

FEB 2 1995  
LOCAL GOVERNMENT

HOUSE FILE 123  
BY SHOULTZ

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to bond issuance elections and authorizing a  
2 political subdivision to impose an income surtax to partially  
3 fund certain bonds by providing a property tax credit, and  
4 providing for the Act's applicability.

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

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

HF 123

1 Section 1. Section 75.1, Code 1995, is amended to read as  
2 follows:

3 75.1 BONDS -- ELECTION -- VOTE REQUIRED.

4 1. When a proposition to authorize an issuance of bonds by  
5 a county, township, school corporation, city, or by any local  
6 board or commission, is submitted to the electors, such the  
7 proposition shall-not-be-deemed-carried-or-adopted,-anything  
8 in-the-statutes-to-the-contrary-notwithstanding,-unless is  
9 adopted if the vote in favor of such-authorization the  
10 proposition is equal to at least sixty percent of the total  
11 vote cast for and against said the proposition at said the  
12 election.

13 2. Notwithstanding subsection 1, if principal and interest  
14 on bonds issued by a county, school corporation, or city are  
15 to be paid in part with revenue from a local income surtax  
16 imposed under section 76.19, the proposition shall so state  
17 and the proposition is adopted if the vote in favor of the  
18 proposition is equal to at least a majority of the total vote  
19 cast for and against the proposition at the election.

20 However, a bond issuance proposition proposing imposition of  
21 an income surtax shall not be presented to the electors if in  
22 the first year the income surtax is imposed the total of all  
23 income surtaxes authorized by law and imposed in that year on  
24 any taxpayer in the political subdivision seeking to impose  
25 the surtax would exceed twenty percent. Upon request of the  
26 governing authority, the department of management shall  
27 certify the cumulative rate of income surtax being imposed in  
28 the political subdivision.

29 3. All ballots cast and not counted as a vote for or  
30 against the proposition shall not be used in computing the  
31 total vote cast for and against said the proposition.

32 4. When a proposition to authorize an issuance of bonds  
33 has been submitted to the electors under this section and the  
34 proposal fails to gain approval by the required percentage of  
35 votes, such proposal, or any proposal which incorporates any

1 portion of the defeated proposal, shall not be submitted to  
2 the electors for a period of ~~six~~ twelve months from the date  
3 of such regular or special election.

4 Sec. 2. Section 76.1, Code 1995, is amended to read as  
5 follows:

6 76.1 MANDATORY RETIREMENT.

7 ~~Hereafter-issues~~ Issues of bonds ~~of-every-kind-and~~  
8 ~~character~~ by counties, cities, and school corporations shall  
9 be consecutively numbered. The annual levy of property tax or  
10 a combination of property tax levy and income surtax imposed  
11 as provided in section 76.19, if authorized by an election  
12 held pursuant to section 75.1, shall be sufficient to pay the  
13 interest and approximately such portion of the principal of  
14 the bonds as will retire them in a period not exceeding ~~twenty~~  
15 twenty-two years from date of issue. Each issue of bonds  
16 shall be scheduled to mature serially in the same order as  
17 numbered.

18 Sec. 3. Section 76.2, Code 1995, is amended to read as  
19 follows:

20 76.2 MANDATORY LEVY -- OBLIGATIONS IN ANTICIPATION OF  
21 LEVY.

