

Houser, Chair

ARNOLD

Fallon

HSB 702

LOCAL GOVERNMENT

Succeeded by

SF 02516

HOUSE FILE

BY (PROPOSED COMMITTEE ON

LOCAL GOVERNMENT BILL BY

CHAIRPERSON HOUSER)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act authorizing a political subdivision to impose a local
2 income surtax, in addition to property taxes, to partially
3 fund certain bonds, and providing for the Act's applicability.

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

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

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. Principal and interest on bonds issued by a county,
14 school corporation, or city may be paid in part with revenue
15 from a local income surtax imposed under section 76.19. If
16 the bonds are to be paid in part with revenue from a local
17 income surtax, the proposition shall so state and the
18 proposition is adopted if the vote in favor of the proposition
19 is equal to at least sixty percent of the total vote cast for
20 and against the proposition at the election. However, a bond
21 issuance proposition proposing imposition of an income surtax
22 shall not be presented to the electors if in the first year
23 the income surtax is imposed the total of all income surtaxes
24 authorized by law and imposed in that year on any taxpayer in
25 the political subdivision imposing the surtax would exceed
26 twenty percent. Upon request of the governing authority, the
27 department of management shall certify the cumulative rate of
28 income surtax being imposed in the political subdivision.

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

32 4. When a proposition to authorize an issuance of bonds
33 has been submitted to the electors under this section and the
34 proposal fails to gain approval by the required percentage of
35 votes, such proposal, or any proposal which incorporates any

1 portion of the defeated proposal, shall not be submitted to
2 the electors for a period of six months from the date of such
3 regular or special election.

4 Sec. 2. Section 76.1, Code 1999, is amended to read as
5 follows:

6 76.1 MANDATORY RETIREMENT.

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

17 Sec. 3. Section 76.2, Code 1999, is amended to read as
18 follows:

19 76.2 MANDATORY LEVY -- OBLIGATIONS IN ANTICIPATION OF
20 LEVY.

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

1 made against property that is severed from the political
2 subdivision and the income surtax shall continue to be imposed
3 upon the residents of any area severed from the political
4 subdivision after the filing of the resolution until funds are
5 realized to pay the bonds in full.

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

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

35 To further secure the payment of the bonds, the governing

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

16 Sec. 4. Section 76.4, Code 1999, is amended to read as
 17 follows:

18 76.4 PERMISSIVE APPLICATION OF FUNDS.

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

27 Sec. 5. Section 76.7, Code 1999, is amended to read as
 28 follows:

29 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

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

1 under section 76.19, and may by resolution fund or refund the
2 same legal indebtedness and issue bonds ~~therefor~~ running not
3 more than twenty years to be known as funding or refunding
4 bonds, and make provision for the payment of the principal and
5 interest ~~thereof~~ from the proceeds of an annual property tax,
6 or annual property tax and income surtax, for the period
7 covered by ~~such~~ the bonds similar to the tax authorized by law
8 or by the electors for the payment of the indebtedness ~~so~~
9 extended or renewed.

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

11 1. An income surtax may be imposed by a political
12 subdivision as provided in this section, but only if
13 authorized by the electors as provided in section 75.1.

14 2. The income surtax shall be imposed upon state income
15 taxes computed under section 422.5, less credits allowed in
16 sections 422.11A, 422.11B, 422.12, 422.12B, and 422.12C and
17 shall be imposed upon the state income tax for each calendar
18 year, or for a taxpayer's fiscal year beginning during the
19 second half of that calendar year or the first half of the
20 succeeding calendar year, and shall be imposed on all
21 taxpayers residing in the political subdivision on the last
22 day of the applicable tax year, and on taxpayers residing in
23 areas severed from the political subdivision as provided in
24 section 76.2.

25 3. The income surtax shall be imposed to collect an amount
26 that is equivalent to no more than fifty percent of the sum of
27 the principal and interest of the bonds over the life of the
28 bonds. The rate of the income surtax may be adjusted in any
29 year for the sole purpose of ensuring that an amount
30 equivalent to no more than fifty percent of the principal and
31 interest over the life of the bonds is collected.

32 4. At the time of the annual levy under section 76.2, the
33 governing authority of the political subdivision shall also
34 provide in the resolution for the imposition of the income
35 surtax and shall certify to the department of management such

1 sum expressed in dollars. The department shall determine the
 2 rate of income surtax to be imposed based upon the most recent
 3 available figures from state income taxes paid by taxpayers
 4 residing in the political subdivision. The department shall
 5 continue to make such calculations and certify the income
 6 surtax rate to the county auditor or the auditors of the
 7 counties in which the political subdivision is located with
 8 adjustments as provided in this section until the principal
 9 and interest on the bonds are paid in full. On or before
 10 November 1 of each year in which the income surtax is
 11 collected the director of revenue and finance shall deposit
 12 with the treasurer of the political subdivision the entire
 13 amount of income surtax collected from taxpayers residing in
 14 the political subdivision.

15 5. The costs of administration shall be determined by the
 16 department of revenue and finance, and shall be based on a
 17 share of the total cost of administering the department, in
 18 the same proportion as the amount of income surtax collected
 19 is to the amount of state income taxes collected.

20 6. The director of revenue and finance shall administer
 21 the income surtax imposed under this chapter and sections
 22 422.4, 422.20 to 422.31, 422.68, and 422.72 to 422.75 shall
 23 apply with respect to administration of the income surtax.

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

25 An income surtax imposed under section 76.19 shall be made
 26 a part of the Iowa individual income tax return subject to the
 27 conditions and restrictions set forth in section 422.21. The
 28 director of revenue and finance shall provide on income tax
 29 returns a requirement that each person required to file a
 30 return numerically identify the city of residence of the
 31 taxpayer and the merged area in which the taxpayer resides.

32 Sec. 8. NEW SECTION. 76.21 DESIGNATION OF TAX.

33 An income surtax imposed under section 76.19 by a school
 34 district shall be designated as a school debt service income
 35 surtax, and income surtax imposed by a merged area shall be

1 designated as a merged area debt service income surtax, and
2 income surtax imposed under section 76.19 by a city shall be
3 designated a city debt service income surtax, and an income
4 surtax imposed under section 76.19 by a county shall be
5 designated a county debt service income surtax.

6 Sec. 9. Section 260C.21, Code 1999, is amended to read as
7 follows:

8 260C.21 ELECTION TO INCUR INDEBTEDNESS.

9 1. No indebtedness shall be incurred under section 260C.19
10 until authorized by an election. A proposition to incur
11 indebtedness and issue bonds for community college purposes
12 shall be deemed ~~carried~~ adopted in a merged area if approved
13 by a sixty percent majority of all voters voting on the
14 proposition in the area. ~~However, if~~ If the board elects to
15 partially fund the bonds with revenues from a local income
16 surtax, in addition to property tax revenues, the ballot
17 proposition to authorize the issuance of the bonds shall be
18 submitted to the electorate pursuant to section 75.1,
19 subsection 2.

20 2. Notwithstanding subsection 1, if the costs of utilities
21 are paid by a community college with funds derived from the
22 levy authorized under section 260C.22, the community college
23 may use the general fund moneys that would have been used to
24 pay the costs of utilities for capital expenditures, may
25 invest the funds, or may incur indebtedness without an
26 election, provided that the payments on the indebtedness
27 incurred, and any interest on the indebtedness, can be made
28 using general funds of the community college and the total
29 payments on the principal and interest on the indebtedness do
30 not exceed the amount of the costs of the utilities.

31 Sec. 10. Section 296.1, Code 1999, is amended to read as
32 follows:

33 296.1 INDEBTEDNESS AUTHORIZED.

34 Subject to the approval of the voters thereof, school
35 districts are hereby authorized to contract indebtedness and

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

22 Sec. 11. Section 296.6, Code 1999, is amended to read as
23 follows:

24 296.6 BONDS.

25 If the vote in favor of the issuance of such bonds is equal
26 to at least sixty percent of the total vote cast for and
27 against said the proposition at said election, the board of
28 directors shall issue the same bonds and make provision for
29 payment thereof of the bonds. If the board of directors of a
30 school district elects to partially fund the bonds with
31 revenues from an income surtax, in addition to property tax
32 revenues, the ballot proposition to authorize the issuance of
33 the bonds shall be submitted to the electorate pursuant to
34 section 75.1, subsection 2.

35 Sec. 12. Section 298.14, unnumbered paragraph 1, Code

1 1999, is amended to read as follows:

2 For each fiscal year, the cumulative total of the percents
3 of surtax approved by the board of directors of a school
4 district and collected by the department of revenue and
5 finance under sections 76.19, 257.21, 257.29, 279.54, and
6 298.2, and the enrichment surtax under section 442.15, Code
7 1989, and an income surtax collected by a political
8 subdivision under chapter 422D, shall not exceed twenty
9 percent.

10 Sec. 13. Section 298.18, unnumbered paragraph 2, Code
11 1999, is 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 Sec. 14. Section 298.18, unnumbered paragraph 4, Code
19 1999, is amended to read as follows:

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

33 Sec. 15. Section 298.18, unnumbered paragraph 6, Code
34 1999, is amended to read as follows:

35 Notice of the election shall be given by the county

1 commissioner of elections according to section 49.53. The
2 election shall be held on a date not less than four nor more
3 than twenty days after the last publication of the notice. At
4 ~~such~~ the election, the ballot used for the submission of ~~said~~
5 the proposition shall be in substantially the form for
6 submitting special questions at general elections. The county
7 commissioner of elections shall conduct the election pursuant
8 to the provisions of chapters 39 to 53 and certify the results
9 to the board of directors. ~~Such~~ The proposition shall not be
10 deemed ~~carried-or~~ adopted unless the vote in favor of ~~such~~ the
11 proposition is equal to at least sixty percent of the total
12 vote cast for and against ~~said~~ the proposition at ~~said~~ the
13 election. ~~Whenever-such~~ If the board of directors of a school
14 district elects to partially fund the bonds with revenues from
15 a local income surtax, in addition to property tax revenues,
16 the ballot proposition to authorize the issuance of the bonds
17 shall be submitted to the electorate pursuant to section 75.1,
18 subsection 2. If a proposition has been approved by the
19 voters of a school corporation as hereinbefore provided, no
20 further approval of the voters of ~~such~~ the school corporation
21 shall be required as a result of any subsequent change in the
22 boundaries of ~~such~~ the school corporation.

23 Sec. 16. Section 298.22, unnumbered paragraph 1, Code
24 1999, is amended to read as follows:

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

1 Sec. 17. Section 331.442, subsection 4, Code 1999, is
2 amended to read as follows:

3 4. The proposition of issuing bonds for a general county
4 purpose is not ~~carried-or~~ adopted unless the vote in favor of
5 the proposition is equal to at least sixty percent of the
6 total vote cast for and against the proposition at the
7 election. If the board elects to partially fund the bonds
8 with revenues from a local income surtax, in addition to
9 property tax revenues, the ballot proposition to authorize the
10 issuance of the bonds shall be submitted to the electorate
11 pursuant to section 75.1, subsection 2. If the proposition of
12 issuing the general county purpose bonds is approved by the
13 voters, the board may proceed with the issuance of the bonds.

14 Sec. 18. Section 331.442, subsection 5, paragraph a,
15 unnumbered paragraph 1, Code 1999, is amended to read as
16 follows:

17 Notwithstanding subsection 2, a board, in lieu of calling
18 an election, may institute proceedings for the issuance of
19 bonds for a general county purpose by causing a notice of the
20 proposal to issue the bonds, the type or types of debt service
21 tax to be levied or imposed to pay principal and interest on
22 the bonds, including a statement of the amount and purpose of
23 the bonds, and the right to petition for an election, to be
24 published as provided in section 331.305 at least ten days
25 prior to the meeting at which it is proposed to take action
26 for the issuance of the bonds subject to the following
27 limitations:

28 Sec. 19. Section 331.447, subsection 1, Code 1999, is
29 amended to read as follows:

30 1. Taxes for the payment of general obligation bonds shall
31 be levied in accordance with chapter 76, and the bonds are
32 payable from ~~the-levy-of-unlimited-ad-valorem-taxes-on-all-the~~
33 ~~taxable-property-within-the-county-through-its-debt-service~~
34 ~~fund-required-by-section-331-430~~ a debt service property tax
35 or combination of a debt service property tax and debt service

1 local income surtax, unlimited as to amount, except that:

2 a. The amount estimated ~~and-certified-to-apply-on~~ to pay
3 principal and interest for any one year shall not exceed an
4 amount that could be raised by a debt service property tax
5 levy equal to the maximum rate of tax, if any, provided by
6 this division for the purpose for which the bonds were issued.
7 If general obligation bonds are issued for different
8 categories, as provided in section 331.445, the maximum rate
9 of levies, if any, for each purpose shall apply separately to
10 that portion of the bond issue for that category and the
11 resolution authorizing the bond issue shall clearly set forth
12 the annual debt service requirements with respect to each
13 purpose in sufficient detail to indicate compliance with the
14 rate of tax levy, if any.

15 b. The amount estimated ~~and-certified-to-apply-on~~ to pay
16 principal and interest for any one year may only exceed an
17 amount that could be raised by a debt service property tax
18 levy equal to the statutory rate of levy limit, if any, by the
19 amount that the registered voters of the county have approved
20 at a special election, which may be held at the same time as
21 the general election and may be included in the proposition
22 authorizing the issuance of bonds, if an election on the
23 proposition is necessary, or may be submitted as a separate
24 proposition at the same election or at a different election.
25 Notice of the election shall be given as specified in section
26 331.305. If the proposition includes issuing bonds and
27 increasing the levy limit, it shall be in substantially the
28 following form:

29 Shall the county of, state of Iowa, be authorized
30 to (here state purpose of project) at a total cost
31 not exceeding \$.... and issue its general obligation bonds in
32 an amount not exceeding \$.... for that purpose, and be
33 authorized to levy annually a debt service property tax (or
34 debt service property tax and income surtax, if applicable),
35 which will produce an amount not exceeding ... dollars and ...

1 cents per thousand dollars of the assessed value of the
2 taxable property within the county to pay the principal of and
3 interest on the bonds?

4 If the proposition includes only increasing the levy limit
5 it shall be in substantially the following form:

6 Shall the county of, state of Iowa, be authorized
7 to levy annually a debt service property tax (or debt service
8 property tax and income surtax, if applicable), which will
9 produce an amount not exceeding ... dollars and ... cents per
10 thousand dollars of the assessed value of the taxable property
11 within the county to pay principal and interest on the bonded
12 indebtedness of the county for the purpose of?

13 Sec. 20. Section 331.490, Code 1999, is amended to read as
14 follows:

15 331.490 CITIES SUBJECT TO DEBT SERVICE TAX LEVY -- RATES.

16 1. If a county and city have entered into an agreement to
17 create a joint special assessment district and issue county
18 general obligation bonds to fund the costs of a public
19 improvement benefiting that district, the county's debt
20 service property tax levy for the county general obligation
21 bonds shall not be levied against property located in any city
22 except a city which has entered into the agreement, and, if
23 applicable, the county's debt service income surtax for the
24 county general obligation bonds shall not be imposed on
25 taxpayers who reside in any city except a city which has
26 entered into the agreement.

27 2. Counties and cities entering into an agreement for a
28 joint special assessment district may provide in the agreement
29 for a different rate of the county's debt service property tax
30 levy against property in areas of the county outside a city
31 and property within the cities, and, if applicable, for a
32 different rate of the county's debt service income surtax to
33 be imposed on taxpayers residing outside the cities and those
34 residing within each city.

35 Sec. 21. Section 384.26, subsection 2, Code 1999, is

1 amended to read as follows:

2 2. Before the council may institute proceedings for the
3 issuance of bonds for a general corporate purpose, it shall
4 call a special city election to vote upon the question of
5 issuing the bonds. At the election the proposition must be
6 submitted in substantially the following form:

7 Shall the (insert the name of the city) issue
8 its bonds in an amount not exceeding the amount of \$.... for
9 the purpose of, such bonds to be payable from a
10 property tax levied on all taxable property within the city
11 (and income surtax to be imposed on the state income tax of
12 each income taxpayer residing in the city)?

13 Sec. 22. Section 384.26, subsection 4, Code 1999, is
14 amended to read as follows:

15 4. The proposition of issuing general corporate purpose
16 bonds is not ~~carried-or~~ adopted unless the vote in favor of
17 the proposition is equal to at least sixty percent of the
18 total vote cast for and against the proposition at the
19 election. If the city council elects to partially fund the
20 bonds with revenues from a local income surtax, in addition to
21 property tax revenues, the ballot proposition to authorize the
22 issuance of the bonds shall be submitted to the electorate
23 pursuant to section 75.1, subsection 2. If the proposition of
24 issuing the general corporate purpose bonds is approved by the
25 voters, the city may proceed with the issuance of the bonds.

26 Sec. 23. Section 384.26, subsection 5, paragraph a,
27 unnumbered paragraph 1, Code 1999, is amended to read as
28 follows:

29 Notwithstanding the provisions of subsection 2, a council
30 may, in lieu of calling an election, institute proceedings for
31 the issuance of bonds for a general corporate purpose by
32 causing a notice of the proposal to issue the bonds, including
33 a statement of the amount and purpose of the bonds, the type
34 or types of debt service tax to be levied or imposed to pay
35 principal and interest of the bonds, together with the maximum

1 rate of interest which the bonds are to bear, and the right to
2 petition for an election, to be published at least once in a
3 newspaper of general circulation within the city at least ten
4 days prior to the meeting at which it is proposed to take
5 action for the issuance of the bonds subject to the following
6 limitations:

7 Sec. 24. Section 384.32, Code 1999, is amended to read as
8 follows:

9 384.32 TAX TO PAY.

10 Taxes for the payment of general obligation bonds must be
11 levied in accordance with chapter 76, and the bonds are
12 payable from the levy of ~~unlimited-ad-valorem-taxes-on-all-the~~
13 ~~taxable-property-within-the-city-through-its-debt-service-fund~~
14 authorized-by-section-384.4 a debt service property tax or a
15 combination of a debt service property tax and a debt service
16 income surtax, unlimited as to amount.

17 Sec. 25. APPLICABILITY DATE. This Act applies to bond
18 issuances approved at elections held on or after the effective
19 date of this Act.

20 EXPLANATION

21 This bill authorizes general obligation bonds to be issued
22 by certain political subdivisions which will be partially
23 funded by a local income surtax imposed on individuals, in
24 addition to property taxes. No more than 50 percent of the
25 principal and interest of the bonds shall be funded by income
26 surtax. The bill provides that the question of whether to
27 impose a local income surtax to partially fund the bonds shall
28 be included in the bond issuance ballot proposition. If
29 principal and interest on the bonds are to be funded by
30 property tax and income surtax, the required percentage of
31 votes needed to authorize issuance of the bonds remains at 60
32 percent.

33 The bill provides that a bond proposition which includes an
34 income surtax may not be presented to the electorate if, in
35 the first year the surtax is imposed, the total surtax imposed

1 on any taxpayer in the political subdivision would exceed 20
2 percent. The property tax levied or income surtax imposed is
3 to be designated as debt service taxes for the payment of
4 principal and interest on general obligation bonds.

