictions set forth in section 422.21.

5 Sec. 116. NEW SECTION. 442A.16 DEPOSIT OF SCHOOL
6 DISTRICT INCOME SURTAX.

7 The director of revenue and finance shall deposit all
8 moneys received as school district income surtaxes to the
9 credit of each district from which the moneys are received, in
10 a school district income surtax fund which is established in
11 the office of the treasurer of state. A separate accounting
12 shall be maintained for each school district of the surtax
13 collected for the enrichment program, student activity
14 programs, public school pupil transportation, and building
15 operation and maintenance.

16 Effective July 1, 1987, the director of revenue and finance
17 shall deposit all school district income surtax moneys
18 received on or before November 1 of the year following the
19 close of the school budget year for which the surtax is
20 imposed to the credit of each district from which the moneys
21 are received in the school district income surtax fund. All
22 school district surtax moneys received or refunded after
23 November 1 of the year following the close of the school
24 budget year for which the surtax is imposed shall be deposited
25 in or withdrawn from the general fund of the state and shall
26 be considered part of the cost of administering the school
27 district surtax.

28 Sec. 117. NEW SECTION. 442A.17 SCHOOL DISTRICT INCOME
29 SURTAX CERTIFICATION.

30 On or before October 20 each year, the director of revenue
31 and finance shall make an accounting of the school district
32 income surtaxes collected under this chapter applicable to tax
33 returns for the last preceding calendar year, or for fiscal
34 year taxpayers, on the last day of their tax year and shall
35 certify to the department of management and the department of

1 education the amount of total school district income surtax
2 credited from the taxpayers of each school district for each
3 separate program. Additional returns in process, if any, at
4 the time of certification shall be completed and the
5 additional amount of school district income surtax for a
6 program reported to the department of management for
7 distribution back to the school district with the first
8 installment of the following school year.

9 Sec. 118. NEW SECTION. 442A.18 SCHOOL DISTRICT INCOME
10 SURTAX DISTRIBUTION.

11 The department of revenue and finance shall draw warrants
12 in payment of the total amount of surtax payable to each of
13 the school districts in two installments to be paid on
14 approximately the first day of December and the first day of
15 February, and shall cause the warrants to be delivered to the
16 respective school districts. The department shall make a
17 separate accounting of the payments for each surtax imposed.

18 Sec. 119. NEW SECTION. 442A.19 PROPERTY TAX.

19 The department of management shall certify to the county
20 auditors of the appropriate counties, the amount to be raised
21 from property tax revenues for each program by each school
22 district.

23 Sec. 120. NEW SECTION. 442A.20 ADVANCE FOR INCREASING
24 ENROLLMENT.

25 If a district's actual enrollment for the budget year,
26 determined under section 442A.3, is higher than its basic
27 enrollment for the budget year, the district is entitled to an
28 advance from the state of an amount equal to the state
29 educational aid per pupil for the budget year multiplied by
30 the difference between the actual enrollment for the budget
31 year and the basic enrollment for the budget year. However,
32 if a district's actual enrollment for the budget year is more
33 than fifteen percent higher than its basic enrollment for the
34 budget year, the advance shall be calculated using seventy-
35 five percent of the difference between the district's actual

1 enrollment for the budget year and its basic enrollment for
2 the budget year. The advance shall be miscellaneous income.

3 There is appropriated each year from the general fund of
4 the state the amount required to pay advances authorized under
5 this section, which shall be paid to school districts in the
6 same manner as other state aids are paid under section
7 442A.27.

8 Sec. 121. NEW SECTION. 442A.21 ADVANCE FOR SPECIAL
9 EDUCATION.

10 If a school district's additional enrollment because of
11 special education determined by the district on December 1 in
12 the budget year is greater than its additional enrollment
13 because of special education determined by the district on
14 December 1 in the base year, the school district is entitled
15 to an advance from the state of an amount equal to its state
16 educational aid per pupil for the budget year multiplied by
17 the district's increase in additional enrollment because of
18 special education. The advance shall be miscellaneous income.

19 For the purpose of this section, a school district's
20 additional enrollment because of special education is
21 determined by multiplying the weighting for each category of
22 child under section 281.9 times the number of children in each
23 category totaled for all categories minus the actual
24 enrollment.

25 There is appropriated each year from the general fund of
26 the state the amount required to pay advances authorized under
27 this section, which shall be paid to school districts in the
28 same manner as other state aids are paid under section
29 442A.26.

30 Sec. 122. NEW SECTION. 442A.22 SUPPLEMENTARY WEIGHTING
31 PLAN.

32 In order to provide additional funds for school districts
33 which send their resident pupils to another school district or
34 to an area school for classes, which jointly employ and share
35 the services of teachers under section 280.15, or which use

1 the services of a teacher employed by another school district,
2 a supplementary weighting plan for determining enrollment is
3 adopted as follows:

4 1. Pupils in a regular curriculum attending all their
5 classes in the district in which they reside and taught by
6 teachers employed by that district, and having administrators
7 employed by that district, are assigned a weighting of one.

8 2. Pupils attending classes in another school district or
9 an area school, attending classes taught by a teacher who is
10 employed jointly under section 280.15, or attending classes
11 taught by a teacher who is employed by another school
12 district, are assigned a weighting of one plus five-tenths
13 times the percent of the pupil's school day during which the
14 pupil attends classes in another district or area school,
15 attends classes taught by a teacher who is jointly employed
16 under section 280.15, or attends classes taught by a teacher
17 who is employed by another school district if the department
18 of education certifies to the department of management that
19 the shared classes or teachers would otherwise not be
20 implemented without the assignment of additional weighting.
21 However, in lieu of the additional weighting of five-tenths,
22 the department of education shall assign an additional
23 weighting of one-tenth times the percent of the pupil's school
24 day in which a pupil attends classes in another district or an
25 area school, attends classes taught by a teacher who is
26 employed jointly under section 280.15, or attends classes
27 taught by a teacher who is employed by another district, in
28 districts that have a substantial number of students in any of
29 grades seven through twelve sharing more than one class or
30 teacher. The additional weighting of one-tenth may be
31 assigned by the department of education for a maximum of five
32 years, and thereafter, the additional weighting shall not be
33 assigned under this section, but may be assigned under section
34 442A.123.

35 3. A pupil eligible for the weighting plan provided in

1 section 281.9 is not eligible for the weighting plan provided
2 in this section.

3 4. Pupils enrolled in a school district in which one or
4 more administrators are employed jointly under section 280.15
5 are assigned a weighting of one plus five-hundredths for each
6 administrator who is jointly employed times the percent of the
7 administrator's time in which the administrator is employed in
8 the school district. However, the total additional weighting
9 assigned under this subsection for a budget year for a school
10 district is fifteen.

11 For the purposes of this section, "administrators" includes
12 the following:

13 a. Executive administrators, which includes the
14 superintendent and such assistants as deputy, associate, and
15 assistant superintendents who perform activities in the
16 general direction and management of the affairs of the local
17 school districts.

18 b. School administrators, which includes assistant
19 principals, and other assistants in general supervision of the
20 operations of the school. School administrators does not
21 include principals.

22 c. Business administrators, which includes personnel
23 associated with activities concerned with purchasing, paying
24 for, transporting, exchanging, and maintaining goods and
25 services for the school district.

26 5. A school district receiving additional funds under
27 subsection 2 for its pupils at the ninth grade level and above
28 that are enrolled in sequential mathematics courses at the
29 advanced algebra level and above; chemistry, advanced
30 chemistry, physics or advanced physics courses; or foreign
31 language courses at the second year level and above shall have
32 an additional weighting of one pupil added to its total.

33 Sec. 123. NEW SECTION. 442A.23 SUPPLEMENTARY WEIGHTING
34 AND SCHOOL REORGANIZATION.

35 In determining weighted enrollment under section 442A.3, a

1 reorganized school district shall include, for a period of
2 five years following the effective date of the reorganization,
3 additional pupils added by the application of the
4 supplementary weighting plan, as determined under section
5 442A.22, equal to the pupils added by the application of the
6 supplementary weighting plan in the year preceding the
7 reorganization. However, the weighting shall be reduced by
8 the supplementary weighting added for a pupil whose residence
9 is not within the reorganized district. For purposes of this
10 section, a reorganized district is one in which the
11 reorganization was approved in an election pursuant to
12 sections 275.18 and 275.20 and takes effect on or after July
13 1, 1986.

14 Sec. 124. NEW SECTION. 442A.24 RULES.

15 The director of the department of education, after
16 consultation with the director of the department of
17 management, may adopt rules and definitions of terms as
18 necessary and proper for the administration of this chapter.

19 Sec. 125. NEW SECTION. 442A.25 LOCAL BUDGET LAW.

20 Chapter 24 remains applicable to school budgets.

21 Sec. 126. NEW SECTION. 442A.26 APPROPRIATIONS.

22 There is appropriated each year from the general fund of
23 the state an amount necessary to pay the state educational
24 aid.

25 All state educational aids paid under this chapter, unless
26 otherwise stated, shall be paid in monthly installments
27 beginning on September 15 of a budget year and ending on June
28 15 of the budget year and the installments shall be as nearly
29 equal as possible as determined by the department of
30 management, taking into consideration the relative budget and
31 cash position of the state resources. However, the state aids
32 paid to school districts under section 442A.20 shall be paid
33 in monthly installments beginning on December 15 and ending on
34 June 15 of a budget year and state aids paid to school
35 districts under section 442A.21 shall be paid in monthly

1 installments beginning on February 15 and ending on June 15 of
2 a budget year.