22 The governing authority of these political subdivisions  
23 before issuing bonds shall, by resolution, provide for the  
24 assessment of an annual levy upon all the taxable property in  
25 the political subdivision, or the assessment of an annual  
26 property tax levy and imposition of an income surtax under  
27 section 76.19, sufficient to pay the ~~interest-and~~ principal  
28 and interest of the bonds within a period named not exceeding  
29 twenty-years that provided in section 76.1. A certified copy  
30 of this resolution shall be filed with the county auditor ~~or~~  
31 ~~the-auditors~~ of ~~the-counties~~ each county in which the  
32 political subdivision is located; and ~~the~~ this filing shall  
33 make it a duty of the ~~auditors~~ auditor to enter annually this  
34 levy for collection from the taxable property within the  
35 boundaries of the political subdivision until funds are

1 realized to pay the principal and interest of the bonds in  
2 full. The property tax levy shall continue to be made against  
3 property that is severed from the political subdivision and  
4 the income surtax shall continue to be imposed upon the  
5 residents of any area severed from the political subdivision  
6 after the filing of the resolution until funds are realized to  
7 pay the principal and interest of the bonds in full.

8 If the a resolution which does not include imposition of an  
9 income surtax is filed prior to April 1 or May 1, if the  
10 political subdivision is a school district, the annual  
11 property tax levy shall begin with the tax levy for collection  
12 commencing July 1 of that year. If the resolution is filed  
13 after April 1 or May 1, in the case of a school district, the  
14 annual levy shall begin with the tax levy for collection in  
15 the next succeeding fiscal year. However, the governing  
16 authority of a political subdivision may adjust a levy of  
17 taxes made under this section for the purpose of adjusting the  
18 annual levies and collections for property severed from the  
19 political subdivision, subject to the approval of the director  
20 of the department of management.

21 If the resolution includes imposition of a local income  
22 surtax, the annual property tax levy shall begin with the tax  
23 levy for collection commencing July 1 of the calendar year  
24 subsequent to the calendar year in which the resolution is  
25 filed. However, the governing authority of a political  
26 subdivision may adjust a levy of taxes made under this section  
27 or rate of the income surtax under section 76.19 for the  
28 purpose of adjusting the annual property tax levy or rate of  
29 the surtax and collections for property severed from the  
30 political subdivision, subject to the approval of the director  
31 of the department of management.

32 If the resolution includes the imposition of a local income  
33 surtax and it is filed with the department of revenue and  
34 finance prior to August 1, the imposition of the surtax is  
35 retroactive to January 1 of that calendar year. If the

1 resolution is filed with the department of revenue and finance  
2 on or after August 1, the imposition of the income surtax  
3 begins on January 1 of the next calendar year.

4 If funds, including reserves and amounts available for  
5 temporary transfer, are ~~found-to-be~~ insufficient to pay in  
6 full any installment of principal or interest, a public issuer  
7 of bonds may anticipate the next levy of property taxes  
8 pursuant to this section or the imposition of an income surtax  
9 under section 76.19 in the manner provided in chapter 74,  
10 whether the taxes so anticipated are to be collected in the  
11 same or a future fiscal year.

12 To further secure the payment of the bonds, the governing  
13 authority shall, by resolution, provide for the assessment of  
14 an annual levy of a standby tax upon all taxable property  
15 within the political subdivision. A copy of the resolution  
16 shall be sent to the county auditor of each county in which  
17 the political subdivision is located. The revenues from the  
18 standby tax shall be deposited in a special fund and shall be  
19 expended only for the payment of principal and interest on the  
20 bonds issued as provided in this section, when the revenue  
21 from an income surtax as provided in section 76.19 is  
22 insufficient. No reserves may be built up in this fund in  
23 anticipation of a projected default. The governing authority  
24 shall adjust the annual standby property tax levy for each  
25 year to reflect the amount of revenues in the special fund and  
26 the amount of principal and interest which is due in that  
27 year.

28 Sec. 4. Section 76.4, Code 1995, is amended to read as  
29 follows:

30 76.4 PERMISSIVE APPLICATION OF FUNDS.

31 ~~Whenever~~ If the governing authority of such a political  
32 subdivision ~~shall-have~~ has on hand funds derived from any  
33 ~~other a~~ source other than taxation which may be appropriated  
34 to the payment either of ~~interest-or~~ principal or interest, or  
35 both principal and interest of such bonds, ~~such~~ the funds may

1 be ~~so~~ appropriated and used and the property tax levy and  
2 income surtax rate, if imposed, for the payment of the bonds  
3 correspondingly reduced.

