

JAN 22 2004
WAYS AND MEANS

HOUSE FILE 2066
BY MADDOX

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

A BILL FOR

1 An Act providing an additional homestead property tax credit
2 reimbursement payment for certain consolidated local
3 governments.

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

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HF 2066

1 Section 1. Section 425.1, subsections 1 through 4, Code
2 Supplement 2003, are amended to read as follows:

3 1. A homestead credit fund is created. There is
4 appropriated annually from the general fund of the state to
5 the department of revenue to be credited to the homestead
6 credit fund, an amount sufficient to ~~implement this chapter~~
7 pay reimbursements as provided in subsection 2A.

8 The director of the department of administrative services
9 shall issue warrants on the homestead credit fund payable to
10 the county treasurers of the several counties of the state
11 under this chapter in the amounts necessary to pay
12 reimbursements as provided in subsection 2A.

13 2. The homestead credit fund shall be apportioned each
14 year so as to give a credit against the tax on each eligible
15 homestead in the state in an amount equal to the actual levy
16 on the first four thousand eight hundred fifty dollars of
17 actual value for each homestead and to provide the payment
18 amount specified in subsection 2A, paragraph "b", to each
19 city-county consolidated government and each community
20 commonwealth.

21 3. The amount due each county shall be paid in two
22 payments on November 15 and March 15 of each fiscal year,
23 drawn upon warrants payable to the respective county
24 treasurers. The two payments shall be as nearly equal as
25 possible. Payments to city-county consolidated governments
26 and community commonwealths for purposes of subsection 2A,
27 paragraph "b", shall be made by a separate warrant from that
28 paid to the county for purposes of subsection 2A, paragraph
29 "a".

30 4. Annually the department of revenue shall estimate the
31 credit not to exceed the actual levy on the first four
32 thousand eight hundred fifty dollars of actual value of each
33 eligible homestead, and shall certify to the county auditor of
34 each county the credit and its amount in dollars. Annually
35 the department shall also estimate the payment amount for

1 purposes of subsection 2A, paragraph "b", and shall certify
2 such amount to the county auditor of the applicable city-
3 county consolidated government or community commonwealth.
4 Each county auditor shall then enter the credit against the
5 tax levied on each eligible homestead in each county payable
6 during the ensuing year, designating on the tax lists the
7 credit as being from the homestead credit fund, and credit
8 shall then be given to the several taxing districts in which
9 eligible homesteads are located in an amount equal to the
10 credits allowed on the taxes of the homesteads. The amount of
11 credits shall be apportioned by each county treasurer to the
12 several taxing districts as provided by law, in the same
13 manner as though the amount of the credit had been paid by the
14 owners of the homesteads. However, the several taxing
15 districts shall not draw the funds so credited until after the
16 semiannual allocations have been received by the county
17 treasurer, as provided in this chapter. Each county treasurer
18 shall show on each tax receipt the amount of credit received
19 from the homestead credit fund

20 Sec. 2. Section 425.1, Code Supplement 2003, is amended by
21 adding the following new subsection:

22 NEW SUBSECTION. 2A. The credit reimbursement amounts
23 shall be paid as follows:

24 a. An amount sufficient to pay to each county one hundred
25 percent of each homestead credit.

26 b. An amount sufficient to pay to each city-county
27 consolidated government established pursuant to sections
28 331.247 through 331.252 or community commonwealth established
29 pursuant to sections 331.260 through 331.263 five percent of
30 the total homestead credits for homesteads located in that
31 city-county consolidated government charter area or area
32 comprising a community commonwealth charter government.

33 c. If funds are not sufficient to pay the amounts required
34 under paragraphs "a" and "b", the amount computed under
35 paragraph "b" shall be paid first from the homestead credit

1 fund.

2 The amount computed each year under paragraph "b" shall be
3 paid to each eligible city-county consolidated government and
4 each eligible community commonwealth for a period of ten
5 fiscal years beginning with the first fiscal year commencing
6 following adoption of the city-county consolidated charter or
7 the community commonwealth charter. Such amounts, when paid,
8 shall be deposited into the general fund of the respective
9 city-county consolidated governments and community
10 commonwealths and use of such funds shall be at the discretion
11 of the government receiving the funds.

12 To be eligible for payments under paragraph "b", the county
13 auditor of the city-county consolidated government or
14 community commonwealth shall give written notice of the result
15 of the election at which the city-county consolidated charter
16 or the community commonwealth charter was approved by sending
17 a copy of the abstract of the votes from the election to the
18 director of revenue within sixty days of the date of the
19 election.

20 EXPLANATION

21 This bill provides an additional homestead property tax
22 credit reimbursement payment to city-county consolidated
23 governments and community commonwealths in an amount equal to
24 5 percent of the reimbursement due those governments for the
25 homestead tax credits allowed on homesteads located in each
26 government's area.

27 The bill provides that the payments are to be made for 10
28 fiscal years following adoption of the city-county
29 consolidated charter or the community commonwealth charter.

30 The bill further provides that the additional moneys are to
31 be deposited in the general fund of the city-county
32 consolidated government or community commonwealth for use at
33 the discretion of the receiving government.

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**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

HF 2066 - Incentives to Consolidate (LSB 5466 HH)
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Fiscal Note Version - New

Description

House File 2066 provides for an incentive payment to cities and counties that consolidate governments equal to 5.0% of the homestead tax credits due those local governments. The payments are to be made for ten fiscal years.

Assumptions

1. There are 11 counties the Department of Revenue identifies as having metropolitan areas that might consolidate and receive incentives under this Bill. They are: Black Hawk, Dallas, Dubuque, Johnson, Linn, Polk, Pottawattamie, Scott, Story, Warren, and Woodbury.
2. The Department of Revenue identifies Linn and Polk counties as more likely to consolidate.
3. The FY 2005 and FY 2006 Homestead Tax Credit claims for all 11 counties are estimated to total \$62.5 million and \$65.1 million, respectively. The FY 2005 and FY 2006 claims for Linn and Polk counties are estimated to total \$30.4 million and \$32.5 million, respectively.

Fiscal Impact

The fiscal impact of HF 2066 cannot be determined due to insufficient information. However, if Linn and Polk counties were to receive the incentive, the cost to the General Fund would be \$1.5 million in FY 2005 and \$1.6 million in FY 2006. If all 11 counties were to receive the incentive, the cost to the State General Fund would be \$3.1 million in FY 2005 and \$3.3 million in FY 2006.

Source

Department of Revenue

Dennis C Prouty

January 27, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