5 The bill applies to bond issuances approved at elections
6 held on or after the effective date of the bill.

7 The bill applies to bonds issued by a county, a city,
8 school districts, and community colleges.

- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35

FEB 29 2000
WAYS AND MEANS

HOUSE FILE 2516
BY COMMITTEE ON LOCAL
GOVERNMENT

(SUCCESSOR TO HSB 702)

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

A BILL FOR

1 An Act authorizing a political subdivision to impose a local
2 income surtax, in addition to property taxes, to partially
3 fund certain bonds, and providing for the Act's applicability.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

HF 2516

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. Principal and interest on bonds issued by a county,
14 school corporation, or city may be paid in part with revenue
15 from a local income surtax imposed under section 76.19. If
16 the bonds are to be paid in part with revenue from a local
17 income surtax, the proposition shall so state and the
18 proposition is adopted if the vote in favor of the proposition
19 is equal to at least sixty percent of the total vote cast for
20 and against the proposition at the election. However, a bond
21 issuance proposition proposing imposition of an income surtax
22 shall not be presented to the electors if in the first year
23 the income surtax is imposed the total of all income surtaxes
24 authorized by law and imposed in that year on any taxpayer in
25 the political subdivision imposing the surtax would exceed
26 twenty percent. Upon request of the governing authority, the
27 department of management shall certify the cumulative rate of
28 income surtax being imposed in the political subdivision.

29 3. All ballots cast and not counted as a vote for or
30 against the proposition shall not be used in computing the
31 total vote cast for and against said the proposition.

32 4. When a proposition to authorize an issuance of bonds
33 has been submitted to the electors under this section and the
34 proposal fails to gain approval by the required percentage of
35 votes, such proposal, or any proposal which incorporates any

1 portion of the defeated proposal, shall not be submitted to
2 the electors for a period of six months from the date of such
3 regular or special election.

4 Sec. 2. Section 76.1, Code 1999, is amended to read as
5 follows:

6 76.1 MANDATORY RETIREMENT.

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

17 Sec. 3. Section 76.2, Code 1999, is amended to read as
18 follows:

19 76.2 MANDATORY LEVY -- OBLIGATIONS IN ANTICIPATION OF
20 LEVY.

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

1 made against property that is severed from the political
2 subdivision and the income surtax shall continue to be imposed
3 upon the residents of any area severed from the political
4 subdivision after the filing of the resolution until funds are
5 realized to pay the bonds in full.

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

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

35 To further secure the payment of the bonds, the governing

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

16 Sec. 4. Section 76.4, Code 1999, is amended to read as
17 follows:

18 76.4 PERMISSIVE APPLICATION OF FUNDS.

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

27 Sec. 5. Section 76.7, Code 1999, is amended to read as
28 follows:

29 76.7 PARTICULAR BONDS AFFECTED -- PAYMENT.

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

1 under section 76.19, and may by resolution fund or refund the
2 same legal indebtedness and issue bonds ~~therefor~~ running not
3 more than twenty years to be known as funding or refunding
4 bonds, and make provision for the payment of the principal and
5 interest ~~thereof~~ from the proceeds of an annual property tax,
6 or annual property tax and income surtax, for the period
7 covered by ~~such~~ the bonds similar to the tax authorized by law
8 or by the electors for the payment of the indebtedness so
9 extended or renewed.

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

11 1. An income surtax may be imposed by a political
12 subdivision as provided in this section, but only if
13 authorized by the electors as provided in section 75.1.

14 2. The income surtax shall be imposed upon state income
15 taxes computed under section 422.5, less credits allowed in
16 sections 422.11A, 422.11B, 422.12, 422.12B, and 422.12C and
17 shall be imposed upon the state income tax for each calendar
18 year, or for a taxpayer's fiscal year beginning during the
19 second half of that calendar year or the first half of the
20 succeeding calendar year, and shall be imposed on all
21 taxpayers residing in the political subdivision on the last
22 day of the applicable tax year, and on taxpayers residing in
23 areas severed from the political subdivision as provided in
24 section 76.2.

25 3. The income surtax shall be imposed to collect an amount
26 that is equivalent to no more than fifty percent of the sum of
27 the principal and interest of the bonds over the life of the
28 bonds. The rate of the income surtax may be adjusted in any
29 year for the sole purpose of ensuring that an amount
30 equivalent to no more than fifty percent of the principal and
31 interest over the life of the bonds is collected.

32 4. At the time of the annual levy under section 76.2, the
33 governing authority of the political subdivision shall also
34 provide in the resolution for the imposition of the income
35 surtax and shall certify to the department of management such

1 sum expressed in dollars. The department shall determine the
2 rate of income surtax to be imposed based upon the most recent
3 available figures from state income taxes paid by taxpayers
4 residing in the political subdivision. The department shall
5 continue to make such calculations and certify the income
6 surtax rate to the county auditor or the auditors of the
7 counties in which the political subdivision is located with
8 adjustments as provided in this section until the principal
9 and interest on the bonds are paid in full. On or before
10 November 1 of each year in which the income surtax is
11 collected the director of revenue and finance shall deposit
12 with the treasurer of the political subdivision the entire
13 amount of income surtax collected from taxpayers residing in
14 the political subdivision.