4 Sec. 5. Section 76.7, Code 1995, is amended to read as  
5 follows:

6 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

7 Counties, cities, and school corporations may at any time  
8 ~~or-times~~ extend or renew any legal indebtedness or any part  
9 thereof of the indebtedness they may have represented by bonds  
10 or certificates where such the indebtedness is payable from a  
11 limited annual property tax or from a voted annual property  
12 tax or from a local income surtax imposed under section 76.19,  
13 and may by resolution fund or refund the same legal  
14 indebtedness and issue bonds therefor running not more than  
15 twenty years to be known as funding or refunding bonds, and  
16 make provision for the payment of the principal and interest  
17 thereof from the proceeds of an annual property tax or annual  
18 property tax and local income surtax for the period covered by  
19 such the bonds similar to the tax authorized by law or by the  
20 electors for the payment of the indebtedness ~~so~~ extended or  
21 renewed.

22 Sec. 6. NEW SECTION. 76.19 INCOME SURTAX.

23 1. An income surtax may be imposed by a political  
24 subdivision as provided in this section, but only if  
25 authorized by the electors as provided in section 75.1.

26 2. The income surtax shall be imposed upon state income  
27 taxes computed under section 422.5, less credits allowed in  
28 sections 422.11A, 422.11B, 422.11C, 422.12, and 422.12B, and  
29 shall be imposed upon the state income tax for each calendar  
30 year, or for a taxpayer's fiscal year ending during the second  
31 half of that calendar year or the first half of the succeeding  
32 calendar year, and shall be imposed on all taxpayers residing  
33 in the political subdivision on the last day of the applicable  
34 tax year, and on taxpayers residing in areas severed from the  
35 political subdivision as provided in section 76.2.

1 3. The income surtax shall be imposed to collect an amount  
2 that is equivalent to sixty percent of the sum of the  
3 principal and interest of the bonds over the life of the  
4 bonds. The rate of the income surtax may be adjusted in any  
5 year for the sole purpose of ensuring that an amount  
6 equivalent to sixty percent of the principal and interest over  
7 the life of the bonds is collected.

8 4. At the time of the annual levy under section 76.2, the  
9 governing authority of the political subdivision shall also  
10 provide in the resolution for the imposition of the income  
11 surtax and shall certify to the department of management such  
12 sum expressed in dollars. The department shall determine the  
13 rate of income surtax to be imposed based upon the most recent  
14 available figures from state income taxes paid by taxpayers  
15 residing in the political subdivision. The department shall  
16 continue to make such calculations and certify the income  
17 surtax rate to the auditor of the political subdivision with  
18 adjustments as provided in this section until the principal  
19 and interest on the bonds are paid in full. On or before  
20 November 1 of each year in which the income surtax is  
21 collected the director of revenue and finance shall deposit  
22 with the treasurer of the political subdivision the entire  
23 amount of income surtax collected from taxpayers residing in  
24 the political subdivision.

25 5. The costs of administration shall be determined by the  
26 department of revenue and finance, and shall be based on a  
27 share of the total cost of administering the department, in  
28 the same proportion as the amount of income surtax collected  
29 is to the amount of state income taxes collected.

30 6. The director of revenue and finance shall administer  
31 the income surtax imposed under this chapter and sections  
32 422.4, 422.20 to 422.31, 422.68, and 422.72 to 422.75 shall  
33 apply with respect to administration of the income surtax.

