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SENATE FILE 2440
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2129)

Passed Senate, Date _____ Passed House, 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 a local tax, in addition to
3 property taxes, to partially fund certain bonds, providing a
4 property tax credit, and providing for the Act's
5 applicability.

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

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S.F. 2440

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 the annual levy of
14 property tax to pay principal and interest on bonds issued by
15 a county, school corporation, or city is to be offset with
16 revenue from a local income surtax pursuant to section 76.21,
17 the proposition shall so state and the proposition is adopted
18 if the vote in favor of the proposition is equal to a majority
19 of the total vote cast for and against the proposition at the
20 election. However, a bond issuance proposition proposing
21 imposition of an income surtax shall not be presented to the
22 electors if in the first year the income surtax is imposed the
23 total of all income surtaxes authorized by law and imposed in
24 that year on any taxpayer in the political subdivision
25 imposing the surtax would exceed twenty percent. Upon request
26 of the 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,
10 or combination of property tax levy and income surtax imposed
11 as provided in section 76.19, shall be sufficient to pay the
12 interest and approximately ~~such~~ that portion of the principal
13 of the bonds as will retire them in a period not exceeding
14 ~~twenty~~ twenty-two years from date of issue. Each issue of
15 bonds shall be scheduled to mature serially in the same order
16 as numbered.

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

19 76.2 MANDATORY LEVY -- OBLIGATIONS IN ANTICIPATION OF
20 LEVY.

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

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

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

27 If funds, including reserves and amounts available for
28 temporary transfer, are ~~found to be~~ insufficient to pay in
29 full any installment of principal or interest, a public issuer
30 of bonds may anticipate the next levy of property taxes
31 pursuant to this section or the imposition of an income surtax
32 under section 76.19 in the manner provided in chapter 74,
33 whether the taxes so anticipated are to be collected in the
34 same or a future fiscal year.

35 To further secure the payment of the bonds, the governing

1 authority shall, by resolution, provide for the assessment of
2 an annual levy of a standby tax upon all taxable property
3 within the political subdivision. A copy of the resolution
4 shall be sent to the county auditor of each county in which
5 the political subdivision is located. The revenues from the
6 standby tax shall be deposited in a special fund and shall be
7 expended only for the payment of principal and interest on the
8 bonds issued as provided in this section, when the revenue
9 from an income surtax as provided in section 76.19 is
10 insufficient. Reserves shall not be built up in this fund in
11 anticipation of a projected default. The governing authority
12 shall adjust the annual standby property tax levy for each
13 year to reflect the amount of revenues in the special fund and
14 the amount of principal and interest which is due in that
15 year.

16 Sec. 4. Section 76.4, Code 1995, is amended to read as
17 follows:

18 76.4 PERMISSIVE APPLICATION OF FUNDS.

19 Whenever ~~If~~ the governing authority of ~~such a~~ political
20 subdivision ~~shall have~~ has on hand funds derived from ~~any~~
21 ~~other a~~ source other than taxation which may be appropriated
22 to the payment either of ~~interest-or~~ principal or interest, or
23 both principal and interest of such bonds, ~~such the~~ funds may
24 be ~~so~~ appropriated and used and the property tax levy and
25 income surtax rate, if imposed, for the payment of the bonds
26 correspondingly reduced.

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

29 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

30 Counties, cities, and school corporations may at any time
31 ~~or-times~~ extend or renew any legal indebtedness or any part
32 ~~thereof~~ of the indebtedness they ~~may~~ have represented by bonds
33 or certificates where ~~such the~~ indebtedness is payable from a
34 limited annual property tax or from a voted annual property
35 tax, or from an income surtax imposed under section 76.19, and

1 may by resolution fund or refund the same legal indebtedness
2 and issue bonds ~~therefor~~ running not more than twenty years to
3 be known as funding or refunding bonds, and make provision for
4 the payment of the principal and interest ~~thereof~~ from the
5 proceeds of an annual property tax, or annual property tax and
6 income surtax, for the period covered by such the bonds
7 similar to the tax authorized by law or by the electors for
8 the payment of the indebtedness ~~so~~ extended or renewed.

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

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

13 2. The income surtax shall be imposed upon state income
14 taxes computed under section 422.5, less credits allowed in
15 sections 422.11A, 422.11B, 422.11C, 422.12, and 422.12B, and
16 shall be imposed upon the state income tax for each calendar
17 year, or for a taxpayer's fiscal year ending during the second
18 half of that calendar year or the first half of the succeeding
19 calendar year, and shall be imposed on all taxpayers residing
20 in the political subdivision on the last day of the applicable
21 tax year, and on taxpayers residing in areas severed from the
22 political subdivision as provided in section 76.2.