3 All moneys received by a school district from the state
4 under the provisions of this chapter shall be deposited in the
5 general fund of the school district, and may be used for any
6 school general fund purpose.

7 Sec. 127. NEW SECTION. 442A.27 GIFTED AND TALENTED
8 CHILDREN.

9 Boards of school districts, individually or jointly with
10 the boards of other school districts, requesting additional
11 funding for gifted and talented children programs, may
12 annually submit program plans for gifted and talented children
13 programs and budget costs, including requests for levying
14 property taxes for funding the programs, to the department of
15 education and to the applicable gifted and talented children
16 advisory council, if an advisory council has been established,
17 as provided in this chapter. A district shall not identify
18 more than three percent of its basic enrollment for the budget
19 year as gifted and talented if the district is requesting to
20 use additional funding to finance the program.

21 The parent or guardian of a pupil may request that a gifted
22 and talented children program be established for pupils who
23 qualify as gifted and talented children under section 442A.29,
24 including demonstrated achievement or potential ability in a
25 single subject area.

26 The department shall employ a consultant for gifted and
27 talented children programs.

28 The department of education shall adopt rules under chapter
29 17A relating to the administration of this section through
30 section 442A.34. The rules shall prescribe the format of
31 program plans submitted under section 442A.28 and shall
32 require that programs fulfill specified objectives. The
33 department shall encourage and assist school districts to
34 provide programs for gifted and talented children whether or
35 not additional allowable growth is requested under this

1 chapter.

2 Sec. 128. NEW SECTION. 442A.28 PROGRAM PLANS.

3 The program plans submitted by school districts shall
4 include all of the following:

5 1. Program goals, objectives, and activities to meet the
6 needs of gifted and talented children.

7 2. Student identification criteria and procedures.

8 3. Staff in-service education design.

9 4. Staff utilization plans.

10 5. Evaluation criteria and procedures and performance
11 measures.

12 6. Program budget.

13 7. Qualifications required of personnel administering the
14 program.

15 8. Other factors the department requires.

16 Sec. 129. NEW SECTION. 442A.29 DEFINED.

17 "Gifted and talented children" are those identified as
18 possessing outstanding abilities who are capable of high
19 performance. Gifted and talented children are children who
20 require appropriate instruction and educational services
21 commensurate with their abilities and needs beyond those
22 provided by the regular school program.

23 Gifted and talented children include those children with
24 demonstrated achievement or potential ability, or both, in any
25 of the following areas or in combination:

26 1. General intellectual ability.

27 2. Creative thinking.

28 3. Leadership ability.

29 4. Visual and performing arts ability.

30 5. Specific ability aptitude.

31 Sec. 130. NEW SECTION. 442A.30 SUBMISSION OF PROGRAM
32 PLANS.

33 The board of directors of a school district requesting to
34 levy property taxes for gifted and talented children programs
35 shall submit applications for approval for the programs to the

1 department not later than November 1 preceding the fiscal year
2 during which the program will be offered. The board shall
3 also submit a copy of the program plans to the gifted and
4 talented children advisory council, if an advisory council has
5 been established. The department shall review the program
6 plans and shall, prior to January 15, either grant approval
7 for the program or return the request for approval with
8 comments of the department included. Any unapproved request
9 for a program may be resubmitted with modifications to the
10 department not later than February 1. Not later than February
11 15 the department shall notify the department of management of
12 the names of the school districts for which gifted and
13 talented children programs have been approved and the approved
14 budget of each program listed separately for each school
15 district having an approved program.

16 Sec. 131. NEW SECTION. 442A.31 FUNDING.

17 The budget of an approved gifted and talented children
18 program for a school district, after subtracting funds
19 received from other sources for that purpose, shall be funded
20 annually on a basis of one-fourth or more from the general
21 fund of the school district and up to three-fourths by a
22 property tax levy. Annually, the department of management
23 shall establish the amount to be raised by the property tax
24 levy for each such district equal to the difference between
25 the approved budget for the gifted and talented children
26 program for that district and the sum of the amount funded
27 from the general fund of the school district plus funds
28 received from other sources. The department of management
29 shall certify the property tax levy to the appropriate county
30 auditor.

31 Sec. 132. NEW SECTION. 442A.32 COOPERATION BY AREA
32 EDUCATION AGENCIES.

33 The area education agencies in which the school districts
34 having approved gifted and talented children programs are
35 located shall cooperate with the school district in the

1 identification and placement of gifted and talented children
2 and may assist school districts in the establishment of such
3 programs.

4 Sec. 133. NEW SECTION. 442A.33 ADVISORY COUNCIL.

5 At the written request of one or more boards of school
6 districts, in an area education agency, the area education
7 agency board shall establish one or more gifted and talented
8 children advisory councils and shall appoint members for four-
9 year staggered terms. The terms of office of advisory council
10 members shall commence on July 1 of each year. An advisory
11 council shall consist of seven members including teachers,
12 parents, school administrators, and other persons interested
13 in education in the area. Except as otherwise provided in
14 this section, members shall be eligible electors residing in
15 the merged area. Members shall serve without compensation but
16 shall be reimbursed for actual and necessary expenses and
17 mileage incurred in the performance of their duties from funds
18 available to the area education agency.

19 If an area education agency has a weighted enrollment of
20 more than thirty-five thousand, the board may appoint
21 additional advisory councils for each thirty-five thousand
22 weighted enrollment or fraction of thirty-five thousand. If
23 more than one advisory council is appointed by the board, the
24 board shall divide the merged area along school district
25 boundary lines for jurisdiction of the advisory councils, and
26 membership of these advisory councils shall be appointed from
27 the designated portion of the merged area.

28 Sec. 134. NEW SECTION. 442A.34 DUTIES OF ADVISORY
29 COUNCIL.

30 The gifted and talented children advisory council shall:

31 1. Elect a chairperson and vice chairperson from the
32 membership of the advisory council.

33 2. Meet as often as deemed necessary by the advisory
34 council.

35 3. Advise and assist a local board of directors in the

1 establishment of gifted and talented children programs, when
2 requested by the local board.

3 4. Review program plans and proposed budgets for a gifted
4 and talented children program, in consultation with a gifted
5 and talented children consultant employed by the area
6 education agency, when requested by a local board.

7 5. When requested by a local board, evaluate the results
8 of a gifted and talented children program and file a written
9 report together with recommendations for improvement or change
10 with the board of directors of the applicable school district,
11 the area education agency and the department of education.
12 The evaluation shall be conducted by three or more members of
13 the advisory council.

14 Sec. 135. NEW SECTION. 442A.35 PROGRAMS FOR RETURNING
15 DROPOUTS AND DROPOUT PREVENTION.

16 Boards of school districts, individually or jointly with
17 boards of other school districts, requesting additional
18 funding for programs for returning dropouts and dropout
19 prevention, may annually submit comprehensive program plans
20 for the programs and budget costs, including requests for
21 levying property taxes for funding the programs, to the
22 department of education as provided in this chapter. In
23 addition to the requirements for program plans listed in
24 section 442A.28, the program plans shall include:

25 1. A provision for dropout prevention and integration of
26 dropouts into the educational program of the district.

27 2. A provision for identifying dropouts.

28 3. A program for returning dropouts.

29 Program plans shall identify the parts of the plan that
30 will be implemented first upon approval of the application.

31 If a district is requesting to use additional funding to
32 finance the program, it shall not identify more than five
33 percent of its basic enrollment for the budget year as
34 returning dropouts and potential dropouts.

35 Sec. 136. NEW SECTION. 442A.36 DEFINITIONS.

1 1. "Returning dropouts" are resident pupils who have been
2 enrolled in a public or nonpublic school in any of grades
3 seven through twelve who withdrew from school for a reason
4 other than transfer to another school or school district and
5 who subsequently enrolled in public school in the district.

6 2. "Potential dropouts" are resident pupils who are
7 enrolled in a public or nonpublic school in any of grades
8 seven through twelve who demonstrate poor school adjustment
9 and are expected to terminate school before graduation. Poor
10 school adjustment is demonstrated by two or more of the
11 following:

12 a. High rate of absenteeism, truancy, or frequent
13 tardiness.

14 b. Limited or no extracurricular participation or lack of
15 identification with school, including but not limited to
16 expressed feelings of not belonging.

17 c. Poor grades, including but not limited to failing in
18 one or more school subjects or grade levels.

19 d. Low achievement scores in reading or mathematics which
20 reflect achievement at two years or more below grade level.

21 Sec. 137. NEW SECTION. 442A.37 PLANS FOR RETURNING
22 DROPOUTS AND DROPOUT PREVENTION.

23 The board of directors of a school district requesting to
24 use additional funding for programs for returning dropouts and
25 dropout prevention shall submit applications for approval for
26 the programs to the department not later than November 1
27 preceding the fiscal year during which the program will be
28 offered. The department shall review the program plans and
29 shall, prior to January 15, either grant approval for the
30 program or return the request for approval with comments of
31 the department included. An unapproved request for a program
32 may be resubmitted with modifications to the department not
33 later than February 1. Not later than February 15, the
34 department shall notify the department of management of the
35 names of the school districts for which programs have been

1 approved and the approved budget of each program listed
2 separately for each school district having an approved
3 program.