34 Sec. 7. NEW SECTION. 76.20 PROPERTY TAX CREDIT --  
35 AGRICULTURAL AND RESIDENTIAL PROPERTY.

1 Local income surtax revenues collected under section 76.19  
2 shall be distributed in the following manner:

3 Upon receipt of the revenues collected from the income  
4 surtax, the county treasurer shall notify the county auditor  
5 of the amount of income surtax revenues received. The auditor  
6 shall determine the amount to be credited to each parcel of  
7 real property located in the political subdivision and  
8 assessed as agricultural or residential property, and shall  
9 enter such amount upon the tax lists as a credit against the  
10 tax levied on each parcel of real property assessed as  
11 agricultural or residential property. The county treasurer  
12 shall show on each tax receipt the amount of tax credit to be  
13 applied against property taxes payable in the fiscal year  
14 following the year in which the surtax was collected for each  
15 parcel of real property assessed as agricultural or  
16 residential property. In case of change of ownership, the  
17 credit shall remain with the parcel.

18 The amount of the credit funded by revenues from the income  
19 surtax imposed under section 76.19 shall be an amount equal to  
20 a pro rata share based upon the ratio of the taxable value of  
21 each parcel to receive the credit to the total taxable value  
22 of the property to receive the credit.

23 Sec. 8. NEW SECTION. 76.21 INCOME TAX RETURNS.

24 An income surtax imposed under section 76.19 shall be made  
25 a part of the Iowa individual income tax return subject to the  
26 conditions and restrictions set forth in section 422.21. The  
27 director of revenue and finance shall provide on income tax  
28 returns a requirement that each person required to file a  
29 return numerically identify the city of residence of the  
30 taxpayer and the merged area in which the taxpayer resides.

31 Sec. 9. NEW SECTION. 76.22 DESIGNATION OF TAX.

32 An income surtax imposed under section 76.19 by a school  
33 district shall be designated as a school debt service income  
34 surtax, an income surtax imposed by a merged area under  
35 section 76.19 shall be designated as a merged area debt



1 service income surtax, an income surtax imposed by a city  
2 under section 76.19 shall be designated a city debt service  
3 income surtax, and an income surtax imposed by a county under  
4 section 76.19 shall be designated a county debt service income  
5 surtax.

6 Sec. 10. Section 260C.21, Code 1995, is amended to read as  
7 follows:

8 260C.21 ELECTION TO INCUR INDEBTEDNESS.

9 1. No An indebtedness shall not be incurred under section  
10 260C.19 until authorized by an election as required in section  
11 75.1. A proposition to incur indebtedness and issue bonds for  
12 community college purposes shall be deemed carried adopted in  
13 a merged area if approved by a sixty percent majority of all  
14 voters voting on the proposition in the area. However, if the  
15 board elects to partially fund the bonds with revenues from a  
16 local income surtax, in addition to property tax revenues, the  
17 ballot proposition to authorize the issuance of the bonds  
18 shall be submitted to the electorate pursuant to section 75.1,  
19 subsection 2.

20 2. Notwithstanding subsection 1, if the costs of utilities  
21 are paid by a community college with funds derived from the  
22 levy authorized under section 260C.22, the community college  
23 may use the general fund moneys that would have been used to  
24 pay the costs of utilities for capital expenditures, may  
25 invest the funds, or may incur indebtedness without an  
26 election, provided that the payments on the indebtedness  
27 incurred, and any interest on the indebtedness, can be made  
28 using general funds of the community college and the total  
29 payments on the principal and interest on the indebtedness do  
30 not exceed the amount of the costs of the utilities.

31 Sec. 11. Section 296.1, Code 1995, is amended to read as  
32 follows:

33 296.1 INDEBTEDNESS AUTHORIZED.

34 Subject to the approval of the voters thereof, school  
35 districts are hereby authorized to contract indebtedness and

1 to issue general obligation bonds to provide funds to defray  
2 the cost of purchasing, building, furnishing, reconstructing,  
3 repairing, improving or remodeling a schoolhouse or  
4 schoolhouses and additions thereto, gymnasium, stadium, field  
5 house, school bus garage, teachers' or superintendent's home  
6 or homes, and procuring a site or sites therefor, or  
7 purchasing land to add to a site already owned, or procuring  
8 and improving a site for an athletic field, or improving a  
9 site already owned for an athletic field, and for any one or  
10 more of such purposes. Taxes for the payment of said the  
11 bonds shall be levied or imposed in accordance with chapter  
12 76, and said the bonds shall mature within ~~a period not~~  
13 ~~exceeding twenty years from date of issue~~ the period provided  
14 in section 76.1, shall bear interest at a rate or rates not  
15 exceeding that permitted by chapter 74A and shall be of such  
16 form as the board of directors of ~~such~~ the school district  
17 shall by resolution provide, but the aggregate indebtedness of  
18 any school district shall not exceed five percent of the  
19 actual value of the taxable property within said the school  
20 district, as ascertained by the last preceding state and  
21 county tax lists.

22 Sec. 12. Section 296.6, Code 1995, is amended to read as  
23 follows:

24 296.6 BONDS.

25 If the vote in favor of the issuance of such bonds is equal  
26 to at least sixty percent of the total vote cast for and  
27 against said the proposition at said the election, the board  
28 of directors shall issue the same bonds and make provision for  
29 payment thereof of the bonds. However, if the board of  
30 directors of a school corporation elects to partially fund the  
31 bonds with revenues from a local income surtax, in addition to  
32 property tax revenues, the ballot proposition to authorize the  
33 issuance of the bonds shall be submitted to the electorate  
34 pursuant to section 75.1, subsection 2.

35 Sec. 13. Section 298.14, unnumbered paragraph 1, Code

1 1995, is amended to read as follows:

2 For each fiscal year, the cumulative total of the percents  
3 of surtax approved by the board of directors of a school  
4 district and collected by the department of revenue and  
5 finance under sections 257.21, 257.29, 279.54, and 298.2, and  
6 the enrichment surtax under section 442.15, Code 1989, and an  
7 income surtax collected by a political subdivision under  
8 chapter 422D, shall not exceed twenty percent. In addition,  
9 if an income surtax is imposed under section 76.19, the  
10 cumulative total of percents of surtax imposed on any taxpayer  
11 in a school district under sections 76.19, 257.21, 257.29,  
12 279.54, 298.2, 442.15, Code 1989, and chapter 422D shall not  
13 exceed twenty percent in the first year in which one or more  
14 of these income surtaxes is imposed.

15 Sec. 14. Section 298.18, unnumbered paragraph 2, Code  
16 1995, is amended to read as follows:

17 The amount estimated ~~and-certified-to-apply-on~~ to pay  
18 principal and interest for any one year shall not exceed an  
19 amount that could be raised by a property tax levy equal to  
20 two dollars and seventy cents per thousand dollars of the  
21 assessed valuation of the taxable property of the school  
22 corporation except as hereinafter provided.

23 Sec. 15. Section 298.18, unnumbered paragraph 4, Code  
24 1995, is amended to read as follows:

25 The amount estimated ~~and-certified-to-apply-on~~ to pay  
26 principal and interest for any one year may exceed an amount  
27 that could be raised by a property tax levy equal to two  
28 dollars and seventy cents per thousand dollars of assessed  
29 value by the amount approved by the voters of the school  
30 corporation, but not exceeding four dollars and five cents per  
31 thousand of the assessed value of the taxable property within  
32 any school corporation, provided that the qualified voters of  
33 such school corporation have first approved such increased  
34 amount at a special election as required in section 75.1,  
35 which may be held at the same time as the regular school

1 election. The proposition submitted to the voters at such  
2 special election shall be in substantially the following form:

3 Sec. 16. Section 298.18, unnumbered paragraph 6, Code  
4 1995, is amended to read as follows:

5 Notice of the election shall be given by the county  
6 commissioner of elections according to section 49.53. The  
7 election shall be held on a date not less than four nor more  
8 than twenty days after the last publication of the notice. At  
9 ~~such~~ the election the ballot used for the submission of ~~said~~  
10 the proposition shall be in substantially the form for  
11 submitting special questions at general elections. The county  
12 commissioner of elections shall conduct the election pursuant  
13 to the provisions of chapters 39 to 53 and certify the results  
14 to the board of directors. ~~Such~~ The proposition shall not be  
15 deemed ~~carried-or~~ adopted unless the vote in favor of ~~such~~ the  
16 proposition is equal to at least sixty percent of the total  
17 vote cast for and against ~~said~~ the proposition at ~~said~~ the  
18 election. However, if the board of directors of a school  
19 district elects to partially fund the bonds with revenues from  
20 a local income surtax, in addition to property tax revenues,  
21 the ballot proposition to authorize the issuance of the bonds  
22 shall be submitted to the electorate pursuant to section 75.1,  
23 subsection 2. Whenever If such a proposition has been  
24 approved by the voters of a school corporation as hereinbefore  
25 provided, no further approval of the voters of ~~such~~ the school  
26 corporation shall be required as a result of any subsequent  
27 change in the boundaries of ~~such~~ the school corporation.

28 Sec. 17. Section 298.22, unnumbered paragraph 1, Code  
29 1995, is amended to read as follows:

30 ~~All-of-said~~ The bonds shall be substantially in the form  
31 provided for county bonds, but subject to changes that will  
32 conform them to the action of the board ~~providing-therefor;~~  
33 ~~shall run-not-more-than-twenty-years~~ mature within the period  
34 provided in section 76.1, and may be sooner paid if so  
35 nominated in the bond; bear a rate of interest not exceeding

1 that permitted by chapter 74A, payable semiannually; be signed  
2 by the president and countersigned by the secretary of the  
3 board of directors; and shall not be disposed of for less than  
4 par value, nor issued for other purposes than this chapter  
5 provides.

6 Sec. 18. Section 331.442, subsection 4, Code 1995, is  
7 amended to read as follows:

8 4. The proposition of issuing bonds for a general county  
9 purpose is not ~~carried-or~~ adopted unless the vote in favor of  
10 the proposition is equal to at least sixty percent of the  
11 total vote cast for and against the proposition at the  
12 election. However, if the board elects to partially fund the  
13 bonds with revenues from a local income surtax, in addition to  
14 property tax revenues, the ballot proposition to authorize the  
15 issuance of the bonds shall be submitted to the electorate  
16 pursuant to section 75.1, subsection 2. If the proposition of  
17 issuing the general county purpose bonds is approved by the  
18 voters, the board may proceed with the issuance of the bonds.

19 Sec. 19. Section 331.442, subsection 5, paragraph a,  
20 unnumbered paragraph 1, Code 1995, is amended to read as  
21 follows:

22 Notwithstanding subsection 2, a board, in lieu of calling  
23 an election, may institute proceedings for the issuance of  
24 bonds for a general county purpose by causing a notice of the  
25 proposal to issue the bonds, including a statement of the  
26 amount and purpose of the bonds, the type or types of debt  
27 service tax to be levied or imposed to pay principal and  
28 interest on the bonds, and the right to petition for an  
29 election, to be published as provided in section 331.305 at  
30 least ten days prior to the meeting at which it is proposed to  
31 take action for the issuance of the bonds subject to the  
32 following limitations:

33 Sec. 20. Section 331.447, subsection 1, Code 1995, is  
34 amended to read as follows:

35 1. Taxes for the payment of general obligation bonds shall

1 be levied or imposed in accordance with chapter 76, and the  
2 bonds are ~~payable from the levy of unlimited ad valorem taxes~~  
3 ~~on all the taxable property within the county through its debt~~  
4 ~~service fund required by section 331.430~~ a debt service  
5 property tax or a combination of a debt service property tax  
6 and a debt service income surtax, unlimited as to amount,  
7 except that:

8 a. The amount estimated ~~and certified to apply to pay~~ on  
9 principal and interest for any one year shall not exceed an  
10 amount that could be raised by a debt service property tax  
11 levy equal to the maximum rate of tax, if any, provided by  
12 this division for the purpose for which the bonds were issued.  
13 If general obligation bonds are issued for different  
14 categories, as provided in section 331.445, the maximum rate  
15 of levies, if any, for each purpose shall apply separately to  
16 that portion of the bond issue for that category and the  
17 resolution authorizing the bond issue shall clearly set forth  
18 the annual debt service requirements with respect to each  
19 purpose in sufficient detail to indicate compliance with the  
20 rate of tax levy, if any.

21 b. The amount estimated ~~and certified to apply to pay~~ on  
22 principal and interest for any one year may only exceed an  
23 amount that could be raised by a debt service property tax  
24 levy equal to the statutory rate of levy limit, if any, by the  
25 amount that the ~~qualified electors~~ registered voters of the  
26 county have approved at a special election, which may be held  
27 at the same time as the general election and may be included  
28 in the proposition authorizing the issuance of bonds, if an  
29 election on the proposition is necessary, or may be submitted  
30 as a separate proposition at the same election or at a  
31 different election. Notice of the election shall be given as  
32 specified in section 331.305. If the proposition includes  
33 issuing bonds and increasing the levy limit, it shall be in  
34 substantially the following form:

35 Shall the county of ....., state of Iowa, be authorized

1 to ..... (here state purpose of project) at a total cost  
2 not exceeding \$.... and issue its general obligation bonds in  
3 an amount not exceeding \$.... for that purpose, and be  
4 authorized to levy annually a debt service property tax (or  
5 debt service property tax and income surtax, if applicable),  
6 which will produce an amount not exceeding ... dollars and ...  
7 cents per thousand dollars of the assessed value of the  
8 taxable property within the county to pay the principal of and  
9 interest on the bonds?

10 If the proposition includes only increasing the levy limit  
11 it shall be in substantially the following form:

12 Shall the county of ....., state of Iowa, be authorized  
13 to levy annually a debt service property tax (or debt service  
14 property tax and income surtax, if applicable), which will  
15 produce an amount not exceeding ... dollars and ... cents per  
16 thousand dollars of the assessed value of the taxable property  
17 within the county to pay principal and interest on the bonded  
18 indebtedness of the county for the purpose of .....?

19 Sec. 21. Section 331.490, Code 1995, is amended to read as  
20 follows:

21 331.490 CITIES SUBJECT TO DEBT SERVICE TAX LEVY -- RATES.

22 1. If a county and city have entered into an agreement to  
23 create a joint special assessment district and issue county  
24 general obligation bonds to fund the costs of a public  
25 improvement benefiting that district, the county's debt  
26 service property tax levy for the county general obligation  
27 bonds shall not be levied against property located in any city  
28 except a city which has entered into the agreement, and, if  
29 applicable, the county's debt service income surtax for the  
30 county general obligation bonds shall not be imposed on  
31 taxpayers who reside in any city except a city which has  
32 entered into the agreement.

33 2. Counties and cities entering into an agreement for a  
34 joint special assessment district may provide in the agreement  
35 for a different rate of the county's debt service tax levy

1 against property in areas of the county outside a city and  
2 property within the cities, and, if applicable, for a  
3 different rate of the county's debt service income surtax to  
4 be imposed on taxpayers residing outside the cities and those  
5 residing within each city.

6 Sec. 22. Section 384.26, subsections 2 and 4, Code 1995,  
7 are amended to read as follows:

8 2. Before the council may institute proceedings for the  
9 issuance of bonds for a general corporate purpose, it shall  
10 call a special city election to vote upon the question of  
11 issuing the bonds. At the election the proposition must be  
12 submitted in substantially the following form:

13 Shall the ..... (insert the name of the city) issue  
14 its bonds in an amount not exceeding the amount of \$.... for  
15 the purpose of ....., such bonds to be payable from a  
16 property tax levied on all taxable property within the city  
17 (and income surtax to be imposed on the state income tax of  
18 each income taxpayer residing in the city)?

19 4. The proposition of issuing general corporate purpose  
20 bonds is not ~~carried-or~~ adopted unless the vote in favor of  
21 the proposition is equal to at least sixty percent of the  
22 total vote cast for and against the proposition at the  
23 election. However, if the city council elects to partially  
24 fund the bonds with revenues from a local income surtax, in  
25 addition to property tax revenues, the ballot proposition to  
26 authorize the issuance of the bonds shall be submitted to the  
27 electorate pursuant to section 75.1, subsection 2. If the  
28 proposition of issuing the general corporate purpose bonds is  
29 approved by the voters, the city may proceed with the issuance  
30 of the bonds.

31 Sec. 23. Section 384.26, subsection 5, paragraph a,  
32 unnumbered paragraph 1, Code 1995, is amended to read as  
33 follows:

34 Notwithstanding the provisions of subsection 2, a council  
35 may, in lieu of calling an election, institute proceedings for



1 the issuance of bonds for a general corporate purpose by  
2 causing a notice of the proposal to issue the bonds, including  
3 a statement of the amount and purpose of the bonds, the type  
4 or types of debt service tax to be levied or imposed to pay  
5 principal and interest of the bonds, together with the maximum  
6 rate of interest which the bonds are to bear, and the right to  
7 petition for an election, to be published at least once in a  
8 newspaper of general circulation within the city at least ten  
9 days prior to the meeting at which it is proposed to take  
10 action for the issuance of the bonds subject to the following  
11 limitations:

12 Sec. 24. Section 384.32, Code 1995, is amended to read as  
13 follows:

14 384.32 TAX TO PAY.

15 Taxes for the payment of general obligation bonds must be  
16 levied in accordance with chapter 76, and the bonds are  
17 payable from the levy of ~~unlimited-ad-valorem-taxes-on-all-the~~  
18 ~~taxable-property-within-the-city-through-its-debt-service-fund~~  
19 ~~authorized-by-section-384.4~~ a debt service property tax or a  
20 combination of a debt service property tax and a debt service  
21 income surtax, unlimited as to amount.

22 Sec. 25. APPLICABILITY DATE. This Act applies to bond  
23 issuances approved at elections held on or after the effective  
24 date of this Act.

25 EXPLANATION

26 This bill authorizes general obligation bonds to be issued  
27 by certain political subdivisions which will be partially  
28 funded by a local income surtax imposed on individuals, in  
29 addition to property taxes. Sixty percent of the principal  
30 and interest of the bonds shall be funded by income surtax.  
31 The question of whether to impose a local income surtax to  
32 partially fund the bonds shall be included in the bond  
33 issuance ballot proposition. If principal and interest on the  
34 bonds are to be funded by property tax and income surtax, the  
35 required percentage of votes needed to authorize issuance of

1 the bonds is reduced from 60 percent to a simple majority.

2 The bill also provides that the amount of income surtax  
3 funds collected shall be credited on a pro rata basis to each  
4 parcel of real property in the political subdivision which is  
5 assessed as agricultural or residential property.

6 The bill provides that a bond proposition which includes an  
7 income surtax may not be presented to the electorate if, in  
8 the first year the surtax is imposed, the total surtax imposed  
9 on any taxpayer in the political subdivision would exceed 20  
10 percent. The property tax levied or income surtax imposed is  
11 to be designated as a debt service tax for the payment of  
12 principal and interest on general obligation bonds.

13 This bill applies to bonds issued by a county, city, school  
14 district, or community college.

15 The bill applies to bond issuances approved at elections  
16 held on or after the effective date of the bill.

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35