23 3. The income surtax shall be imposed to collect an amount
24 that is equivalent to sixty percent of the sum of the prin-
25 cipal and interest of the bonds over the life of the bonds.
26 The rate of the income surtax may be adjusted in any year for
27 the sole purpose of ensuring that an amount equivalent to
28 sixty percent of the principal and interest over the life of
29 the bonds is collected.

30 4. At the time of the annual levy under section 76.2, the
31 governing authority of the political subdivision shall also
32 provide in the resolution for the imposition of the income
33 surtax and shall certify to the department of management such
34 sum expressed in dollars. The department shall determine the
35 rate of income surtax to be imposed based upon the most recent

1 available figures from state income taxes paid by taxpayers
2 residing in the political subdivision. The department shall
3 continue to make such calculations and certify the income
4 surtax rate to the county auditor or the auditors of the
5 counties in which the political subdivision is located with
6 adjustments as provided in this section until the principal
7 and interest on the bonds are paid in full. On or before
8 November 1 of each year in which the income surtax is
9 collected the director of revenue and finance shall deposit
10 with the treasurer of the political subdivision the entire
11 amount of income surtax collected from taxpayers residing in
12 the political subdivision.

13 5. The costs of administration shall be determined by the
14 department of revenue and finance, and shall be based on a
15 share of the total cost of administering the department, in
16 the same proportion as the amount of income surtax collected
17 is to the amount of state income taxes collected.

18 6. The director of revenue and finance shall administer
19 the income surtax imposed under this chapter and sections
20 422.4, 422.20 to 422.31, 422.68, and 422.72 to 422.75 shall
21 apply with respect to administration of the income surtax.

22 Sec. 7. NEW SECTION. 76.20 INCOME TAX RETURNS.

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

30 Sec. 8. NEW SECTION. 76.21 PROPERTY TAX CREDIT --
31 AGRICULTURAL AND RESIDENTIAL PROPERTY.

32 Local income surtax revenues collected under section 76.19
33 shall be used to offset the annual levy of property tax on
34 property assessed as agricultural or residential property.
35 The surtax shall be distributed in the following manner:

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

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

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

21 An income surtax imposed under section 76.19 by a school
22 district shall be designated as a school debt service income
23 surtax, an income surtax imposed by a merged area shall be
24 designated as a merged area debt service income surtax, an
25 income surtax imposed under section 76.19 by a city shall be
26 designated a city debt service income surtax, and an income
27 surtax imposed under section 76.19 by a county shall be
28 designated a county debt service income surtax.

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

31 260C.21 ELECTION TO INCUR INDEBTEDNESS.

32 1. No indebtedness shall be incurred under section 260C.19
33 until authorized by an election. A proposition to incur
34 indebtedness and issue bonds for community college purposes
35 shall be deemed carried adopted in a merged area if approved

1 by a sixty percent majority of all voters voting on the
2 proposition in the area. However, if the board elects to
3 offset the annual property tax levy with revenues from a local
4 income surtax pursuant to section 76.21, the ballot
5 proposition to authorize the issuance of the bonds shall be
6 submitted to the electorate pursuant to section 75.1,
7 subsection 2.

8 2. Notwithstanding subsection 1, if the costs of utilities
9 are paid by a community college with funds derived from the
10 levy authorized under section 260C.22, the community college
11 may use the general fund moneys that would have been used to
12 pay the costs of utilities for capital expenditures, may
13 invest the funds, or may incur indebtedness without an
14 election, provided that the payments on the indebtedness
15 incurred, and any interest on the indebtedness, can be made
16 using general funds of the community college and the total
17 payments on the principal and interest on the indebtedness do
18 not exceed the amount of the costs of the utilities.

19 Sec. 11. Section 296.1, Code 1995, is amended to read as
20 follows:

21 296.1 INDEBTEDNESS AUTHORIZED.

