

MAR 12 1997

WAYS AND MEANS

HOUSE FILE
BY MEYER

566

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

A BILL FOR

1 An Act relating to certain bonds issued by a school district and
2 authorizing school districts to make transfers from the
3 general fund or to impose an income surtax to partially fund
4 the bonds, 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 566

1 Section 1. Section 76.1, Code 1997, is amended to read as
2 follows:

3 76.1 MANDATORY RETIREMENT.

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

15 Sec. 2. Section 76.2, Code 1997, is amended to read as
16 follows:

17 76.2 MANDATORY LEVY -- OBLIGATIONS IN ANTICIPATION OF
18 LEVY.

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

1 the bonds in full and an income surtax shall continue to be
2 imposed upon the residents of any area severed from a school
3 district.

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

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

33 To further secure the payment of bonds partially funded by
34 an income surtax as provided in section 76.19, the board of
35 directors of a school district shall, by resolution, provide

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

15 Sec. 3. Section 76.4, Code 1997, is amended to read as
16 follows:

17 76.4 PERMISSIVE APPLICATION OF FUNDS.

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

26 Sec. 4. Section 76.7, Code 1997, is amended to read as
27 follows:

28 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

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

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

8 Sec. 5. NEW SECTION. 76.19 INCOME SURTAX.

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

12 2. The income surtax shall be imposed upon state income
13 taxes computed under section 422.5, less credits allowed in
14 sections 422.11A, 422.11B, 422.12, and 422.12B, and shall be
15 imposed upon the state income tax for each calendar year, or
16 for a taxpayer's fiscal year ending during the second half of
17 that calendar year or the first half of the succeeding
18 calendar year, and shall be imposed on all taxpayers residing
19 within the boundaries of the school district on the last day
20 of the applicable tax year.

21 3. The income surtax shall be imposed to collect an amount
22 that is equivalent to sixty percent of the sum of the prin-
23 cipal and interest of the bonds over the life of the bonds.
24 The rate of the income surtax may be adjusted in any year for
25 the sole purpose of ensuring that an amount equivalent to
26 sixty percent of the principal and interest over the life of
27 the bonds is collected. An income surtax imposed pursuant to
28 this section shall not exceed twenty percent of a taxpayer's
29 state income tax liability for the tax year.

30 4. At the time of the annual levy under section 76.2, the
31 governing authority of the school district shall also provide
32 in the resolution for the imposition of the income surtax and
33 shall certify to the department of management such sum
34 expressed in dollars. The department shall determine the rate
35 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 school district. 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 school district 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 school district the entire amount of
11 income surtax collected from taxpayers residing in the school
12 district.

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. 6. 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.

26 Sec. 7. NEW SECTION. 76.21 DESIGNATION OF TAX.

27 An income surtax imposed under section 76.19 by a school
28 district shall be designated as a school debt service income
29 surtax.

30 Sec. 8. Section 296.1, Code 1997, is amended to read as
31 follows:

32 296.1 INDEBTEDNESS AUTHORIZED.

33 Subject to the approval of the voters thereof, school
34 districts are hereby authorized to contract indebtedness and
35 to issue general obligation bonds to provide funds to defray

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

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

23 The amount estimated and certified to apply on to pay
24 principal and interest for any one year shall not exceed an
25 amount that could be raised by a property tax levy equal to
26 two dollars and seventy cents per thousand dollars of the
27 assessed valuation of the taxable property of the school
28 corporation except as hereinafter provided.

29 The amount estimated and certified to apply on to pay
30 principal and interest for any one year may exceed an amount
31 that could be raised by a property tax levy equal to two
32 dollars and seventy cents per thousand dollars of assessed
33 value by the amount approved by the voters of the school
34 corporation, but not exceeding four dollars and five cents per
35 thousand of the assessed value of the taxable property within

1 any school corporation, provided that the qualified registered
2 voters of such school corporation have first approved such
3 increased amount at a special election, which may be held at
4 the same time as the regular school election. The proposition
5 submitted to the voters at such special election shall be in
6 substantially the following form:

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

25 Sec. 10. Section 298.22, unnumbered paragraph 1, Code
26 1997, is amended to read as follows:

27 ~~All-of-said~~ The bonds shall be substantially in the form
28 provided for county bonds, but subject to changes that will
29 conform them to the action of the board ~~providing-therefor;~~
30 ~~shall run-not-more-than-twenty-years~~ mature within the period
31 provided in section 76.1, and may be sooner paid if so
32 nominated in the bond; bear a rate of interest not exceeding
33 that permitted by chapter 74A, payable semiannually; be signed
34 by the president and countersigned by the secretary of the
35 board of directors; and shall not be disposed of for less than

1 par value, nor issued for other purposes than this chapter
2 provides.

3 Sec. 11. Section 298A.2, Code 1997, is amended to read as
4 follows:

5 298A.2 GENERAL FUND.

6 All moneys received by a school corporation from taxes and
7 other sources must be accounted for in the general fund,
8 except moneys required by law to be accounted for in another
9 fund. A portion of the balance remaining in the general fund
10 at the end of a fiscal year may be transferred, by resolution
11 of the board of directors, to the debt service fund or to a
12 capital project fund to pay the principal and interest on
13 bonds issued by the school district, but only if such bonds
14 were issued after receiving voter approval.

15 Sec. 12. APPLICABILITY DATE. This Act applies to bond
16 issuance elections held on or after the effective date of this
17 Act.

18 EXPLANATION

19 This bill authorizes a school district to impose an income
20 surtax for principal and interest on bonds issued by the
21 school district. The income surtax imposed shall not exceed
22 20 percent of a taxpayer's state income tax liability for a
23 tax year. The bill also provides that the income surtax
24 collected shall be an amount equivalent to 60 percent of the
25 principal and interest paid on the bonds over the life of the
26 bonds.

27 The bill also authorizes the board of directors of a school
28 district to, by resolution, transfer a portion of the ending
29 balance in the school district's general fund to pay principal
30 and interest on bonds issued by the school district.

31 The bill changes from 20 years to 22 years the maximum
32 length of time that bonds can be outstanding.

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

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