4 Sec. 138. NEW SECTION. 442A.38 FUNDING FOR PROGRAMS FOR
5 RETURNING DROPOUTS AND DROPOUT PREVENTION.

6 The budget of an approved program for returning dropouts
7 and dropout prevention for a school district, after
8 subtracting funds received from other sources for that
9 purpose, shall be funded annually on a basis of one-fourth or
10 more from the general fund of the school district and up to
11 three-fourths by a property tax levy. Annually, the
12 department of management shall establish the amount to be
13 raised by the property tax levy for each such district equal
14 to the difference between the approved budget for the program
15 for returning dropouts and dropout prevention for that
16 district and the sum of the amount funded from the general
17 fund of the school district plus funds received from other
18 sources. The department of management shall certify the
19 property tax levy to the appropriate county auditors.

20 Sec. 139. GUARANTEED AID.

21 For the school year beginning July 1, 1987, if the total
22 amount of state educational aid to be received by a school
23 district determined by multiplying the state educational aid
24 for each pupil by the basic enrollment of the school district
25 for the budget year is less than the certified budget of the
26 school district for the base year less the sum of the costs of
27 student activity programs funded from the general fund, public
28 school pupil transportation costs, and building operation and
29 maintenance costs, and less the miscellaneous income for the
30 base year, the state shall pay the difference to the school
31 district as guaranteed state aid.

32 Sec. 140. STATE PERCENT OF GROWTH.

33 The state percent of growth computed by the department of
34 management under section 442.7, for the school year commencing
35 July 1, 1987 for chapter 442 is the state percent of growth

1 for the school year commencing July 1, 1987 for chapter 442A.
2 The state percent of growth computed prior to September 15,
3 1987 for the budget year beginning July 1, 1988 shall include
4 recomputation under 442A.4, subsection 3, based upon adjusted
5 estimates and actual figures from the computation made under
6 section 442.7, Code 1987.

7 Sec. 141. NEW SECTION. 442A.41 SPECIAL EDUCATION SUPPORT
8 SERVICES.

9 The department of revenue and finance shall send special
10 education aid to each area education agency for special
11 education support services costs provided through an area
12 education agency. Program plans shall be submitted to the
13 department of education by the area education agency special
14 education director as required by section 273.5, modified as
15 necessary and approved by the department of education. The
16 department of education shall transmit the approved budget for
17 each area education agency to the department of management and
18 the department of management shall certify the amounts for
19 payment by the department of revenue and finance.

20 Sec. 142. NEW SECTION. 442A.42 FUNDING MEDIA AND
21 EDUCATIONAL SERVICES.

22 1. Media services and educational services provided
23 through the area education agencies shall be funded by a
24 property tax levied as provided in this section.

25 2. For the budget year beginning July 1, 1987 and
26 succeeding school years, the total amount funded in each area
27 for media services shall be determined as provided in this
28 section. The media services cost per pupil for the base year
29 shall be multiplied by the sum of the state percent of growth
30 and one hundred percent to determine a growth amount to be
31 added to the media services cost per pupil for the base year.
32 This total is the media services cost per pupil for the budget
33 year. The media services cost per pupil for the budget year
34 multiplied by the enrollment served for the budget year equals
35 the total amount funded in an area for media services for the

1 budget year.

2 For the purposes of this section, the media services cost
3 per pupil was determined for the budget year beginning July 1,
4 1982 by dividing the total amount funded in each area for
5 media services in the base year by the enrollment served in
6 the base year and increasing this amount by a dollar amount
7 determined by using the state percent of growth. This
8 determination was made for each succeeding budget year plus
9 one dollar and ten cents was added.

10 3. The portion of the total amount funded in each area for
11 media services costs that is allocated to each school district
12 in the area shall be determined by the department of
13 management on the basis of the percent that the portion of the
14 enrollment served in the district bears to the total
15 enrollment served in the area. The department of management
16 shall certify each amount to the county auditor of the
17 appropriate county for property tax levy. The county treasurer
18 shall transmit to the area education agency the property taxes
19 collected for media services under this section.

20 4. For the budget year beginning July 1, 1987 and
21 succeeding school years, the total amount funded in each area
22 for educational services shall be determined as provided in
23 this section. The educational services cost per pupil for the
24 base year shall be multiplied by the sum of the state percent
25 of growth and one hundred percent to determine a growth amount
26 to be added to the educational services cost per pupil for the
27 base year. This total is the educational services cost per
28 pupil for the budget year. The educational services cost per
29 pupil for the budget year multiplied by the enrollment served
30 for the budget year equals the total amount funded in an area
31 for educational services for the budget year.

32 For the purposes of this section, the educational services
33 cost per pupil was determined for the budget year beginning
34 July 1, 1982 by dividing the total amount funded in each area
35 for educational services in the base year by the enrollment

1 served in the base year and increasing this amount by a dollar
2 amount determined by using the state percent of growth each
3 year. This determination was made for each succeeding budget
4 year.

5 5. The portion of the total amount funded in each area for
6 educational services costs that is allocated to each school
7 district in the area shall be determined by the department of
8 management on the basis of the percent that the portion of the
9 enrollment served in the district bears to the total
10 enrollment served in the area. The department of management
11 shall certify each amount to the county auditor of the
12 appropriate county for property tax levy. The county
13 treasurer shall transmit to the area education agency the
14 property taxes collected for educational services under this
15 section.

16 6. If an area education agency does not serve nonpublic
17 school pupils in a manner comparable to services provided
18 public school pupils for media and educational services, as
19 determined by the state board of education, the state board
20 shall instruct the department to reduce the funds for media
21 services and educational services one time by an amount to
22 compensate for such reduced services. The media services
23 budget shall be reduced by an amount equal to the product of
24 the media services cost per pupil in the budget year times the
25 difference between the enrollment served and the basic
26 enrollment recorded for the area for the budget year beginning
27 July 1, 1975. The educational services budget shall be
28 reduced by an amount equal to the product of the educational
29 services cost per pupil in the budget year times the
30 difference between the enrollment served and the basic
31 enrollment recorded for the budget year beginning July 1,
32 1975.

33 This subsection applies only to media and educational
34 services which cannot be diverted for religious purposes.

35 Notwithstanding this subsection, an area education agency

1 shall distribute to nonpublic schools media materials pur-
2 chased wholly or partially with federal funds in a manner
3 comparable to the distribution of such media materials to
4 public schools as determined by the director of the department
5 of education.

6 Sec. 143. NEW SECTION. 442A.43 SPECIAL EDUCATION SUPPORT
7 SERVICES BALANCES.

8 Notwithstanding chapters 273 and 281 and sections of this
9 chapter relating to the moneys available to area education
10 agencies for special education support services, for the
11 school year commencing July 1, 1987 and succeeding school
12 years, the department of education may direct the department
13 of management to deduct amounts from the special education
14 support services in an area education agency. The total
15 amount deducted in an area shall be based upon excess special
16 education support services unreserved and undesignated fund
17 balances in that area education agency for a school year. The
18 department of management shall determine the amount deducted
19 from each area education agency.

20 Sec. 144. Section 260A.2, unnumbered paragraphs 4 and 5,
21 Code 1987, are amended to read as follows:

22 The total cost of a project shall not exceed one percent of
23 the ~~district-cost~~ state educational aid per pupil of the
24 school district for the budget year multiplied by the budget
25 basic enrollment of the school district for the budget year or
26 five thousand dollars, whichever is greater.

27 The department of education shall review the project
28 applications and shall prior to February 15 of that school
29 year send written notification of approval to the school
30 district proposing the project and the director of the
31 department of management ~~and-school-budget-review-committee~~.
32 The written notification shall include notification whether a
33 district has been granted an educational excellence incentive
34 award by the department.

35 Sec. 145. Section 260A.3, Code 1987, is amended to read as

1 follows:

2 260A.3 FUNDING.

3 A project that has been approved by the department of
4 education shall be funded one-fourth or more from the ~~dis-~~
5 est general fund of the school district and up to three-
6 fourths by ~~an-increase-in-allowable-growth-as-defined-in~~
7 section-442-7 a property tax levy or by an educational
8 excellence incentive award granted by the department of
9 education under section 260A.4, or both.

10 Annually, the director of the department of management
11 shall establish ~~a-modified-allowable-growth~~ the amount to be
12 raised by the property tax levy for each school district
13 having an approved project for which additional allowable
14 growth is required to fund the project. The ~~modified~~
15 ~~allowable-growth~~ amount funded by the property tax levy shall
16 be equal to the difference between the approved budget for the
17 project for that district and the sum of the amount funded
18 from the ~~district-est~~ general fund of the district plus funds
19 received from the educational excellence incentive award if an
20 award has been granted to that district. The department of
21 management shall certify the property tax levy to the
22 appropriate county auditor.

23 Sec. 146. Section 260A.5, unnumbered paragraph 2, Code
24 1987, is amended to read as follows:

25 If a project was not carried out, or if the cost of
26 carrying out a project was less than the amount approved for
27 the project, the department of education shall notify the
28 director of the department of management. The director of the
29 department of management shall determine for a project the
30 amount not expended ~~that-was-additional-allowable-growth-and~~
31 ~~the-amount-not-expended-that-was-from-the-educational~~
32 ~~excellence-incentive-award,~~ and shall reduce the district's
33 tax-levy-computed-under-section-442-9 state educational aid
34 computed under section 442A.5 for the next following budget
35 year ~~to-reduce-the-anticipated-receipts-from-the-tax-levy~~ by

1 the amount of ~~additional-allowable-growth~~ not expended and the
2 district's total state school aids available under chapter ~~442~~
3 for the next following budget year by the amount of the award
4 not expended.

5 Sec. 147. Section 265.6, Code 1987, is amended to read as
6 follows:

7 265.6 STATE AID APPLICABLE.

8 If the state board of regents has established a laboratory
9 school, it shall receive state educational aid pursuant to
10 chapters 281 and ~~442~~ 442A for each pupil enrolled in the
11 laboratory school in the same amount as the public school
12 district in which the pupil resides would receive aid for that
13 pupil and shall transmit the amount received to the
14 institution of higher education at which the laboratory school
15 has been established. If the board of a school district
16 terminates a contract with the state board of regents for
17 attendance of pupils in a laboratory school, the school
18 district shall inform the ~~state-comptroller~~ department of
19 management of the number of these pupils who are enrolled in
20 the district on the second Friday of the following September.
21 The ~~state-comptroller~~ department of management shall pay to
22 the school district, from funds appropriated in section ~~442-26~~
23 442A.27, an amount equal to the amount of state educational
24 aid paid for each pupil in that school district for that
25 school year in payments made as provided in section ~~442-26~~
26 442A.27. However, payments shall not be made for pupils for
27 which an advance is received by the district under section
28 ~~442-28~~ 442A.21.

29 Sec. 148. Section 273.9, subsections 3, 4, and 5, Code
30 1987, are amended to read as follows:

31 3. The costs of special education support services
32 provided through the area education agency shall be funded by
33 ~~an-increase-in-the-allowable-growth-of-each-school-district,~~
34 ~~determined-as-provided-in-section-442-7~~ special education aid
35 provided under section 442A.41. Special education support

1 services shall not be funded until the program plans submitted
2 by the special education directors of each area education
3 agency as required by section 273.5 are modified as necessary
4 and approved by the director of the department of education
5 according to the criteria and limitations of chapter 281 and
6 section ~~442-7~~ 442A.41.

7 4. The costs of media services provided through the area
8 education agency shall be funded as provided in section ~~442-27~~
9 442A.42. Media services shall not be funded until the program
10 plans submitted by the administrators of each area education
11 agency as required by section 273.4 are modified as necessary
12 and approved by the director of the department of education
13 according to the criteria and limitations of section 273.6 and
14 of section ~~442-27~~ 442A.42.

15 5. The costs of educational services provided through the
16 area education agency shall be funded within the limitations
17 in section ~~442-27~~ 442A.42.

18 Sec. 149. Section 273.12, Code 1987, is amended to read as
19 follows:

20 273.12 FUNDS -- USE RESTRICTED.

21 Funds generated for educational services under the
22 ~~provisions-of~~ section ~~442-27~~ 442A.42 and subject to approval
23 ~~under the-provisions-of~~ section 273.9, subsection 5, shall not
24 be expended by an area education agency for the purpose of
25 assisting either a public employer or employee organization in
26 collective bargaining negotiations under chapter 20 if the
27 public employer is a school district, or the employee
28 organization consists of employees of a school district,
29 located within the boundaries of the area education agency.

30 Sec. 150. Section 278.1, subsection 7, Code 1987, is
31 amended by striking the subsection and inserting in lieu
32 thereof the following:

33 7. Vote a schoolhouse tax, not exceeding an amount equal
34 to ninety-four and one-half cents per thousand dollars of
35 assessed valuation in any one year. The rate levied pursuant

1 to a loan agreement continued under section 297.35 shall be
2 subtracted from the levy limitations of this section.
3 Revenues from the schoolhouse tax authorized under this sec-
4 tion shall be placed in the schoolhouse fund and expended only
5 for the following purposes:

6 a. The purchase and improvement of grounds.

7 "Purchase of grounds" includes: Legal costs relating to
8 the property acquisition, costs of surveys of the property,
9 costs of relocation assistance under state and federal law,
10 and other costs incidental to the property acquisition.

11 "Improvement of grounds" includes: Grading, landscaping,
12 seeding, and planting of shrubs and trees; constructing side-
13 walks, roadways, retaining walls, sewers and storm drains, and
14 installing hydrants; surfacing and soil treatment of athletic
15 fields and tennis courts; furnishing and installing flagpoles,
16 gateways, fences, and underground storage tanks which are not
17 parts of building service systems; demolition works; and
18 special assessments against the school district for capital
19 improvements such as streets, curbs, and drains.

20 b. The construction of schoolhouses or buildings and
21 opening roads to schoolhouses or buildings.

22 c. The purchase of buildings or equipment for buildings or
23 schoolhouses.

24 d. The payment of debts contracted for the erection or
25 construction of schoolhouses or buildings, not including
26 interest on bonds.

27 e. Repairing, remodeling, reconstructing, improving, or
28 expanding the schoolhouse or buildings.

29 For the purpose of this subsection, "repairing" means to
30 restore an existing structure or thing to its original con-
31 dition, as near as may be, after decay, waste, injury, or
32 partial destruction, but does not include maintenance or
33 customary repainting; and "reconstruction" means to rebuild or
34 to restore as an entity a thing which was lost or destroyed.

35 f. The rental of facilities under chapter 28E.

1 Interest earned on money in the schoolhouse fund may be
2 expended for a purpose listed in this section.

3 The maximum amount that can be raised under the schoolhouse
4 tax shall be raised one-half from a property tax levied by the
5 board and one-half from an income surtax imposed by the
6 department of revenue and finance.

7 The power to levy a schoolhouse tax, when voted, shall
8 continue for the period of time authorized by the voters and
9 shall not be affected by any change in the boundaries of the
10 school district, except as otherwise provided in this section.
11 If each school district involved in a school reorganization
12 under chapter 275 has voted the schoolhouse tax and if the
13 voters have not voted upon the proposition to levy and impose
14 the schoolhouse tax in the reorganized district, the
15 schoolhouse tax is in effect for the reorganized district for
16 the least amount and the shortest time for which it is in
17 effect in any of the districts. Authorized levies for the
18 period of time presently approved shall not be affected as a
19 result of a failure of a proposition proposed to expand the
20 purposes for which the funds may be expended.

21 The schoolhouse tax is a combination of a property tax and
22 an income surtax certified and levied and imposed as provided
23 in sections 442A.10 through 442A.18.

24 Sec. 151. Section 279.43, subsections 1 and 6, Code 1987,
25 are amended to read as follows:

26 1. The board of directors may pay the actual cost of
27 removal or encapsulation of asbestos existing in its school
28 buildings from any funds in the general fund of the district,
29 funds received from the schoolhouse tax authorized under
30 section 278.1, ~~subsection 77-funds-from-the-tax-levy-certified~~
31 ~~under-section-297-5~~ or moneys obtained through a federal
32 asbestos loan program, to be repaid from any of the funds
33 specified in this subsection.

34 6. Nothing in ~~sections 442-14-through-442-20~~ 442A.8,
35 442A.9, and 442A.11 through 442A.18 or this section shall be

1 construed to require more than one favorable election to
2 authorize the use of a property tax or the combination of an
3 enrichment property tax and a school district income surtax to
4 pay the actual cost of an asbestos removal or encapsulation
5 project under this section.

6 Sec. 152. Section 279.43, subsection 3, paragraph b,
7 subparagraph (2), Code 1987, is amended to read as follows:

8 (2) A combination of an enrichment property tax and a
9 school district income surtax certified and levied and imposed
10 as provided in sections ~~442-14 through 442-20~~ 442A.8, 442A.9,
11 and 442A.11 through 442A.18.

12 Sec. 153. Section 279.43, subsection 3, paragraph d, Code
13 1987, is amended to read as follows:

14 d. If a combination of an enrichment property tax and a
15 school district income surtax is selected, the amount of tax
16 revenue raised shall not exceed the actual cost of the removal
17 or encapsulation of the asbestos or the maximum amount which
18 may be raised by the levy of the combination of the taxes for
19 the three school years, as determined under section ~~442-14~~
20 442A.8, subsections 3 and 4, whichever amount is less.

21 Sec. 154. Section 281.9, subsection 4, Code 1987, is
22 amended to read as follows:

23 4. On December 1, 1987, and no later than December 1 every
24 two years thereafter, for the school year commencing the
25 following July 1, the director of the department of education
26 shall report to ~~the school-budget-review-committee~~ a committee
27 consisting of the director of the department of education, the
28 director of the department of management, and the treasurer of
29 state the average costs of providing instruction for children
30 requiring special education in the categories of the weighting
31 plan established under this section, and the director of the
32 department of education shall make recommendations to the
33 ~~school-budget-review~~ committee for needed alterations to make
34 the weighting plan suitable for subsequent school years. The
35 ~~school-budget-review~~ committee shall establish the weighting

1 plan for each school year ~~after-the-school-year-commencing~~
 2 July-17-1987, and shall report the plan to the director of the
 3 department of education. The ~~school-budget-review~~ committee
 4 shall not alter the weighting assigned to pupils in a regular
 5 curriculum, but it may increase or decrease the weighting
 6 assigned to each category of children requiring special
 7 education by not more than two-tenths of the weighting
 8 assigned to pupils in a regular curriculum. The state board
 9 of education shall adopt rules under chapter 17A, to implement
 10 the weighting plan for each year and to assist in
 11 identification and proper indexing of each child in the state
 12 who requires special education.

13 Sec. 155. Section 282.24, subsection 1, unnumbered
 14 paragraph 1, Code 1987, is amended to read as follows:

15 There is established a maximum tuition fee that may be
 16 charged for elementary and high school students residing
 17 within another school district or corporation except students
 18 attending school in another district under section 282.7,
 19 subsection 1. That fee is the ~~district-cost-per-pupil-of-the~~
 20 ~~receiving-district-as-computed-in-section-442-97,-subsection-1,~~
 21 paragraph-"a" actual cost per pupil of the receiving district.

22 Sec. 156. Section 285.2, unnumbered paragraph 3, Code
 23 1987, is amended to read as follows:

24 The costs of providing transportation to nonpublic school
 25 pupils as provided in section 285.1 shall not be included in
 26 the ~~computation-of-district-cost~~ computations under chapter
 27 ~~442~~ 442A, but shall be shown in the budget as an expense from
 28 miscellaneous income. Any transportation reimbursements
 29 received by a local school district for transporting nonpublic
 30 school pupils shall not affect ~~district-cost-limitations-of~~
 31 ~~chapter-442~~ funding of the district under chapter 442A. The
 32 reimbursements provided in this section are miscellaneous
 33 income as defined in section ~~442-5~~ 442A.2.

34 Sec. 157. NEW SECTION. 297.35 CONTINUATION OF LOAN
 35 AGREEMENT.

1 A loan agreement between a school district and a bank,
2 investment banker, trust company, insurance company, or
3 insurance group that was made under section 297.36, Code 1987,
4 in order to make immediately available proceeds of the
5 schoolhouse tax approved by the voters prior to July 1, 1987
6 shall continue in effect for the duration of the loan agree-
7 ment.

8 Sec. 158. Section 301.30, unnumbered paragraph 3, Code
9 1987, is amended to read as follows:

10 The costs of providing textbook services to nonpublic
11 school pupils as provided in section 301.1 shall not be
12 included in the ~~computation-of-district-cost~~ computations
13 under chapter ~~442~~ 442A, but shall be shown in the budget as an
14 expense from miscellaneous income. Any textbook
15 reimbursements received by a local school district for serving
16 nonpublic school pupils shall not affect ~~district-cost~~
17 ~~limitations-of-chapter-442~~ funding of the district under
18 chapter 442A. The reimbursements provided in this section are
19 miscellaneous income as defined in section ~~442.5~~ 442A.2.

20 Sec. 159. The Code editor is directed to change all
21 references to chapter 442 to chapter 442A.

22 Sec. 160. Chapter 442 and sections 297.5, 298.7, 298.8,
23 and 298.10, Code 1987, are repealed.

24 DIVISION II

25 Section 201. Section 331.423, Code 1987, is amended by
26 adding the following new subsections:

27 NEW SUBSECTION. 3. Beginning with the fiscal year
28 beginning July 1, 1987 and for each succeeding fiscal year,
29 the amount of property taxes that may be raised for that
30 fiscal year under subsection 1 and section 331.424, subsection
31 1 or under subsection 2 and section 331.424, subsection 2
32 shall not exceed one hundred two percent of the sum of the
33 amount of property taxes raised under those provisions for the
34 previous fiscal year plus an adjustment amount as computed
35 under subsection 4, except as follows:

1 a. If the amount sought to be raised exceeds one hundred
2 two percent but is not more than one hundred five percent, the
3 county may raise that amount, provided it holds a public
4 hearing on this question with notice given as provided in
5 section 331.425, subsection 5.

6 b. If the amount sought to be raised exceeds one hundred
7 five percent, the county may raise that amount, provided it
8 holds a special election similar in manner to that provided
9 under section 331.425 and sixty percent of the votes cast are
10 in favor of raising more than one hundred five percent.

11 For purposes of this subsection, the amount of property
12 taxes raised for the previous fiscal year does not include the
13 amount raised as a result of an election under section 331.425
14 or the amount raised as a result of an election under
15 paragraph "b" which exceeds one hundred five percent.

16 NEW SUBSECTION. 4. a. For purposes of the limitation
17 under subsection 3 on taxes to be raised under subsection 1
18 and section 331.424, subsection 1, the adjustment amount
19 equals the sum of the following:

20 (1) The amounts received by the county in the fiscal year
21 beginning July 1, 1987 as reimbursement from the moneys and
22 credits replacement fund under section 422.100, for the
23 livestock tax credit under section 427.17, from the personal
24 property tax replacement fund under section 427A.12, and for
25 the machinery and computer tax replacement claim under section
26 427B.12.

27 (2) The product of the combined general county services
28 levy rate assessed under subsection 1 and section 331.424,
29 subsection 1 for the previous fiscal year times the amount of
30 the taxable value from new construction in the entire county
31 that will be taxed for the first time for the current fiscal
32 year.

33 b. For purposes of the limitation under subsection 3 on
34 taxes to be raised under subsection 2 and section 331.424,
35 subsection 2, the adjustment amount equals the sum of the

1 following:

2 (1) The amount received by the county in the fiscal year
3 beginning July 1, 1987 as assistance from the state from the
4 county government assistance fund under chapter 334A.

5 (2) The product of the combined rural county services levy
6 rate assessed under subsection 2, and section 331.424, sub-
7 section 2 for the previous fiscal year times the amount of
8 taxable value from new construction in the county outside of
9 incorporated areas that will be taxed for the first time for
10 the current fiscal year.

11 Sec. 202. Section 384.1, Code 1987, is amended to read as
12 follows:

13 384.1 TAXES CERTIFIED.

14 1. A city may certify taxes to be levied by the county on
15 all taxable property within the city limits, for all city
16 government purposes. However, the tax levied by a city on
17 tracts of land and improvements thereon used and assessed for
18 agricultural or horticultural purposes, may not exceed three
19 dollars and three-eighths cents per thousand dollars of
20 assessed value in any year. Improvements and personal
21 property located on such tracts of land and not used for
22 agricultural or horticultural purposes and all residential
23 dwellings shall be subject to the same rate of tax levied by
24 the city on all other taxable property within the city. A
25 city's tax levy for the general fund may not exceed eight
26 dollars and ten cents per thousand dollars of taxable value in
27 any tax year, except for the levies authorized in section
28 384.12 and as limited in subsection 2.

29 2. Beginning with the fiscal year beginning July 1, 1987
30 and for each succeeding fiscal year, the amount of property
31 taxes that may be raised for that fiscal year under subsection
32 1 and section 384.12 shall not exceed one hundred two percent
33 of the sum of the amount of property taxes raised under those
34 provisions for the previous fiscal year plus an adjustment
35 amount as computed under subsection 3, except as follows:

1 a. If the amount sought to be raised exceeds one hundred
2 two percent but is not more than one hundred five percent, the
3 city may raise that amount, provided it holds a public hearing
4 on this question with notice given as provided in section
5 384.12, subsection 19, paragraph "e".

6 b. If the amount sought to be raised exceeds one hundred
7 five percent, the city may raise that amount, provided it
8 holds a special election similar in manner to that provided
9 under section 384.12, subsection 19 and sixty percent of the
10 votes cast are in favor of raising more than one hundred five
11 percent.

12 For purposes of this subsection, the amount of property
13 taxes raised for the previous fiscal year does not include the
14 amount raised as a result of an election under section 384.12,
15 subsection 19 or the amount raised as a result of an election
16 under paragraph "b" which exceeds one hundred five percent.

17 3. For purposes of the limitation under subsection 2, the
18 adjustment amount equals the sum of the following:

19 a. The amounts received by the city in the fiscal year
20 beginning July 1, 1987 as assistance or reimbursement from the
21 state from the municipal assistance fund under chapter 405,
22 for the peace officers retirement improvement reimbursement
23 under section 411.20, from the moneys and credits replacement
24 fund under section 422.100, for the livestock tax credit under
25 section 427.17, from the personal property tax replacement
26 fund under section 427A.12, and for the machinery and computer
27 tax replacement claim under section 427B.12.

28 b. The product of the combined general fund levy rate
29 assessed under subsection 1 and section 384.12 for the
30 previous fiscal year times the amount of taxable value from
31 new construction that will be taxed for the first time for the
32 current fiscal year.

33 DIVISION III

34 Sec. 301. Section 422.43, subsections 1, 2, 6, and 10,
35 Code 1987, are amended to read as follows:

1 1. There is imposed a tax of four six percent upon the
2 gross receipts from all sales of tangible personal property,
3 consisting of goods, wares, or merchandise, except as
4 otherwise provided in this division, sold at retail in the
5 state to consumers or users; a like rate of tax upon the gross
6 receipts from the sales, furnishing or service of gas,
7 electricity, water, heat, and communication service, including
8 the gross receipts from such sales by any municipal
9 corporation furnishing gas, electricity, water, heat, and
10 communication service to the public in its proprietary
11 capacity, except as otherwise provided in this division, when
12 sold at retail in the state to consumers or users; a like rate
13 of tax upon the gross receipts from all sales of tickets or
14 admissions to places of amusement, fairs, and athletic events
15 except those of elementary and secondary educational
16 institutions; and a like rate of tax upon that part of private
17 club membership fees or charges paid for the privilege of
18 participating in any athletic sports provided club members.