22 Subject to the approval of the voters thereof, school
23 districts are hereby authorized to contract indebtedness and
24 to issue general obligation bonds to provide funds to defray
25 the cost of purchasing, building, furnishing, reconstructing,
26 repairing, improving or remodeling a schoolhouse or
27 schoolhouses and additions thereto, gymnasium, stadium, field
28 house, school bus garage, teachers' or superintendent's home
29 or homes, and procuring a site or sites therefor, or
30 purchasing land to add to a site already owned, or procuring
31 and improving a site for an athletic field, or improving a
32 site already owned for an athletic field, and for any one or
33 more of such purposes. Taxes for the payment of said the
34 bonds shall be levied or imposed in accordance with chapter
35 76, and said the bonds shall mature within a period not

1 exceeding-twenty-years-from-date-of-issue the period provided
2 in section 76.1, shall bear interest at a rate or rates not
3 exceeding that permitted by chapter 74A and shall be of such
4 form as the board of directors of ~~such~~ the school district
5 shall by resolution provide, but the aggregate indebtedness of
6 any school district shall not exceed five percent of the
7 actual value of the taxable property within ~~said~~ the school
8 district, as ascertained by the last preceding state and
9 county tax lists.

10 Sec. 12. Section 296.6, Code 1995, is amended to read as
11 follows:

12 296.6 BONDS.

13 If the vote in favor of the issuance of such bonds is equal
14 to at least sixty percent of the total vote cast for and
15 against ~~said~~ the proposition at ~~said~~ the election, the board
16 of directors shall issue the ~~same~~ bonds and make provision for
17 payment ~~thereof~~ of the bonds. However, if the board of
18 directors of a school district elects to offset the annual
19 property tax levy with revenues from an income surtax pursuant
20 to section 76.21, the ballot proposition to authorize the
21 issuance of the bonds shall be submitted to the electorate
22 pursuant to section 75.1, subsection 2.

23 Sec. 13. Section 298.14, unnumbered paragraph 1, Code
24 1995, is amended to read as follows:

25 For each fiscal year, the cumulative total of the percents
26 of surtax approved by the board of directors of a school
27 district and collected by the department of revenue and
28 finance under sections 257.21, 257.29, 279.54, and 298.2, and
29 the enrichment surtax under section 442.15, Code 1989, and an
30 income surtax collected by a political subdivision under
31 chapter 422D, shall not exceed twenty percent. In addition,
32 if an income surtax is imposed under section 76.19, the
33 cumulative total of percents of surtax imposed on any taxpayer
34 in a school district under sections 76.19, 257.21, 257.29,
35 279.54, 298.2, 442.15, Code 1989, and chapter 422D shall not

1 exceed twenty percent in the first year in which one or more
2 of these income surtaxes is imposed.

3 Sec. 14. Section 298.18, unnumbered paragraph 2, Code
4 1995, is amended to read as follows:

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

11 Sec. 15. Section 298.18, unnumbered paragraph 4, Code
12 1995, is amended to read as follows:

13 The amount estimated ~~and-certified-to-apply-on~~ to pay
14 principal and interest for any one year may exceed an amount
15 that could be raised by a property tax levy equal to two
16 dollars and seventy cents per thousand dollars of assessed
17 value by the amount approved by the voters of the school
18 corporation, but not exceeding four dollars and five cents per
19 thousand of the assessed value of the taxable property within
20 any school corporation, provided that the qualified registered
21 voters of such school corporation have first approved such
22 increased amount at a special election, which may be held at
23 the same time as the regular school election. The proposition
24 submitted to the voters at such special election shall be in
25 substantially the following form:

26 Sec. 16. Section 298.18, unnumbered paragraph 6, Code
27 1995, is amended to read as follows:

28 Notice of the election shall be given by the county
29 commissioner of elections according to section 49.53. The
30 election shall be held on a date not less than four nor more
31 than twenty days after the last publication of the notice. At
32 ~~such~~ the election the ballot used for the submission of ~~said~~
33 the proposition shall be in substantially the form for
34 submitting special questions at general elections. The county
35 commissioner of elections shall conduct the election pursuant

1 to the provisions of chapters 39 to 53 and certify the results
2 to the board of directors. ~~Such~~ The proposition shall not be
3 deemed ~~carried-or~~ adopted unless the vote in favor of ~~such~~ the
4 proposition is equal to at least sixty percent of the total
5 vote cast for and against ~~said~~ the proposition at ~~said~~ the
6 election. ~~Whenever~~ However, if the board of directors of a
7 school district elects to offset the annual property tax levy
8 with revenues from an income surtax pursuant to section 76.21,
9 the ballot proposition shall be submitted to the electorate
10 pursuant to section 75.1, subsection 2. If such a proposition
11 has been approved by the voters of a school corporation as
12 hereinbefore provided, no further approval of the voters of
13 ~~such~~ the school corporation shall be required as a result of
14 any subsequent change in the boundaries of ~~such~~ the school
15 corporation.

