

FILED APR 12 '00

SENATE FILE 2451
BY COMMITTEE ON WAYS and MEANS

(SUCCESSOR TO SF 2230)

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

A BILL FOR

1 An Act providing that bonds issued for school infrastructure
2 purposes shall be exempt from state income tax.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2451

1 Section 1. NEW SECTION. 296.8 TAX EXEMPTION.

2 Any bonds or notes issued by a school district for school
3 infrastructure purposes shall be exempt from taxation by this
4 state and the interest on the bonds or notes shall be exempt
5 from state income tax. For the purposes of this section,
6 school infrastructure purposes shall refer to the purposes
7 specified in section 296.1.

8 Sec. 2. Section 422.7, Code 1999, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 35. Subtract interest earned on bonds and
11 notes issued by a school district for school infrastructure
12 purposes as provided in section 296.8.

13 EXPLANATION

14 This bill provides that any bonds or notes issued by a
15 school district for school infrastructure purposes shall be
16 exempt from taxation by the state and the interest on the
17 bonds or notes shall be exempt from state income tax. The
18 bill provides that school infrastructure purposes shall refer
19 to the purposes specified in Code section 296.1. These
20 purposes include the cost of purchasing, building, furnishing,
21 reconstructing, repairing, improving or remodeling a
22 schoolhouse or schoolhouses and additions thereto, a
23 gymnasium, stadium, field house, school bus garage, teachers'
24 or superintendent's home or homes, and procuring a site or
25 sites therefore, or purchasing land to add to a site already
26 owned, or procuring and improving a site for an athletic
27 field, or improving a site already owned for an athletic
28 field.

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**SENATE FILE 2451
FISCAL NOTE**

A fiscal note for Senate File 2451 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.

Senate File 2451 provides that bonds issued for school infrastructure purposes shall be exempt from State income tax.

ASSUMPTIONS

1. The amount of bonds and notes issued by school districts will be approximately \$115.7 million in FY 2001. The growth in bonds issued each year is estimated to be 3.0%.
2. The average interest rate on bonds and notes is estimated to be 5.50% each year.
3. The average marginal tax rate is estimated to be 5.42%.
4. All investors are assumed to be affected by the legislation.
5. There will be no behavioral effect due to the legislation.
6. Average maturity age of the bonds is 15 years.

FISCAL EFFECT

<u>Fiscal Year</u>	<u>Interest Earned From Bonds</u>	<u>State Tax Reduction</u>
2001	\$ 6,365,000	\$ 345,000
2002	12,920,000	775,000
2003	19,672,000	1,180,000
2004	26,627,000	1,597,000
Max Impact Year 2015	118,374,000	7,102,000

SOURCE

Department of Education
Department of Revenue and Finance

(LSB 5265SV, SLS)

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BY DENNIS PROUTY, FISCAL DIRECTOR