FEB 1 1 2000

WAYS AND MEANS

HOUSE FILE 2217

BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HF 2035)

Passed House, Date ____________ Passed Senate, Date ____________

Vote: Ayes _______ Nays ________ Vote: Ayes _______ Nays ________

Approved ______________________________

A BILL FOR

An Act relating to collection of the physical plant and equipment property tax levy in urban renewal areas using tax increment financing and providing an applicability date.

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

HF 2217

TLSB 5580HV 78

sc/cls/14

S.F. ______ H.F. 2217

Section 1. Section 403.19, subsection 2, Code 1999, is amended to read as follows:

2. That portion of the taxes each year in excess of such amount shall be allocated to and when collected be paid into a special fund of the municipality to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed, or otherwise, including bonds issued under the authority of section 403.9, subsection 1, incurred by the municipality to finance or refinance, in whole or in part, an urban renewal project within the area, and to provide assistance for low and moderate income family housing as provided in section 403.22, except that <u>taxes for the regular and voter-approved physical plant and equipment levy of a school district imposed pursuant to section 298.2 and</u> taxes for the payment of bonds and interest of each taxing district must be collected against all taxable property within the taxing district without limitation by the provisions of this subsection. <u>However, taxes for the physical plant and equipment levy shall be paid to the municipality if the municipality certifies to the county auditor that such levy is necessary to pay the principal and interest on indebtedness incurred by the municipality to finance an urban renewal project, which indebtedness was incurred before July 1, 2000.</u> Unless and until the total assessed valuation of the taxable property in an urban renewal area exceeds the total assessed value of the taxable property in such area as shown by the last equalized assessment roll referred to in subsection 1, all of the taxes levied and collected upon the taxable property in the urban renewal area shall be paid into the funds for the respective taxing districts as taxes by or for the taxing districts in the same manner as all other property taxes. When such loans, advances, indebtedness, and bonds, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in such urban renewal area shall be paid into the funds for the

respective taxing districts in the same manner as taxes on all other property.

Sec. 2. APPLICABILITY DATE. This Act applies to property taxes due and owing on or after July 1, 2000.

EXPLANATION

This bill provides that the revenues from a school district physical plant and equipment levy (PPEL) imposed in an urban renewal area that is utilizing tax increment financing shall not be paid to the municipality implementing the urban renewal plan, but will be paid to the school district imposing the PPEL, unless the levy is needed to pay indebtedness for the urban renewal area incurred before July 1, 2000. The bill applies to both the regular PPEL and the voter-approved PPEL.

The bill applies to property taxes due and payable on or after July 1, 2000.

HOUSE FILE 2217
FISCAL NOTE

A fiscal note for **House File 2217** 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 2217 provides that revenues generated from a physical plant and equipment levy (PPEL) imposed in an urban renewal area will not be subject to any tax increment financing (TIF) division of revenues as provided for in Section 403.19, Subsection 2, Code of Iowa, except in the case when a municipality certifies to the county auditor that the levy is required to pay the principal and interest on debt incurred by the municipality to finance an urban renewal project. However, for the exception to apply, the indebtedness must have been incurred before July 1, 2000.

BACKGROUND
School boards may impose a physical plant and equipment levy of up to $0.33 per $1,000 of assessed valuation. An additional levy of up to $1.34 per $1,000 of assessed valuation may be imposed by voters of the school district. Currently, if a portion of the school district is included in an urban renewal area in which a tax increment financing district has been established, then the taxes generated by the assessed value of property in the tax increment financing district may be claimed by that district rather than by the school district. For assessment year 1998 (FY 2000) the valuation of taxable property located in school districts with physical plant and equipment levies subject to tax increment financing equals $3.317 billion.

ASSUMPTION
1. The number of school districts with board approved or voter approved physical plant and equipment levies for the 1999-2000 school year (FY 2000) is 366 and 236, respectively. The number of school districts and the amount of physical plant and equipment levies will remain constant for the next two years.
2. The value of property subject to tax increment financing will increase by 5.0% per year for each of the next two years.
3. The law change would become effective for the fiscal year beginning July 1, 2000.

FISCAL IMPACT
House File 2217 will have no impact on the State General Fund. For FY 2001 and FY 2002, approximately $2.6 million and $2.8 million, respectively, will go to school districts with physical plant and equipment levies rather than to tax increment finance districts.

(LSB 5580hv, MAL)

FILED FEBRUARY 14, 2000 BY DENNIS PROUTY, FISCAL DIRECTOR