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

18 ~~All-of-said~~ The bonds shall be substantially in the form
19 provided for county bonds, but subject to changes that will
20 conform them to the action of the board ~~providing-therefor;~~
21 ~~shall run-not-more-than-twenty-years~~ mature within the period
22 provided in section 76.1, and may be sooner paid if so
23 nominated in the bond; bear a rate of interest not exceeding
24 that permitted by chapter 74A, payable semiannually; be signed
25 by the president and countersigned by the secretary of the
26 board of directors; and shall not be disposed of for less than
27 par value, nor issued for other purposes than this chapter
28 provides.

29 Sec. 18. Section 331.442, subsection 4, Code Supplement
30 1995, is amended to read as follows:

31 4. The proposition of issuing bonds for a general county
32 purpose is not ~~carried-or~~ adopted unless the vote in favor of
33 the proposition is equal to at least sixty percent of the
34 total vote cast for and against the proposition at the
35 election. However, if the board elects to offset the annual

1 property tax levy with revenues from a local income surtax
2 pursuant to section 76.21, the ballot proposition to authorize
3 the issuance of the bonds shall be submitted to the electorate
4 pursuant to section 75.1, subsection 2. If the proposition of
5 issuing the general county purpose bonds is approved by the
6 voters, the board may proceed with the issuance of the bonds.

7 Sec. 19. Section 331.442, subsection 5, paragraph a,
8 unnumbered paragraph 1, Code Supplement 1995, is amended to
9 read as follows:

10 Notwithstanding subsection 2, a board, in lieu of calling
11 an election, may institute proceedings for the issuance of
12 bonds for a general county purpose by causing a notice of the
13 proposal to issue the bonds, including a statement of the
14 amount and purpose of the bonds, the type or types of debt
15 service tax to be levied or imposed to pay principal and
16 interest on the bonds, and the right to petition for an
17 election, to be published as provided in section 331.305 at
18 least ten days prior to the meeting at which it is proposed to
19 take action for the issuance of the bonds subject to the
20 following limitations:

21 Sec. 20. Section 331.447, subsection 1, Code Supplement
22 1995, is amended to read as follows:

23 1. Taxes for the payment of general obligation bonds shall
24 be levied or imposed in accordance with chapter 76, and the
25 bonds are payable from ~~the levy of unlimited ad valorem taxes~~
26 ~~on all the taxable property within the county through its debt~~
27 ~~service fund required by section 331.430~~ a debt service
28 property tax or combination of a debt service property tax and
29 a debt service local income surtax, unlimited as to amount,
30 except that:

31 a. The amount estimated ~~and certified to apply to pay~~ on
32 principal and interest for any one year shall not exceed an
33 amount that could be raised by a debt service property tax
34 levy equal to the maximum rate of tax, if any, provided by
35 this division for the purpose for which the bonds were issued.

1 If general obligation bonds are issued for different
2 categories, as provided in section 331.445, the maximum rate
3 of levies, if any, for each purpose shall apply separately to
4 that portion of the bond issue for that category and the
5 resolution authorizing the bond issue shall clearly set forth
6 the annual debt service requirements with respect to each
7 purpose in sufficient detail to indicate compliance with the
8 rate of tax levy, if any.

9 b. The amount estimated ~~and-certified-to-apply~~ to pay on
10 principal and interest for any one year may only exceed an
11 amount that could be raised by a debt service property tax
12 levy equal to the statutory rate of levy limit, if any, by the
13 amount that the registered voters of the county have approved
14 at a special election, which may be held at the same time as
15 the general election and may be included in the proposition
16 authorizing the issuance of bonds, if an election on the
17 proposition is necessary, or may be submitted as a separate
18 proposition at the same election or at a different election.
19 Notice of the election shall be given as specified in section
20 331.305. If the proposition includes issuing bonds and
21 increasing the levy limit, it shall be in substantially the
22 following form:

23 Shall the county of, state of Iowa, be authorized
24 to (here state purpose of project) at a total cost
25 not exceeding \$..... and issue its general obligation bonds
26 in an amount not exceeding \$..... for that purpose, and be
27 authorized to levy annually a debt service property tax (or
28 debt service property tax, and income surtax to offset the
29 property tax, if applicable), which will produce an amount not
30 exceeding ... dollars and ... cents per thousand dollars of
31 the assessed value of the taxable property within the county
32 to pay the principal of and interest on the bonds?

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

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

1 to levy annually a debt service property tax (or debt service
2 property tax and income surtax to offset the property tax, if
3 applicable), which will produce an amount not exceeding ...
4 dollars and ... cents per thousand dollars of the assessed
5 value of the taxable property within the county to pay
6 principal and interest on the bonded indebtedness of the
7 county for the purpose of?

8 Sec. 21. Section 331.490, Code 1995, is amended to read as
9 follows:

10 331.490 CITIES SUBJECT TO DEBT SERVICE TAX LEVY -- RATES.

11 1. If a county and city have entered into an agreement to
12 create a joint special assessment district and issue county
13 general obligation bonds to fund the costs of a public
14 improvement benefiting that district, the county's debt ser-
15 vice property tax levy for the county general obligation bonds
16 shall not be levied against property located in any city
17 except a city which has entered into the agreement, and, if
18 applicable, the county's debt service income surtax for the
19 county general obligation bonds shall not be imposed on
20 taxpayers who reside in any city except a city which has
21 entered into the agreement.

22 2. Counties and cities entering into an agreement for a
23 joint special assessment district may provide in the agreement
24 for a different rate of the county's debt service tax levy
25 against property in areas of the county outside a city and
26 property within the cities, and, if applicable, for a
27 different rate of the county's debt service income surtax to
28 be imposed on taxpayers residing outside the cities and those
29 residing within each city.

30 Sec. 22. Section 384.26, subsection 2, Code Supplement
31 1995, is amended to read as follows:

32 2. Before the council may institute proceedings for the
33 issuance of bonds for a general corporate purpose, it shall
34 call a special city election to vote upon the question of
35 issuing the bonds. At the election the proposition must be

1 submitted in substantially the following form:

2 Shall the (insert the name of the city) issue
3 its bonds in an amount not exceeding the amount of \$.... for
4 the purpose of, such bonds to be payable from a
5 property tax levied on all taxable property within the city
6 (and income surtax to offset the property tax to be imposed on
7 the state income tax of each income taxpayer residing in the
8 city)?

9 Sec. 23. Section 384.26, subsection 4, Code Supplement
10 1995, is amended to read as follows:

11 4. The proposition of issuing general corporate purpose
12 bonds is not ~~carried-or~~ adopted unless the vote in favor of
13 the proposition is equal to at least sixty percent of the
14 total vote cast for and against the proposition at the
15 election. However, if the city council elects to offset the
16 annual property tax levy with revenues from a local income
17 surtax pursuant to section 76.21, the ballot proposition to
18 authorize the issuance of the bonds shall be submitted to the
19 electorate pursuant to section 75.1, subsection 2. If the
20 proposition of issuing the general corporate purpose bonds is
21 approved by the voters, the city may proceed with the issuance
22 of the bonds.

23 Sec. 24. Section 384.26, subsection 5, paragraph a,
24 unnumbered paragraph 1, Code Supplement 1995, is amended to
25 read as follows:

26 Notwithstanding the provisions of subsection 2, a council
27 may, in lieu of calling an election, institute proceedings for
28 the issuance of bonds for a general corporate purpose by
29 causing a notice of the proposal to issue the bonds, including
30 a statement of the amount and purpose of the bonds, the type
31 or types of debt service tax to be levied or imposed to pay
32 principal and interest of the bonds, together with the maximum
33 rate of interest which the bonds are to bear, and the right to
34 petition for an election, to be published at least once in a
35 newspaper of general circulation within the city at least ten

1 days prior to the meeting at which it is proposed to take
2 action for the issuance of the bonds subject to the following
3 limitations:

4 Sec. 25. Section 384.32, Code 1995, is amended to read as
5 follows

6 384.32 TAX TO PAY.

7 Taxes for the payment of general obligation bonds must be
8 levied in accordance with chapter 76, and the bonds are
9 payable from the levy of ~~unlimited-ad-valorem-taxes-on-all-the~~
10 ~~taxable-property-within-the-city-through-its-debt-service-fund~~
11 authorized-by-section-384.4 a debt service property tax or a
12 combination of a debt service property tax and a debt service
13 income surtax, unlimited as to amount.

14 Sec. 26. APPLICABILITY DATE. This Act applies to bond
15 issuances approved at elections held on or after the effective
16 date of this Act.