15 5. The costs of administration shall be determined by the
16 department of revenue and finance, and shall be based on a
17 share of the total cost of administering the department, in
18 the same proportion as the amount of income surtax collected
19 is to the amount of state income taxes collected.

20 6. The director of revenue and finance shall administer
21 the income surtax imposed under this chapter and sections
22 422.4, 422.20 to 422.31, 422.68, and 422.72 to 422.75 shall
23 apply with respect to administration of the income surtax.

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

25 An income surtax imposed under section 76.19 shall be made
26 a part of the Iowa individual income tax return subject to the
27 conditions and restrictions set forth in section 422.21. The
28 director of revenue and finance shall provide on income tax
29 returns a requirement that each person required to file a
30 return numerically identify the city of residence of the
31 taxpayer and the merged area in which the taxpayer resides.

32 Sec. 8. NEW SECTION. 76.21 DESIGNATION OF TAX.

33 An income surtax imposed under section 76.19 by a school
34 district shall be designated as a school debt service income
35 surtax, and income surtax imposed by a merged area shall be

1 designated as a merged area debt service income surtax, and
2 income surtax imposed under section 76.19 by a city shall be
3 designated a city debt service income surtax, and an income
4 surtax imposed under section 76.19 by a county shall be
5 designated a county debt service income surtax.

6 Sec. 9. Section 260C.21, Code 1999, is amended to read as
7 follows:

8 260C.21 ELECTION TO INCUR INDEBTEDNESS.

9 1. No indebtedness shall be incurred under section 260C.19
10 until authorized by an election. A proposition to incur
11 indebtedness and issue bonds for community college purposes
12 shall be deemed ~~carried~~ adopted in a merged area if approved
13 by a sixty percent majority of all voters voting on the
14 proposition in the area. ~~However,--if~~ If the board elects to
15 partially fund the bonds with revenues from a local income
16 surtax, in addition to property tax revenues, the ballot
17 proposition to authorize the issuance of the bonds shall be
18 submitted to the electorate pursuant to section 75.1,
19 subsection 2.

20 2. Notwithstanding subsection 1, if the costs of utilities
21 are paid by a community college with funds derived from the
22 levy authorized under section 260C.22, the community college
23 may use the general fund moneys that would have been used to
24 pay the costs of utilities for capital expenditures, may
25 invest the funds, or may incur indebtedness without an
26 election, provided that the payments on the indebtedness
27 incurred, and any interest on the indebtedness, can be made
28 using general funds of the community college and the total
29 payments on the principal and interest on the indebtedness do
30 not exceed the amount of the costs of the utilities.

31 Sec. 10. Section 296.1, Code 1999, is amended to read as
32 follows:

33 296.1 INDEBTEDNESS AUTHORIZED.

34 Subject to the approval of the voters thereof, school
35 districts are hereby authorized to contract indebtedness and

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

22 Sec. 11. Section 296.6, Code 1999, is amended to read as
23 follows:

24 296.6 BONDS.

25 If the vote in favor of the issuance of such bonds is equal
26 to at least sixty percent of the total vote cast for and
27 against said the proposition at said election, the board of
28 directors shall issue the same bonds and make provision for
29 payment thereof of the bonds. If the board of directors of a
30 school district elects to partially fund the bonds with
31 revenues from an income surtax, in addition to property tax
32 revenues, the ballot proposition to authorize the issuance of
33 the bonds shall be submitted to the electorate pursuant to
34 section 75.1, subsection 2.

35 Sec. 12. Section 298.14, unnumbered paragraph 1, Code

1 1999, is amended to read as follows:

2 For each fiscal year, the cumulative total of the percents
3 of surtax approved by the board of directors of a school
4 district and collected by the department of revenue and
5 finance under sections 76.19, 257.21, 257.29, 279.54, and
6 298.2, and the enrichment surtax under section 442.15, Code
7 1989, and an income surtax collected by a political
8 subdivision under chapter 422D, shall not exceed twenty
9 percent.

10 Sec. 13. Section 298.18, unnumbered paragraph 2, Code
11 1999, is 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 Sec. 14. Section 298.18, unnumbered paragraph 4, Code
19 1999, is amended to read as follows:

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

33 Sec. 15. Section 298.18, unnumbered paragraph 6, Code
34 1999, is amended to read as follows:

35 Notice of the election shall be given by the county

1 commissioner of elections according to section 49.53. The
2 election shall be held on a date not less than four nor more
3 than twenty days after the last publication of the notice. At
4 ~~such~~ the election, the ballot used for the submission of ~~said~~
5 the proposition shall be in substantially the form for
6 submitting special questions at general elections. The county
7 commissioner of elections shall conduct the election pursuant
8 to the provisions of chapters 39 to 53 and certify the results
9 to the board of directors. ~~Such~~ The proposition shall not be
10 deemed ~~carried-or~~ adopted unless the vote in favor of ~~such~~ the
11 proposition is equal to at least sixty percent of the total
12 vote cast for and against ~~said~~ the proposition at ~~said~~ the
13 election. ~~Whenever-such~~ If the board of directors of a school
14 district elects to partially fund the bonds with revenues from
15 a local income surtax, in addition to property tax revenues,
16 the ballot proposition to authorize the issuance of the bonds
17 shall be submitted to the electorate pursuant to section 75.1,
18 subsection 2. If a proposition has been approved by the
19 voters of a school corporation as hereinbefore provided, no
20 further approval of the voters of ~~such~~ the school corporation
21 shall be required as a result of any subsequent change in the
22 boundaries of ~~such~~ the school corporation.

