

JAN 12 1998

WAYS AND MEANS

HOUSE FILE

*2016*

BY KREMER, VANDE HOEF, THOMSON,  
CORMACK, and CONNORS

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

**A BILL FOR**

1 An Act relating to the increase in the amount reimbursed by the  
2 state for loss of property taxes due to the allowance of the  
3 military service tax exemption and providing effective and  
4 applicability date provisions.

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

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*#F 2016*

1 Section 1. Section 25B.7, subsection 2, paragraph c, Code  
2 Supplement 1997, is amended to read as follows:

3 c. Military service property tax credit and exemption  
4 pursuant to chapter 426A and sections 427.3 through 427.7, ~~to~~  
5 ~~the extent of six dollars and seventy-five cents per thousand~~  
6 ~~dollars of assessed value of the exempt property.~~

7 Sec. 2. Section 426A.2, Code 1997, is amended to read as  
8 follows:

9 426A.2 MILITARY SERVICE TAX CREDIT.

10 The moneys shall be apportioned each year so as to replace  
11 all ~~or a portion~~ of the tax which would be due on property  
12 eligible for military service tax exemption in the state, if  
13 the property were subject to taxation, ~~the amount of the~~  
14 ~~credit to be not more than six dollars and seventy-five cents~~  
15 ~~per thousand dollars of assessed value of property which would~~  
16 ~~be subject to the tax, except for the military service tax~~  
17 exemption.

18 Sec. 3. Section 426A.5, Code 1997, is amended to read as  
19 follows:

20 426A.5 PROPORTIONATE SHARES TO DISTRICTS.

21 The amount of credits received under this chapter shall  
22 then be apportioned by each county treasurer to the several  
23 taxing districts in the same manner as though the amount of  
24 the credit had been paid by the owner of the property  
25 receiving the credit. Each taxing district shall receive its  
26 proportionate share of the military service tax credit allowed  
27 on each and every tax exemption allowed in such the taxing  
28 ~~district, in the proportion that the levy made by such taxing~~  
29 ~~district upon general property bears to the total levy upon~~  
30 ~~all property subject to general property taxation by all~~  
31 ~~taxing districts imposing a general property tax in such~~  
32 ~~taxing district~~ based upon the amount of property taxes which  
33 would be due on the property receiving the credit, if the  
34 property were subject to taxation.

35 Sec. 4. The increase in state reimbursement resulting from

1 the amendment to section 426A.2 in this Act is subject to the  
2 limitation on its use by local governments as provided in  
3 section 25B.7, subsection 3.

4 Sec. 5. This Act, being deemed of immediate importance,  
5 takes effect upon enactment and applies to the military  
6 service property tax exemption allowed for property taxes due  
7 and payable during fiscal years beginning on or after July 1,  
8 1998.

9 EXPLANATION

10 Under present law, the state will reimburse local  
11 governments for the lost tax revenue resulting from the  
12 military service tax exemption. However, the amount of  
13 reimbursement is limited to \$6.75 per \$1,000 of the assessed  
14 value of the exemption. Since the consolidated levies  
15 throughout the state exceed \$6.75 per \$1,000 of the assessed  
16 value, the local governments are not reimbursed for all the  
17 lost property tax revenue. This bill increases the amount of  
18 the reimbursement to equal the full amount of the property  
19 taxes lost by local governments as a result of the military  
20 service tax exemption.

21 The bill also limits the use of the increase reimbursement  
22 to local governments to property tax relief and infrastructure  
23 needs until July 1, 2002.

24 The bill takes effect upon enactment and applies to taxes  
25 due and payable during fiscal years beginning on or after July  
26 1, 1998.

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HOUSE FILE 2016  
FISCAL NOTE

A fiscal note for House File 2016 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.

House File 2016 reimburses counties for the full cost of the military service tax exemption. Currently, the amount of the reimbursement is limited to \$6.75 per \$1,000 of assessed valuation. House File 2016 also limits the use of the increase in reimbursement to property tax relief and infrastructure needs until July 1, 2002. The bill is effective upon enactment and applies to taxes due and payable beginning July 1, 1998.

Assumptions:

1. The total value of exempt property Statewide under the military service tax credit is \$412.2 million.
2. The average consolidated levy Statewide is \$33.63 per \$1,000 of assessed valuation.

Fiscal Effect:

The fiscal effect of HF 2016 is a net additional cost of \$10.5 million per year. This is in addition to the \$2.8 million which is currently appropriated for the cost of the military service tax credit.

Source: Statewide LFB Property Tax Database

(LSB 3073hh, LCS)

FILED JANUARY 20, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR