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WAYS AND MEANS

HOUSE FILE 237
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and SCHRADER

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

A BILL FOR

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

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

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HF 237

1 Section 1. Section 75.1, Code 1997, 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 school corporation is to be offset with revenue from an
16 income surtax pursuant to section 76.21, the proposition shall
17 so state and the proposition is adopted if the vote in favor
18 of the proposition is equal to a majority of the total vote
19 cast for and against the proposition at the election.

20 3. All ballots cast and not counted as a vote for or
21 against the proposition shall not be used in computing the
22 total vote cast for and against ~~said the~~ proposition.

23 4. When a proposition to authorize an issuance of bonds
24 has been submitted to the electors under this section and the
25 proposal fails to gain approval by the required percentage of
26 votes, such proposal, or any proposal which incorporates any
27 portion of the defeated proposal, shall not be submitted to
28 the electors for a period of ~~six~~ twelve months from the date
29 of such regular or special election.

30 Sec. 2. Section 76.1, Code 1997, is amended to read as
31 follows:

32 76.1 MANDATORY RETIREMENT.

33 ~~Hereafter-issues~~ Issues of bonds of every kind and
34 ~~character~~ by counties, cities, and school corporations shall
35 be consecutively numbered. The annual levy of property tax,

1 or combination of property tax levy and income surtax imposed
2 as provided in section 76.19, shall be sufficient to pay the
3 interest and approximately such that portion of the principal
4 of the bonds as will retire them in a period not exceeding
5 twenty twenty-two years from date of issue. Each issue of
6 bonds shall be scheduled to mature serially in the same order
7 as numbered.

8 Sec. 3. Section 76.2, Code 1997, is amended to read as
9 follows:

10 76.2 MANDATORY LEVY -- OBLIGATIONS IN ANTICIPATION OF
11 LEVY.

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

32 If the a resolution which does not include imposition of an
33 income surtax is filed prior to April 1, or May 1, if the
34 political subdivision is a school district, the annual levy
35 shall begin with the tax levy for collection commencing July 1

1 of that year. If the resolution is filed after April 1, or
2 May 17, in the case of a school district, or if the resolution
3 includes imposition of an income surtax, the annual property
4 tax levy shall begin with the tax levy for collection in the
5 next succeeding fiscal year. If the resolution includes the
6 imposition of a local income surtax and it is filed with the
7 department of revenue and finance prior to August 1, the
8 imposition of the surtax is retroactive to January 1 of that
9 calendar year. If the resolution is filed with the department
10 of revenue and finance on or after August 1, the imposition of
11 the income surtax begins on January 1 of the next calendar
12 year. However, the governing authority of a political
13 subdivision may adjust a levy of taxes made under this section
14 for the purpose of adjusting the annual levies and collections
15 and income surtax rate for property severed from the political
16 subdivision, subject to the approval of the director of the
17 department of management.

18 If funds, including reserves and amounts available for
19 temporary transfer, are ~~found to be~~ insufficient to pay in
20 full any installment of principal or interest, a public issuer
21 of bonds may anticipate the next levy of property taxes
22 pursuant to this section or the imposition of an income surtax
23 under section 76.19 in the manner provided in chapter 74,
24 whether the taxes so anticipated are to be collected in the
25 same or a future fiscal year.

26 To further secure the payment of the bonds, the governing
27 authority shall, by resolution, provide for the assessment of
28 an annual levy of a standby tax upon all taxable property
29 within the political subdivision. A copy of the resolution
30 shall be sent to the county auditor of each county in which
31 the political subdivision is located. The revenues from the
32 standby tax shall be deposited in a special fund and shall be
33 expended only for the payment of principal and interest on the
34 bonds issued as provided in this section, when the revenue
35 from an income surtax as provided in section 76.19 is

1 insufficient. Reserves shall not be built up in this fund in
2 anticipation of a projected default. The governing authority
3 shall adjust the annual standby property tax levy for each
4 year to reflect the amount of revenues in the special fund and
5 the amount of principal and interest which is due in that
6 year.

7 Sec. 4. Section 76.4, Code 1997, is amended to read as
8 follows:

9 76.4 PERMISSIVE APPLICATION OF FUNDS.

10 Whenever if the governing authority of such a political
11 subdivision ~~shall have~~ has on hand funds derived from any
12 other a source other than taxation which may be appropriated
13 to the payment either of ~~interest-or~~ principal or interest, or
14 both principal and interest of such bonds, ~~such the~~ the funds may
15 be so appropriated and used and the property tax levy and
16 income surtax, if imposed, for the payment of the bonds
17 correspondingly reduced.

18 Sec. 5. Section 76.7, Code 1997, is amended to read as
19 follows:

20 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

21 Counties, cities, and school corporations may at any time
22 ~~or-times~~ extend or renew any legal indebtedness or any part
23 ~~thereof~~ of the indebtedness they may have represented by bonds
24 or certificates where ~~such the~~ the indebtedness is payable from a
25 limited annual property tax or from a voted annual property
26 tax, or from an income surtax imposed under section 76.19, and
27 may by resolution fund or refund the ~~same~~ legal indebtedness
28 and issue bonds ~~therefor~~ running not more than twenty years to
29 be known as funding or refunding bonds, and make provision for
30 the payment of the principal and interest ~~thereof~~ from the
31 proceeds of an annual property tax, or annual property tax and
32 income surtax, for the period covered by ~~such the~~ the bonds
33 similar to the tax authorized by law or by the electors for
34 the payment of the indebtedness ~~so~~ extended or renewed.

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

1 1. An income surtax may be imposed by a school corporation
2 as provided in this section, but only if authorized by the
3 electors as provided in section 75.1.

4 2. The income surtax shall be imposed upon state income
5 taxes computed under section 422.5, less credits allowed in
6 sections 422.11A, 422.11B, 422.12, and 422.12B, and shall be
7 imposed upon the state income tax for each calendar year, or
8 for a taxpayer's fiscal year ending during the second half of
9 that calendar year or the first half of the succeeding
10 calendar year, and shall be imposed on all taxpayers residing
11 within the boundaries of the school corporation on the last
12 day of the applicable tax year.

13 3. The income surtax shall be imposed to collect an amount
14 that is equivalent to sixty percent of the sum of the prin-
15 cipal and interest of the bonds over the life of the bonds.
16 The rate of the income surtax may be adjusted in any year for
17 the sole purpose of ensuring that an amount equivalent to
18 sixty percent of the principal and interest over the life of
19 the bonds is collected. An income surtax imposed pursuant to
20 this section shall not exceed twenty percent.

21 4. At the time of the annual levy under section 76.2, the
22 governing authority of the school corporation shall also
23 provide in the resolution for the imposition of the income
24 surtax and shall certify to the department of management such
25 sum expressed in dollars. The department shall determine the
26 rate of income surtax to be imposed based upon the most recent
27 available figures from state income taxes paid by taxpayers
28 residing in the school corporation. The department shall
29 continue to make such calculations and certify the income
30 surtax rate to the county auditor or the auditors of the
31 counties in which the school corporation is located with
32 adjustments as provided in this section until the principal
33 and interest on the bonds are paid in full. On or before
34 November 1 of each year in which the income surtax is
35 collected the director of revenue and finance shall deposit

1 with the treasurer of the school corporation the entire amount
2 of income surtax collected from taxpayers residing in the
3 school corporation.

4 5. The costs of administration shall be determined by the
5 department of revenue and finance, and shall be based on a
6 share of the total cost of administering the department, in
7 the same proportion as the amount of income surtax collected
8 is to the amount of state income taxes collected.

9 6. The director of revenue and finance shall administer
10 the income surtax imposed under this chapter and sections
11 422.4, 422.20 to 422.31, 422.68, and 422.72 to 422.75 shall
12 apply with respect to administration of the income surtax.

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

14 An income surtax imposed under section 76.19 shall be made
15 a part of the Iowa individual income tax return subject to the
16 conditions and restrictions set forth in section 422.21. The
17 director of revenue and finance shall provide on income tax
18 returns a requirement that each person required to file a re-
19 turn numerically identify the merged area in which the
20 taxpayer resides.

21 Sec. 8. NEW SECTION. 76.21 PROPERTY TAX CREDIT --
22 AGRICULTURAL AND RESIDENTIAL PROPERTY.

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

27 Upon receipt of the revenues collected from the income
28 surtax, the county treasurer shall notify the county auditor
29 of the amount of income surtax revenues received. The auditor
30 shall determine the amount to be credited to each parcel of
31 real property located within the boundaries of the school
32 corporation and assessed as agricultural or residential
33 property, and shall enter such amount upon the tax lists as a
34 credit against the tax levied on each parcel of real property
35 assessed as agricultural or residential property. The county

1 treasurer shall show on each tax receipt the amount of tax
2 credit to be applied against property taxes payable in the
3 fiscal year following the year in which the surtax was
4 collected for each parcel of real property assessed as
5 agricultural or residential property. In case of change of
6 ownership, the credit shall remain with the parcel.

7 The amount of the credit funded by revenues from the income
8 surtax imposed under section 76.19 shall be an amount equal to
9 a pro rata share based upon the ratio of the taxable value of
10 each parcel to receive the credit to the total taxable value
11 of all property to receive the credit.

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

13 An income surtax imposed under section 76.19 by a school
14 district shall be designated as a school debt service income
15 surtax and an income surtax imposed by a merged area shall be
16 designated as a merged area debt service income surtax.

17 Sec. 10. Section 260C.21, Code 1997, is amended to read as
18 follows:

19 260C.21 ELECTION TO INCUR INDEBTEDNESS.

20 1. No indebtedness shall be incurred under section 260C.19
21 until authorized by an election. A proposition to incur
22 indebtedness and issue bonds for community college purposes
23 shall be deemed carried in a merged area if approved by a
24 sixty percent majority of all voters voting on the proposition
25 in the area. However, if the board elects to impose an income
26 surtax pursuant to section 76.21, the ballot proposition to
27 authorize the issuance of the bonds shall be submitted to the
28 electorate pursuant to section 75.1, subsection 2.

29 2. Notwithstanding subsection 1, if the costs of utilities
30 are paid by a community college with funds derived from the
31 levy authorized under section 260C.22, the community college
32 may use the general fund moneys that would have been used to
33 pay the costs of utilities for capital expenditures, may
34 invest the funds, or may incur indebtedness without an
35 election, provided that the payments on the indebtedness

1 incurred, and any interest on the indebtedness, can be made
2 using general funds of the community college and the total
3 payments on the principal and interest on the indebtedness do
4 not exceed the amount of the costs of the utilities.

5 Sec. 11. Section 296.1, Code 1997, is amended to read as
6 follows:

7 296.1 INDEBTEDNESS AUTHORIZED.

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

31 Sec. 12. Section 296.6, Code 1997, is amended to read as
32 follows:

33 296.6 BONDS.

34 If the vote in favor of the issuance of such bonds is equal
35 to at least sixty percent of the total vote cast for and

1 against said the proposition at said the election, the board
2 of directors shall issue the same bonds and make provision for
3 payment thereof of the bonds. However, if the board of
4 directors of a school district elects to impose an income
5 surtax pursuant to section 76.19, the ballot proposition to
6 authorize the issuance of the bonds shall be submitted to the
7 electorate pursuant to section 75.1, subsection 2.

8 Sec. 13. Section 298.18, unnumbered paragraphs 2, 4, and
9 6, Code 1997, are amended to read as follows:

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

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

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

1 commissioner of elections shall conduct the election pursuant
2 to the provisions of chapters 39 to 53 and certify the results
3 to the board of directors. ~~Such~~ The proposition shall not be
4 deemed ~~carried-or~~ adopted unless the vote in favor of ~~such~~ the
5 proposition is equal to at least sixty percent of the total
6 vote cast for and against ~~said~~ the proposition at ~~said~~ the
7 election. ~~Whenever~~ However, if the board of directors of a
8 school district elects to impose an income surtax pursuant to
9 section 76.19, the ballot proposition shall be submitted to
10 the electorate pursuant to section 75.1, subsection 2. If
11 such a proposition has been approved by the voters of a school
12 corporation as hereinbefore provided, no further approval of
13 the voters of ~~such~~ the school corporation shall be required as
14 a result of any subsequent change in the boundaries of ~~such~~
15 the school corporation.

16 Sec. 14. Section 298.22, unnumbered paragraph 1, Code
17 1997, 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. 15. APPLICABILITY DATE. This Act applies to bond
30 issuance elections held on or after the effective date of this
31 Act.

32 EXPLANATION

33 This bill reduces the majority required to approve a school
34 corporation bond issuance proposition from 60 percent to 50
35 percent if an income surtax is imposed to offset the property

1 tax cost of the bonds for residential and agricultural
2 property owners. The income surtax imposed shall not exceed
3 20 percent. The bill also provides that the income surtax
4 collected to offset the property taxes paid on the bonds by
5 residential and agricultural property owners shall be an
6 amount equivalent to 60 percent of the principal and interest
7 paid on the bonds over the life of the bonds. A school
8 corporation is a school district, merged area, or area
9 education agency.

10 The bill changes from 20 years to 22 years the length of
11 time that bonds can be outstanding. The bill also extends
12 from six months to 12 months the period of time in which a
13 defeated bond issuance proposal may be resubmitted to voters.

14 The bill applies to bond issuance elections held on or
15 after July 1, 1997.

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