19 2. There is imposed a tax-of-four-percent like rate of tax
20 upon the gross receipts derived from the operation of all
21 forms of amusement devices and games of skill, games of
22 chance, raffles, and bingo games as defined in chapter 99B,
23 operated or conducted within the state of Iowa, the tax to be
24 collected from the operator in the same manner as is provided
25 for the collection of taxes upon the gross receipts of tickets
26 or admission fees as provided in this section. The tax shall
27 also be imposed upon the gross receipts derived from the sale
28 of lottery tickets or shares pursuant to chapter 99E. The tax
29 on the lottery tickets or shares shall be included in the
30 sales price and distributed to the general fund as provided in
31 section 99E.10.

32 6. There is imposed a tax-of-four-percent like rate of tax
33 upon the gross receipts from the sales of optional service or
34 warranty contracts which provide for the furnishing of labor
35 and materials and require the furnishing of any taxable

1 service enumerated under this section. The gross receipts are
2 subject to tax even if some of the services furnished are not
3 enumerated under this section. For the purpose of this
4 division, the sale of an optional service or warranty contract
5 is a sale of tangible personal property. Additional sales,
6 services, or use tax shall not be levied on services, parts,
7 or labor provided under optional service or warranty contracts
8 which are subject to tax under this section.

9 10. There is imposed a tax of ~~four~~ six percent upon the
10 gross receipts from the rendering, furnishing, or performing
11 of services as defined in section 422.42.

12 Sec. 302. Section 422.47, Code 1987, is amended by adding
13 the following new subsection:

14 NEW SUBSECTION. Construction contractors may make
15 application to the department for a refund of the additional
16 two percent tax paid under this division or the additional two
17 percent tax paid under chapter 423 by reason of the increase
18 in the tax from four to six percent for taxes paid on goods,
19 wares, or merchandise under the following conditions:

20 a. The goods, wares, or merchandise are incorporated into
21 an improvement to real estate in fulfillment of a written
22 contract fully executed prior to July 1, 1987. The refund
23 shall not apply to equipment transferred in fulfillment of a
24 mixed construction contract.

25 b. The contractor has paid to the department or to a
26 retailer the full six percent tax.

27 c. The claim is filed on forms provided by the department
28 and is filed within one year of the date the tax is paid.

29 A contractor who makes an erroneous application for refund
30 is liable for payment of the excess refund paid plus interest
31 at the rate in effect under section 421.7. In addition, a
32 contractor who willfully makes a false application for refund
33 is guilty of a simple misdemeanor and is liable for a penalty
34 equal to seventy-five percent of the excess refund claimed.
35 Excess refunds, penalties, and interest due under this

1 subsection may be enforced and collected in the same manner as
2 the tax imposed by this division.

3 Sec. 303. Section 423.2, Code 1987, is amended to read as
4 follows:

5 423.2 IMPOSITION OF TAX.

6 An excise tax is imposed on the use in this state of
7 tangible personal property purchased for use in this state, at
8 the rate of ~~four~~ six percent of the purchase price of the
9 property. The excise tax is imposed upon every person using
10 the property within this state until the tax has been paid
11 directly to the county treasurer or the state department of
12 transportation, to a retailer, or to the department. An
13 excise tax is imposed on the use in this state of services
14 enumerated in section 422.43 at the rate of ~~four~~ six percent.
15 This tax is applicable ~~where~~ if services are rendered,
16 furnished, or performed in this state or ~~where~~ if the product
17 or result of the service is used in this state. This tax is
18 imposed on every person using the services or the product of
19 the services in this state until the user has paid the tax
20 either to an Iowa use tax permit holder or to the department
21 of revenue.

22 DIVISION IV

23 Sec. 401. Section 422.3, subsection 5, Code 1987, is
24 amended to read as follows:

25 5. "Internal Revenue Code ~~of~~-1954" means the Internal
26 Revenue Code of 1954, prior to the date of its redesignation
27 as the Internal Revenue Code of 1986 by the Tax Reform Act of
28 1986, or means the Internal Revenue Code of 1986 as amended to
29 and including January 1, 1986 1987, whichever is applicable.

30 Sec. 402. Section 422.5, subsection 1, paragraph o,
31 subparagraph (1), Code 1987, is amended to read as follows:

32 (1) Add items of tax preference included in federal
33 alternative minimum taxable income under section 57, except
34 subsections (a)~~(1)~~-and (1), (a)~~(1)~~ (2), and (a)~~(5)~~, of the
35 Internal Revenue Code ~~of~~-1954. In the case of an estate or

1 trust, the items of tax preference shall be apportioned
2 between the estate or trust and the beneficiaries in
3 accordance with rules prescribed by the director. For
4 purposes of computing the items of tax preference the gain or
5 loss from the forfeiture of an installment real estate
6 contract the transfer of real or personal property securing a
7 debt to a creditor in cancellation of that debt or from the
8 sale or exchange of property as a result of actual notice of
9 foreclosure shall not be taken into account in computing net
10 capital gain if at the following conditions are met:
11 (a) the forfeiture transfer or sale or exchange was done
12 for the purpose of establishing a positive cash flow
13 (b) immediately before the forfeiture transfer or sale
14 or exchange the taxpayer's debt to asset ratio exceeded
15 seventy-five percent as computed under generally accepted
16 accounting practices.
17 (c) the taxpayer's net worth at the end of the tax year is
18 less than seventy-five thousand dollars:
19 In determining a taxpayer's net worth at the end of the tax
20 year a taxpayer shall include any asset transferred within one
21 hundred twenty days prior to the end of the tax year without
22 adequate and full consideration in money or money's worth in
23 determining the taxpayer's debt to asset ratio the taxpayer
24 shall include any asset transferred within one hundred twenty
25 days prior to such forfeiture transfer or sale or exchange
26 without adequate and full consideration in money or money's
27 worth. For purposes of this subsection actual notice of
28 foreclosure includes but is not limited to bankruptcy or
29 written notice from a creditor of the creditor's intent to
30 foreclose where there is reasonable belief that the creditor
31 can force a sale of the property.
32 Sec. 403. Section 422.7, subsections 10, 12, and 14, Code
33 1987, are amended by striking the subsections.
34 Sec. 404. Section 422.7, subsection 16, Code 1987, is
35 amended to read as follows:

1 16. Add the amounts deducted and subtract the amounts
2 included as income as a result of the treatment provided sale-
3 leaseback agreements under section 168(f)(8) of the Internal
4 Revenue Code of 1954 as amended to and including December 31,
5 1985 for property placed in service by the transferee prior to
6 January 1, 1986 to the extent that the amounts deducted and
7 the amounts included in income are not otherwise deductible or
8 included in income under the Internal Revenue Code of 1954.
9 Entitlement to depreciation on any property included in a
10 sale-leaseback agreement which is placed in service by the
11 transferee prior to January 1, 1986 shall be determined under
12 the Internal Revenue Code of 1954 ~~excluding section 168(f)(8)~~
13 ~~in making the determination as if the property was placed in~~
14 service by the transferee on January 1, 1986.

15 Sec. 405. Section 422.9, subsection 1, unnumbered
16 paragraph 1, Code 1987, is amended to read as follows:

17 1. An optional standard deduction of fifteen percent of
18 the net income after deduction of federal income tax and
19 deduction of the amount of school district income surtax paid
20 under chapter 442A, not to exceed one thousand two hundred
21 dollars for a married person who files separately, one
22 thousand two hundred dollars for a single person or three
23 thousand dollars for a husband and wife who file a joint
24 return, a surviving spouse as defined in section 2 of the
25 Internal Revenue Code of 1954, or an unmarried head of
26 household as defined in the Internal Revenue Code of 1954.

27 Sec. 406. Section 422.9, subsection 2, paragraph a, Code
28 1987, is amended to read as follows:

29 a. Subtract the deduction for Iowa income taxes except the
30 amount of school district income surtax paid under chapter
31 442A.

32 Sec. 407. Section 422.9, subsection 2, paragraph e, Code
33 1987, is amended by striking the paragraph.

34 Sec. 408. Section 422.33, subsection 4, Code 1987, is
35 amended to read as follows:

1 4. In addition to all taxes imposed under this division,
2 there is imposed upon each corporation doing business within
3 the state a state minimum tax for tax preference equal to
4 seventy percent of the state's apportioned share of the
5 federal alternative minimum tax. The state's apportioned
6 share of the federal alternative minimum tax is a percent
7 equal to the ratio of the federal alternative minimum tax on
8 preferences attributable to Iowa to the federal alternative
9 minimum tax on all preferences. The director shall prescribe
10 rules for the determination of the amount of the federal
11 alternative minimum tax on preferences attributable to Iowa
12 which shall be based as much as equitably possible on the
13 allocation and apportionment provisions of subsections 2 and
14 3. For purposes of this subsection, "federal alternative
15 minimum tax" means the federal alternative minimum tax for tax
16 preferences computed under section 56 55 of the Internal
17 Revenue Code ~~of-1954~~ for the tax year.

18 Sec. 409. Section 422.35, subsection 9, Code 1987, is
19 amended to read as follows:

20 9. Add the amounts deducted and subtract the amounts
21 included in income as a result of the treatment provided sale-
22 leaseback agreements under section 168(f)(8) of the Internal
23 Revenue Code ~~of-1954~~ as amended to and including December 31,
24 1985 for property placed in service by the transferee prior to
25 January 1, 1986 to the extent that the amounts deducted and
26 the amounts included in income are not otherwise deductible or
27 included in income under the other provisions of the Internal
28 Revenue Code ~~of-1954~~. Entitlement to depreciation on any
29 property involved in a sale-leaseback agreement which is
30 placed in service by the transferee prior to January 1, 1986
31 shall be determined under the Internal Revenue Code ~~of-1954~~
32 ~~excluding-section-168(f)(8)-in-making-the-determination~~ as if
33 the property was placed in service by the transferee on
34 January 1, 1986.

35 Sec. 410. Section 422.60, Code 1987, is amended to read as

1 follows:

2 422.60 IMPOSITION OF TAX.

3 A franchise tax according to and measured by net income is
4 hereby imposed on financial institutions for the privilege of
5 doing business in this state as financial institutions.

6 In addition to all taxes imposed under this division, there
7 is imposed upon each financial institution doing business
8 within the state a state minimum tax for tax preference items
9 equal to seventy percent of the state's apportioned share of
10 the federal alternative minimum tax. The state's apportioned
11 share of the federal alternative minimum tax is a percent
12 equal to the ratio of the federal alternative minimum tax on
13 preferences attributable to Iowa to the federal alternative
14 minimum tax on all preferences. The director shall prescribe
15 rules for the determination of the amount of the federal
16 alternative minimum tax on preferences attributable to Iowa
17 which shall be based as much as equitably possible on the
18 allocation and apportionment provisions of section 422.63.
19 For purposes of this subsection, "federal alternative minimum
20 tax" means the federal minimum tax for tax preferences
21 computed and paid or payable under section 56 55 of the
22 Internal Revenue Code ~~of 1954~~.

23 Sec. 411. Sections 422.4, 422.5, 422.6, 422.7, 422.9,
24 422.10, 422.12, 422.13, 422.16, 422.20, 422.21, 422.25,
25 422.32, 422.33, 422.35, 422.36, 422.37, 422.61, 422.72, and
26 422.73, Code 1987, are amended by striking the words "Internal
27 Revenue Code of 1954" and inserting in lieu thereof the words
28 "Internal Revenue Code".

29 DIVISION V

30 Sec. 501. Section 24.14, Code 1987, is amended to read as
31 follows:

32 24.14 TAX LIMITED.

33 A greater tax than that so entered upon the record shall
34 not be levied or collected for the municipality proposing the
35 tax for the purposes indicated; and thereafter a greater

1 expenditure of public money shall not be made for any specific
 2 purpose than the amount estimated and appropriated for that
 3 purpose, except as provided in sections 24.6 and 24.15. All
 4 budgets set up in accordance with the statutes shall take each
 5 the funds, and allocations made by sections 123.53, and 324.79
 6 ~~and 405.1~~, into account, and all such the funds, regardless of
 7 their source, shall be considered in preparing the budget, all
 8 as is provided in this chapter.

9 Sec. 502. Section 123.53, subsection 7, Code 1987, is
 10 amended by striking the subsection.

11 Sec. 503. Section 135D.22, subsection 2, Code 1987, is
 12 amended by striking the subsection.

13 Sec. 504. Section 331.401, subsection 1, paragraphs e, f,
 14 and g, Code 1987, are amended by striking the paragraphs.

15 Sec. 505. Section 331.427, subsection 1, unnumbered
 16 paragraph 1, Code 1987, is amended to read as follows:

17 Except as otherwise provided by state law, county revenues
 18 from taxes and other sources for general county services shall
 19 be credited to the general fund of the county, including
 20 revenues received under sections 84.21, 98.35, 98A.6, 101A.3,
 21 101A.7, 110.12, 123.36, 123.143, 176A.8, 246.908, 321.105,
 22 321.152, 321.192, 321G.7, 331.554, subsection 6, 341A.20,
 23 364.3, 368.21, 422.65, ~~422.100~~, 422A.2, 428A.8, 430A.3,
 24 433.15, 434.19, 441.68, 445.52, 445.57, 533.24, 556B.1,
 25 567.10, 583.6, 906.17, and 911.3, and the following:

26 Sec. 506. Section 331.429, subsection 1, paragraphs a and
 27 b, Code 1987, are amended to read as follows:

28 a. Transfers from the general fund not to exceed in any
 29 year the dollar equivalent of a tax of sixteen and seven-
 30 eighths cents per thousand dollars of assessed value on all
 31 taxable property in the county and an amount equivalent to the
 32 moneys derived by the general fund from ~~livestock-tax-credits~~
 33 ~~under-section-427.177-military-service-tax-credits-under~~
 34 ~~chapter-426A~~, and mobile home taxes under section 135D.22
 35 multiplied by the ratio of sixteen and seven-eighths cents to

1 the general fund tax rate.

2 b. Transfers from the rural services fund not to exceed in
3 any year the dollar equivalent of a tax of three dollars and
4 three-eighths cents per thousand dollars of assessed value on
5 all taxable property not located within the corporate limits
6 of a city in the county and an amount equivalent to the moneys
7 derived by the rural services fund from ~~the livestock tax~~
8 ~~credits under section 427-177 military service tax credits~~
9 ~~under chapter 426A and mobile home taxes under section~~
10 135D.22 multiplied by the ratio of three dollars and three-
11 eighths cents to the rural service fund tax rate.

12 Sec. 507. Section 331.512, subsections 3 and 4, Code 1987,
13 are amended by striking the subsections.

14 Sec. 508. Section 331.512, subsection 5, Code 1987, is
15 amended to read as follows:

16 5. Carry out duties relating to the preparation of the tax
17 list as provided in sections ~~427A-37-427A-67~~ 428.4, 441.17,
18 441.21, 443.2 to 443.9 and 443.21.

19 Sec. 509. Section 331.559, subsections 12, 13, and 14,
20 Code 1987, are amended by striking the subsections.

21 Sec. 510. Section 404.3, subsection 1, Code 1987, is
22 amended to read as follows:

23 1. All qualified real estate assessed as residential
24 property is eligible to receive an exemption from taxation
25 based on the actual value added by the improvements. The
26 exemption is for a period of ten years. The amount of the
27 exemption is equal to a percent of the actual value added by
28 the improvements, determined as follows: One hundred fifteen
29 percent of the value added by the improvements. However, the
30 amount of the actual value added by the improvements which
31 shall be used to compute the exemption shall not exceed twenty
32 thousand dollars ~~and the granting of the exemption shall not~~
33 ~~result in the actual value of the qualified real estate being~~
34 ~~reduced below the actual value on which the homestead credit~~
35 ~~is computed under section 425-1.~~

1 Sec. 511. Section 420.207, Code 1987, is amended to read
2 as follows:

3 420.207 TAXATION IN GENERAL.

4 Sections 427.1, ~~427.3~~ 427.8 to 427.11, 428.4, 428.15 to
5 428.23, 436.10, 436.11, 437.1, 437.3, 437.14, 441.21, 443.1 to
6 443.3, 444.2 to 444.5, and 447.9 to 447.13, so far as
7 applicable, apply to cities acting under special charters.

8 Sec. 512. Section 427.9, Code 1987, is amended to read as
9 follows:

10 427.9 SUSPENSION OF TAXES.

11 Whenever a person is a recipient of federal supplementary
12 security income or state supplementary assistance, as defined
13 in section 249.1, or is a resident of a health care facility,
14 as defined by section 135C.1, which is receiving payment from
15 the department of human services for the person's care, the
16 person shall be deemed to be unable to contribute to the
17 public revenue. The commissioner of human services shall
18 notify the board of supervisors, of the county in which the
19 assisted person owns property, of the fact, giving a statement
20 of property, owned, possessed, or upon which the person is
21 paying taxes as a purchaser under contract. The board of
22 supervisors so notified, without the filing of a petition and
23 statement as specified in section 427.8, shall order the
24 county treasurer to suspend the collection of all the taxes
25 assessed against the property and remaining unpaid by the
26 person or contractually payable by the person, for such time
27 as the person remains the owner or contractually prospective
28 owner of the property, and during the period the person
29 receives assistance as described in this section. The
30 ~~commissioner-of-human-services-shall-advise-the-person-that~~
31 ~~the-person-may-apply-for-an-additional-property-tax-credit~~
32 ~~pursuant-to-sections-425-16-to-425-39-which-shall-be-credited~~
33 ~~against-the-amount-of-the-property-taxes-suspended.~~

34 Sec. 513. Section 442.2, subsections 2 and 3, Code 1987,
35 are amended by striking the subsections.

1 Sec. 514. Section 499A.14, Code 1987, is amended to read
2 as follows:

3 499A.14 TAXATION.