17 EXPLANATION

18 This bill authorizes general obligation bonds to be issued
19 by certain political subdivisions which will be partially
20 funded by a local income surtax imposed on individuals, in
21 addition to property taxes. The bill provides that income
22 surtax funds collected shall be credited to each parcel of
23 real property in the political subdivision which is assessed
24 as agricultural or residential property. The income surtax
25 shall offset property taxes in an amount equivalent to 60
26 percent of the principal and interest of the bonds. The
27 question of whether to impose a local income surtax to offset
28 the property tax levy for the bonds shall be included in the
29 bond issuance ballot proposition. If principal and interest
30 on the bonds are to be funded by property tax, and a portion
31 of that property tax is to be offset with revenues from an
32 income surtax, the required percentage of votes needed to
33 authorize issuance of the bonds is reduced from 60 percent to
34 a majority.

35 The bill provides that a bond proposition which includes an

1 income surtax may not be presented to the electorate if, in
2 the first year the surtax is imposed, the total surtax imposed
3 on any taxpayer in the political subdivision would exceed 20
4 percent. The bill extends from six months to 12 months the
5 time period that must elapse before a defeated bond proposal
6 may be resubmitted to the electorate. The property tax levied
7 or income surtax imposed are to be designated as debt service
8 taxes for the payment of principal and interest on general
9 obligation bonds.

10 This bill applies to bonds issued by a county, city, school
11 districts, and community colleges.

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SENATE FILE 2440
FISCAL NOTE

A fiscal note for Senate File 2440 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2440 authorizes general obligation bonds to be issued by county, city, school district, and community colleges which will be partially funded by a local income surtax, in addition to property taxes. The income surtax would offset property taxes by 60.0% of the principal and interest of the bonds. If the principal and interest on the bonds are to be funded by property taxes and income surtax, the required percentage of votes needed to authorize issuance of the bonds is reduced from 60.0% to a majority.

ASSUMPTIONS

1. Compared to current law, property taxes and income surtax would have to pay the principal and interest on bonds with voter approval between 50% and 60%.
2. School districts had an annual average over nine year of \$40.5 million worth of bonds that failed voter approval between 50% and 60%.
3. The number of bonds that failed voter approval between 50% and 60.0% for counties and cities is unknown.
4. Community colleges have not had new bonds in several years so the fiscal impact should be minimal.
5. The Department of Revenue and Finance may have additional expenses related to the income surtax but the cost is unknown.

FISCAL IMPACT

The fiscal impact of Senate File 2440 cannot be determined.

(LSB 3310SV, JAS)

FILED MARCH 25, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2440

S-5268

- 1 Amend Senate File 2440 as follows:
- 2 1. Page 1, by striking line 13 and inserting the
- 3 following:
- 4 "2. If the board of supervisors of a county, board
- 5 of directors of a school corporation, or city council
- 6 of a city proposes that the annual levy of".
- 7 2. Page 1, line 15, by striking the word "a" and
- 8 inserting the following: "the".
- 9 3. Page 1, by striking lines 17 through 20 and
- 10 inserting the following: "the proposition shall so
- 11 state. However, a bond issuance proposition
- 12 proposing".
- 13 4. Page 5, by striking lines 23 through 29.
- 14 5. By striking page 7, line 29, through page 8,
- 15 line 18.
- 16 6. Page 9, by striking lines 10 through 22.
- 17 7. By striking page 10, line 26, through page 11,
- 18 line 15.
- 19 8. By striking page 11, line 29, through page 12,
- 20 line 6.
- 21 9. Page 15, by striking lines 9 through 22.
- 22 10. By renumbering, relettering, and correcting
- 23 internal references as necessary.

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27 _____
STEWART IVERSON, Jr.

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EMIL J. HUSAK

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35 _____
MARY LOU FREEMAN

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39 _____
ANDY McKEAN

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43 _____
JOANN DOUGLAS

44 BERL E. PRIEBE

45 TOM FLYNN

46 RICHARD F. DRAKE

47 JACK RIFE

48 DERRYL McLAREN

49 BRAD BANKS

50 JOHN W. JENSEN

S-5268

Page 2

1 JIM LIND

2 WILMER RENSINK

3 NANCY BOETTGER

4 ALLEN BORLAUG

5 MAGGIE TINSMAN

6 H. KAY HEDGE

7 LYLE E. ZIEMAN

RECEIVED FROM THE HOUSE

S-5268 FILED MARCH 11, 1996