

JAN 27 1999

WAYS AND MEANS

HOUSE FILE

160

BY WISE

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 160

1 Section 1. Section 75.1, Code 1999, 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 imposed pursuant to section 76.19, the
17 proposition shall so state and the proposition is adopted if
18 the vote in favor of the proposition is equal to a majority of
19 the total vote cast for and against the proposition at the
20 election.

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

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

31 Sec. 2. Section 76.1, Code 1999, is amended to read as
32 follows:

33 76.1 MANDATORY RETIREMENT.

34 ~~Hereafter-issues~~ Issues of bonds ~~of every kind and~~
35 ~~character~~ by counties, cities, and school corporations shall

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

9 Sec. 3. Section 76.2, Code 1999, is amended to read as
10 follows:

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

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

33 If the a resolution which does not include imposition of an
34 income surtax is filed prior to April 1, or May 1, if the
35 political subdivision is a school district, the annual levy

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

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

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

1 from an income surtax as provided in section 76.19 is
2 insufficient. Reserves shall not be built up in this fund in
3 anticipation of a projected default. The governing authority
4 shall adjust the annual standby property tax levy for each
5 year to reflect the amount of revenues in the special fund and
6 the amount of principal and interest which is due in that
7 year.

8 Sec. 4. Section 76.4, Code 1999, is amended to read as
9 follows:

10 76.4 PERMISSIVE APPLICATION OF FUNDS.

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

19 Sec. 5. Section 76.7, Code 1999, is amended to read as
20 follows:

21 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

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

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

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

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

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

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

1 collected the director of revenue and finance shall deposit
2 with the treasurer of the school corporation the entire amount
3 of income surtax collected from taxpayers residing in the
4 school corporation.

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

10 6. The director of revenue and finance shall administer
11 the income surtax imposed under this chapter and sections
12 422.4, 422.20 through 422.31, 422.68, and 422.72 through
13 422.75 shall apply with respect to administration of the
14 income surtax.

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

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

23 Sec. 8. NEW SECTION. 76.21 PROPERTY TAX CREDIT --
24 AGRICULTURAL AND RESIDENTIAL PROPERTY.

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

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

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

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

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

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

19 Sec. 10. Section 260C.21, Code 1999, is amended to read as
20 follows:

21 260C.21 ELECTION TO INCUR INDEBTEDNESS.

22 1. No indebtedness shall be incurred under section 260C.19
23 until authorized by an election. A proposition to incur
24 indebtedness and issue bonds for community college purposes
25 shall be deemed carried in a merged area if approved by a
26 sixty percent majority of all voters voting on the proposition
27 in the area. However, if the board elects to impose an income
28 surtax pursuant to section 76.19, the ballot proposition to
29 authorize the issuance of the bonds shall be submitted to the
30 electorate pursuant to section 75.1, subsection 2.

31 2. Notwithstanding subsection 1, if the costs of utilities
32 are paid by a community college with funds derived from the
33 levy authorized under section 260C.22, the community college
34 may use the general fund moneys that would have been used to
35 pay the costs of utilities for capital expenditures, may

1 invest the funds, or may incur indebtedness without an
2 election, provided that the payments on the indebtedness
3 incurred, and any interest on the indebtedness, can be made
4 using general funds of the community college and the total
5 payments on the principal and interest on the indebtedness do
6 not exceed the amount of the costs of the utilities.

7 | Sec. 11. Section 296.1, Code 1999, is amended to read as
8 follows:

9 | 296.1 INDEBTEDNESS AUTHORIZED.

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

33 | Sec. 12. Section 296.6, Code 1999, is amended to read as
34 follows:

35 | 296.6 BONDS.

1 If the vote in favor of the issuance of such bonds is equal
2 to at least sixty percent of the total vote cast for and
3 against said the proposition at said the election, the board
4 of directors shall issue the same bonds and make provision for
5 payment thereof of the bonds. However, if the board of
6 directors of a school district elects to impose an income
7 surtax pursuant to section 76.19, the ballot proposition to
8 authorize the issuance of the bonds shall be submitted to the
9 electorate pursuant to section 75.1, subsection 2.

10 | Sec. 13. Section 298.18, unnumbered paragraphs 2, 4, and
11 6, Code 1999, are amended to read as follows:

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

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

31 | Notice of the election shall be given by the county
32 commissioner of elections according to section 49.53. The
33 election shall be held on a date not less than four nor more
34 than twenty days after the last publication of the notice. At
35 such the election the ballot used for the submission of said

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

18 Sec. 14. Section 298.22, unnumbered paragraph 1, Code
19 1999, is amended to read as follows:

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

31 Sec. 15. APPLICABILITY DATE. This Act applies to bond
32 issuance elections held on or after the effective date of this
33 Act.

34 EXPLANATION

35 This bill reduces the vote required to approve a school

1 corporation bond issuance proposition from 60 percent to a
2 simple majority if an income surtax is imposed. A school
3 corporation is a school district, merged area, or area
4 education agency. The bill provides that the revenue
5 collected from the income surtax is to be distributed to
6 agricultural and residential property taxpayers to offset the
7 property tax cost of the bonds for those taxpayers. The
8 income surtax imposed shall not exceed 20 percent. The bill
9 also provides that the income surtax collected to offset
10 agricultural and residential property taxes paid on the bonds
11 shall be an amount equivalent to 60 percent of the principal
12 and interest paid on the bonds over the life of the bonds.

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

17 The bill applies to bond issuance elections held on or
18 after the effective date of the bill.

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