4 The real estate shall be taxed in the name of the co-
5 operation, and each person owning an apartment or room shall
6 pay that person's proportionate share of such tax~~7 and each~~
7 ~~person owning an apartment as a residence and under the~~
8 ~~qualifications of the laws of the state of Iowa as such shall~~
9 ~~receive that person's proportionate homestead tax credit and~~
10 ~~each veteran of the military services of the United States~~
11 ~~identified as such under the laws of the state of Iowa or the~~
12 ~~United States shall receive as a credit that person's veterans~~
13 ~~tax benefit as prescribed by the laws of the state of Iowa.~~

14 Sec. 515. Chapters 425 and 426, and section 135D.33, Code
15 1987, are repealed.

16 Sec. 516. Chapters 334A, 405, 426A, Code 1987, and
17 sections 411.20, 422.100, 427.3 through 427.7, 427.17, 427A.2
18 through 427A.9, 427A.11 through 427A.14, and 427B.11 through
19 427B.13, Code 1987, are repealed.

20 DIVISION VI

21 Sec. 601. Section 421.17, subsection 10, Code 1987, is
22 amended by adding the following new unnumbered paragraph:

23 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other
24 provision of law, beginning with the assessment year beginning
25 January 1, 1987 and for any subsequent assessment year,
26 equalization orders issued by the director to uniformly
27 increase or decrease the valuations of all property or of any
28 class of property within a taxing district or an area within a
29 taxing district are not mandates for such increase or decrease
30 but shall be guidelines for the appropriate assessing
31 jurisdictions in equalizing valuations.

32 Sec. 602. Section 441.21, subsection 1, paragraph d, Code
33 1987, is amended to read as follows:

34 d. Actual value of property in one assessing jurisdiction
35 shall be equalized as compared with actual value of property

1 in an adjoining assessing jurisdiction. If a variation of
2 five percent or more exists between the actual values of
3 similar, closely adjacent property in adjoining assessing
4 jurisdictions in Iowa, the assessors thereof shall determine
5 whether adequate reasons exist for such the variation. If ~~no~~
6 such reasons do not exist, the assessors shall make
7 adjustments in such the actual values to reduce the variation
8 to five percent or less. In the case of property located in a
9 school district which district is located in more than one
10 assessing jurisdiction, the assessors of those jurisdictions
11 shall confer with each other to equalize the values of the
12 property located along the borders of those assessing
13 jurisdictions.

14 Sec. 603. Section 441.47, Code 1987, is amended by adding
15 the following new unnumbered paragraph:

16 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other
17 provision of law, beginning with the assessment year beginning
18 January 1, 1987 and for any subsequent assessment year,
19 equalization orders issued by the director to uniformly
20 increase or decrease the valuations of all property or of any
21 class of property within a taxing district or an area within a
22 taxing district are not mandates for such increase or decrease
23 but shall be guidelines for the appropriate assessing
24 jurisdictions in equalizing valuations.

25 Sec. 604. Section 441.49, Code 1987, is amended by
26 striking the section and inserting in lieu thereof the
27 following:

28 441.49 ADJUSTMENT BY AUDITOR.

29 The assessing jurisdiction shall revalue the classes of
30 property suggested by the order issued under section 441.47
31 and shall use the order as a guideline in equalizing those
32 classes of property. In equalizing those classes of property,
33 the assessing jurisdiction may increase or decrease the
34 valuations the same percentage or a lower or higher percentage
35 than listed in the equalization order or may use an

1 alternative method of applying the equalization order. The
2 assessing jurisdiction shall notify the county auditor of the
3 use of an alternative method of applying the equalization
4 order. The use of an alternative method of applying the
5 equalization order, including procedures for notifying
6 affected property owners and appealing valuation adjustments,
7 shall be made within ten days from the date the county auditor
8 receives the equalization order and the suggested valuation
9 adjustments, and appeal procedures shall be completed by
10 November 30 of the year of the equalization order. Compliance
11 with the provisions of section 441.21 is sufficient grounds
12 for the use of an alternative method of applying the
13 equalization order.

14

15 The county auditor shall add to or deduct from the
16 valuation of each class of property in the county the required
17 percentage, rejecting all fractions of fifty cents or less in
18 the result, and counting all fractions over fifty cents as one
19 dollar. For any special charter city that levies and collects
20 its own tax based on current year assessed values, the
21 equalization percentage shall be applied to the following
22 year's values, and shall be considered the equalized values
23 for that year for purposes of this chapter.

24 The local board of review shall reconvene in special
25 session from October 15 to November 15 for the purpose of
26 hearing the protests of affected property owners or taxpayers
27 within the jurisdiction of the board whose valuation of
28 property, if adjusted by the taxing jurisdiction as a result
29 of an equalization order issued under section 441.47, will
30 result in a greater value than permitted under section 441.21.
31 The board of review shall accept protests only during the
32 first ten days following the date the local board of review
33 reconvenes. The board of review shall limit its review to
34 only the timely filed protests. The board of review may
35 adjust all or a part of the percentage increase ordered by the

1 taxing jurisdiction by adjusting the actual value of the
2 property under protest to one hundred percent of actual value.
3 The determination of the board of review on filed protests is
4 final. Not later than fifteen days following the adjournment
5 of the board, the board of review shall submit to the director
6 of revenue and finance, on forms prescribed by the director, a
7 report of all actions taken by the board of review during this
8 session.

9 Sec. 605. Section 441.48, Code 1987, is repealed.

10 DIVISION VII

11 Sec. 701. Sections 401, 404, 409, and 411 of this Act are
12 retroactive to January 1, 1986 for tax years beginning on or
13 after that date.

14 Sec. 702. Sections 402, 403, 405, 406, 407, 408, and 410
15 of this Act are retroactive to January 1, 1987 for tax years
16 beginning on or after that date.

17 Sec. 703. Section 515 of this Act is retroactive to
18 January 1, 1987 for taxes payable in fiscal years beginning on
19 or after July 1, 1987.

20 Sec. 704. Section 516 of this Act is effective for fiscal
21 years beginning on or after July 1, 1988.

22 Sec. 705. Section 604 of this Act is retroactive to
23 January 1, 1987 for assessment years beginning on or after
24 that date.

25 EXPLANATION

26 Division I establishes a new school aid formula for the
27 1987-1988 school year. It strikes references to the
28 foundation property tax and additional property tax and
29 creates a payment known as state educational aid per pupil.
30 This amount is determined on the basis of the regular program
31 costs per pupil in 1986-1987 on a statewide basis and adding a
32 growth amount based on the state percent of growth. However,
33 the costs for pupil activity programs, public school pupil
34 transportation costs, building operation and maintenance
35 costs, and miscellaneous income were removed from the regular

1 program costs because they will not be funded using the state
2 aid. The state percent of growth is determined as it
3 presently is. For 1987-1988, the budgets of school districts
4 are guaranteed not to be less than their budgets for 1986-
5 1987, but the permanent 102% budget guarantee is eliminated.

6 The costs of transportation programs for public school
7 pupils are budgeted by the board of directors and paid for
8 within the school district by one-half property tax and one-
9 half income surtax. The costs of pupil activity programs and
10 building operation and maintenance would be budgeted and paid
11 for in the same manner.

12 If districts wish to spend more than the state aid they
13 receive, they may use the enrichment levy. The enrichment
14 levy remains as it presently is except that the amount raised
15 will be one-half property tax and one-half income surtax.

16 Enrollment in a district is based upon actual enrollment.

17 The costs of programs for gifted and talented children,
18 school dropouts, and school improvement would continue to be
19 funded by the property tax.

20 The ability to levy for a cash reserve is eliminated as is
21 the library levy. The school budget review committee is
22 eliminated.

23 School districts could accrue unspent balances for use in
24 future years. They may request approval from a committee
25 consisting of the director of the department of education, the
26 treasurer of state, and the director of the department of
27 management to spend from their unexpended cash balances.

28 The site levy and the schoolhouse levy are combined and
29 require approval of a majority voting at an election. The
30 revenue would be raised one-half by property tax and one-half
31 by an income surtax.

32 Special education support services of the area education
33 agencies are paid for entirely by state aid. The media
34 services and educational services of the area education
35 agencies continue to be paid from the property tax.

1 Division II places a limit on the amount that a city or
2 county may increase its levy for its general fund to two per-
3 cent, except that if it wants to increase the levy from two
4 percent to five percent it must hold a public hearing on it,
5 or to increase the levy by over five percent it must hold an
6 election at which sixty percent must favor the increase.
7 Adjustment is provided for new growth and for the elimination
8 under division V of state assistance and reimbursements.

9 Division III increases the state sales and use tax from
10 four to six percent beginning July 1, 1987. Also a refund of
11 the two percent increase is provided for a construction
12 contractor if the property purchased was used in making an
13 improvement to real estate in fulfillment of a written
14 contract fully executed prior to July 1, 1987.

15 Division IV provides for the state individual, corporate,
16 and franchise taxes to "couple" with the changes made in the
17 new federal income tax code.

18 Division V repeals the county and municipal assistance
19 funds, peace officers' retirement improvement reimbursement,
20 moneys and credits replacement, homestead tax credit,
21 agricultural land tax credit, military service exemption,
22 livestock tax credit, personal property tax replacement, and
23 machinery and computer tax replacement.

24 Division VI provides that equalization orders issued by the
25 department of revenue and finance are not mandatory but are
26 guidelines to be used by assessing jurisdictions to keep
27 values equalized throughout the area.

28 Division VII provides effective dates.

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