23 Sec. 16. Section 298.22, unnumbered paragraph 1, Code
24 1999, is amended to read as follows:

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

1 Sec. 17. Section 331.442, subsection 4, Code 1999, is
2 amended to read as follows:

3 4. The proposition of issuing bonds for a general county
4 purpose is not ~~carried-or~~ adopted unless the vote in favor of
5 the proposition is equal to at least sixty percent of the
6 total vote cast for and against the proposition at the
7 election. If the board elects to partially fund the bonds
8 with revenues from a local income surtax, in addition to
9 property tax revenues, the ballot proposition to authorize the
10 issuance of the bonds shall be submitted to the electorate
11 pursuant to section 75.1, subsection 2. If the proposition of
12 issuing the general county purpose bonds is approved by the
13 voters, the board may proceed with the issuance of the bonds.

14 Sec. 18. Section 331.442, subsection 5, paragraph a,
15 unnumbered paragraph 1, Code 1999, is amended to read as
16 follows:

17 Notwithstanding subsection 2, a board, in lieu of calling
18 an election, may institute proceedings for the issuance of
19 bonds for a general county purpose by causing a notice of the
20 proposal to issue the bonds, the type or types of debt service
21 tax to be levied or imposed to pay principal and interest on
22 the bonds, including a statement of the amount and purpose of
23 the bonds, and the right to petition for an election, to be
24 published as provided in section 331.305 at least ten days
25 prior to the meeting at which it is proposed to take action
26 for the issuance of the bonds subject to the following
27 limitations:

28 Sec. 19. Section 331.447, subsection 1, Code 1999, is
29 amended to read as follows:

30 1. Taxes for the payment of general obligation bonds shall
31 be levied in accordance with chapter 76, and the bonds are
32 payable from ~~the levy of unlimited ad valorem taxes on all the~~
33 ~~taxable property within the county through its debt service~~
34 ~~fund required by section 331.430~~ a debt service property tax
35 or combination of a debt service property tax and debt service

1 local income surtax, unlimited as to amount, except that:

2 a. The amount estimated ~~and-certified-to-apply-on~~ to pay
3 principal and interest for any one year shall not exceed an
4 amount that could be raised by a debt service property tax
5 levy equal to the maximum rate of tax, if any, provided by
6 this division for the purpose for which the bonds were issued.
7 If general obligation bonds are issued for different
8 categories, as provided in section 331.445, the maximum rate
9 of levies, if any, for each purpose shall apply separately to
10 that portion of the bond issue for that category and the
11 resolution authorizing the bond issue shall clearly set forth
12 the annual debt service requirements with respect to each
13 purpose in sufficient detail to indicate compliance with the
14 rate of tax levy, if any.

15 b. The amount estimated ~~and-certified-to-apply-on~~ to pay
16 principal and interest for any one year may only exceed an
17 amount that could be raised by a debt service property tax
18 levy equal to the statutory rate of levy limit, if any, by the
19 amount that the registered voters of the county have approved
20 at a special election, which may be held at the same time as
21 the general election and may be included in the proposition
22 authorizing the issuance of bonds, if an election on the
23 proposition is necessary, or may be submitted as a separate
24 proposition at the same election or at a different election.
25 Notice of the election shall be given as specified in section
26 331.305. If the proposition includes issuing bonds and
27 increasing the levy limit, it shall be in substantially the
28 following form:

29 Shall the county of, state of Iowa, be authorized
30 to (here state purpose of project) at a total cost
31 not exceeding \$.... and issue its general obligation bonds in
32 an amount not exceeding \$.... for that purpose, and be
33 authorized to levy annually a debt service property tax (or
34 debt service property tax and income surtax, if applicable),
35 which will produce an amount not exceeding ... dollars and ...

1 cents per thousand dollars of the assessed value of the
2 taxable property within the county to pay the principal of and
3 interest on the bonds?

4 If the proposition includes only increasing the levy limit
5 it shall be in substantially the following form:

6 Shall the county of, state of Iowa, be authorized
7 to levy annually a debt service property tax (or debt service
8 property tax and income surtax, if applicable), which will
9 produce an amount not exceeding ... dollars and ... cents per
10 thousand dollars of the assessed value of the taxable property
11 within the county to pay principal and interest on the bonded
12 indebtedness of the county for the purpose of?

13 Sec. 20. Section 331.490, Code 1999, is amended to read as
14 follows:

15 331.490 CITIES SUBJECT TO DEBT SERVICE TAX LEVY -- RATES.

16 1. If a county and city have entered into an agreement to
17 create a joint special assessment district and issue county
18 general obligation bonds to fund the costs of a public
19 improvement benefiting that district, the county's debt
20 service property tax levy for the county general obligation
21 bonds shall not be levied against property located in any city
22 except a city which has entered into the agreement, and, if
23 applicable, the county's debt service income surtax for the
24 county general obligation bonds shall not be imposed on
25 taxpayers who reside in any city except a city which has
26 entered into the agreement.

27 2. Counties and cities entering into an agreement for a
28 joint special assessment district may provide in the agreement
29 for a different rate of the county's debt service property tax
30 levy against property in areas of the county outside a city
31 and property within the cities, and, if applicable, for a
32 different rate of the county's debt service income surtax to
33 be imposed on taxpayers residing outside the cities and those
34 residing within each city.

35 Sec. 21. Section 384.26, subsection 2, Code 1999, is

1 amended to read as follows:

2 2. Before the council may institute proceedings for the
3 issuance of bonds for a general corporate purpose, it shall
4 call a special city election to vote upon the question of
5 issuing the bonds. At the election the proposition must be
6 submitted in substantially the following form:

7 Shall the (insert the name of the city) issue
8 its bonds in an amount not exceeding the amount of \$.... for
9 the purpose of, such bonds to be payable from a
10 property tax levied on all taxable property within the city
11 (and income surtax to be imposed on the state income tax of
12 each income taxpayer residing in the city)?

13 Sec. 22. Section 384.26, subsection 4, Code 1999, is
14 amended to read as follows:

15 4. The proposition of issuing general corporate purpose
16 bonds is not ~~carried-or~~ adopted unless the vote in favor of
17 the proposition is equal to at least sixty percent of the
18 total vote cast for and against the proposition at the
19 election. If the city council elects to partially fund the
20 bonds with revenues from a local income surtax, in addition to
21 property tax revenues, the ballot proposition to authorize the
22 issuance of the bonds shall be submitted to the electorate
23 pursuant to section 75.1, subsection 2. If the proposition of
24 issuing the general corporate purpose bonds is approved by the
25 voters, the city may proceed with the issuance of the bonds.

26 Sec. 23. Section 384.26, subsection 5, paragraph a,
27 unnumbered paragraph 1, Code 1999, is amended to read as
28 follows:

29 Notwithstanding the provisions of subsection 2, a council
30 may, in lieu of calling an election, institute proceedings for
31 the issuance of bonds for a general corporate purpose by
32 causing a notice of the proposal to issue the bonds, including
33 a statement of the amount and purpose of the bonds, the type
34 or types of debt service tax to be levied or imposed to pay
35 principal and interest of the bonds, together with the maximum

1 rate of interest which the bonds are to bear, and the right to
2 petition for an election, to be published at least once in a
3 newspaper of general circulation within the city at least ten
4 days prior to the meeting at which it is proposed to take
5 action for the issuance of the bonds subject to the following
6 limitations:

7 Sec. 24. Section 384.32, Code 1999, is amended to read as
8 follows:

9 384.32 TAX TO PAY.

10 Taxes for the payment of general obligation bonds must be
11 levied in accordance with chapter 76, and the bonds are
12 payable from the levy of ~~unlimited-ad-valorem-taxes-on-all-the~~
13 ~~taxable-property-within-the-city-through-its-debt-service-fund~~
14 authorized-by-section-384.4 a debt service property tax or a
15 combination of a debt service property tax and a debt service
16 income surtax, unlimited as to amount.

17 Sec. 25. APPLICABILITY DATE. This Act applies to bond
18 issuances approved at elections held on or after the effective
19 date of this Act.

20 EXPLANATION

21 This bill authorizes general obligation bonds to be issued
22 by certain political subdivisions which will be partially
23 funded by a local income surtax imposed on individuals, in
24 addition to property taxes. No more than 50 percent of the
25 principal and interest of the bonds shall be funded by income
26 surtax. The bill provides that the question of whether to
27 impose a local income surtax to partially fund the bonds shall
28 be included in the bond issuance ballot proposition. If
29 principal and interest on the bonds are to be funded by
30 property tax and income surtax, the required percentage of
31 votes needed to authorize issuance of the bonds remains at 60
32 percent.

33 The bill provides that a bond proposition which includes an
34 income surtax may not be presented to the electorate if, in
35 the first year the surtax is imposed, the total surtax imposed

1 on any taxpayer in the political subdivision would exceed 20
2 percent. The property tax levied or income surtax imposed is
3 to be designated as debt service taxes for the payment of
4 principal and interest on general obligation bonds.

5 The bill applies to bond issuances approved at elections
6 held on or after the effective date of the bill.

7 The bill applies to bonds issued by a county, a city,
8 school districts, and community colleges.

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35