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SENATE FILE 2297  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3168)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to property taxation by establishing a maximum  
2 property tax dollars limitation for counties and cities,  
3 repealing the square footage tax, and creating a state tax  
4 implementation committee to study local and state sources of  
5 revenue, and including effective and applicability date  
6 provisions.

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

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SF 2297  
WAYS & MEANS

DIVISION I

MAXIMUM PROPERTY TAX DOLLARS

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2  
3 Section 1. Section 331.423, Code 2003, is amended by  
4 striking the section and inserting in lieu thereof the  
5 following:

6 331.423 PROPERTY TAX DOLLARS -- MAXIMUMS.

7 1. Annually, the board shall determine separate property  
8 tax levy limits to pay for general county services and rural  
9 county services in accordance with this section. The property  
10 tax levies separately certified for general county services  
11 and rural county services in accordance with section 331.434  
12 shall not exceed the amount determined under this section.

13 2. For purposes of this section and sections 331.423A and  
14 331.423B:

15 a. "Annual price index" means the sum of one plus the  
16 change, computed to four decimal places, between the  
17 preliminary price index for the third quarter of the calendar  
18 year preceding the calendar year in which the budget year  
19 starts and the revised price index for the third quarter of  
20 the previous calendar year as published in the same issue in  
21 which such preliminary price index is first published. The  
22 price index used shall be the state and local government  
23 chain-type price index used in the quantity and price indexes  
24 for gross domestic product as published by the United States  
25 department of commerce. The annual price index shall not be  
26 less than one and shall not exceed one and four hundredths.

27 b. "Boundary adjustment" means annexation, severance,  
28 incorporation, or discontinuance as those terms are defined in  
29 section 368.1.

30 c. "Budget year" is the fiscal year beginning during the  
31 calendar year in which a budget is first certified.

32 d. "Current fiscal year" is the fiscal year ending during  
33 the calendar year in which a budget is certified.

34 e. "Local sales and services taxes" means local sales and  
35 services taxes imposed under the authority of chapter 422B or

1 a successor chapter.

2 f. "Net new valuation taxes" means the amount of property  
3 tax dollars equal to the budget year's tentative maximum  
4 general rate for purposes of the general fund, or the budget  
5 year's tentative maximum rural rate for purposes of the rural  
6 services fund, times the increase from the current fiscal year  
7 in taxable valuation due to the following:

8 (1) Net new construction excluding all incremental  
9 valuation that is released in any one year from an urban  
10 renewal area for which taxes are being divided under section  
11 403.19 if the property remains part of the urban renewal area.

12 (2) Additions or improvements to existing structures.

13 (3) Remodeling of existing structures for which a building  
14 permit is required.

15 (4) Net boundary adjustment.

16 (5) A municipality no longer dividing tax revenues in an  
17 urban renewal area as provided in section 403.19, to the  
18 extent that the incremental valuation released is due to new  
19 construction or revaluation on property newly constructed  
20 after the division of revenue begins.

21 (6) That portion of taxable property located in an urban  
22 revitalization area on which an exemption was allowed and such  
23 exemption has expired.

24 g. "Property tax replacement dollars" means revenues  
25 received under chapter 437A, subchapter II, revenues received  
26 under section 99F.11 that are specifically designated by the  
27 county for property tax relief in the current fiscal year, and  
28 amounts appropriated by the general assembly for property tax  
29 relief first enacted for fiscal years beginning on or after  
30 July 1, 2004.

31 h. "Tentative maximum general rate" means the amount  
32 calculated in subsection 3, paragraph "b", subparagraph (1),  
33 divided by the net taxable valuation in the county. For  
34 purposes of this paragraph, "net taxable valuation" is the  
35 amount of taxable valuation in the county minus the amount of

1 taxable valuation in the county used to calculate net new  
2 valuation taxes.

3 i. "Tentative maximum rural rate" means the amount  
4 calculated in subsection 3, paragraph "c", subparagraph (1),  
5 divided by the net taxable valuation in the unincorporated  
6 area of the county. For purposes of this paragraph, "net  
7 taxable valuation" is the amount of taxable valuation in the  
8 unincorporated area of the county minus the amount of taxable  
9 valuation in the unincorporated area of the county used to  
10 calculate net new valuation taxes.

11 j. "Unused taxing authority" means the maximum amount of  
12 property tax dollars calculated under subsection 3 for a  
13 fiscal year minus the amount actually levied under this  
14 section in that fiscal year. Unused taxing authority may be  
15 carried forward to the following fiscal year. However, the  
16 amount of unused taxing authority which may be carried forward  
17 shall not exceed twenty-five percent of the maximum amount of  
18 property tax dollars available in the current fiscal year as  
19 determined under this section.

20 3. a. Effective for and after the fiscal year beginning  
21 July 1, 2005, the maximum amount of property tax dollars which  
22 may be certified for levy by a county for general county  
23 services and rural county services shall be the tentative  
24 maximum property tax dollars calculated under paragraphs "b"  
25 and "c", respectively, and adjusted by the amounts in  
26 paragraphs "d", "e", and "f".

27 b. The tentative maximum property tax dollars for general  
28 county services for a budget year is an amount equal to the  
29 sum of the following:

30 (1) The annual price index times the difference between  
31 the current fiscal year's tentative maximum property tax  
32 dollars for general county services minus the unused taxing  
33 authority carried forward from the fiscal year preceding the  
34 current fiscal year.

35 (2) The amount of net new valuation taxes.

1 (3) The amount of unused taxing authority carried forward  
2 from the current fiscal year.

3 c. The tentative maximum property tax dollars for rural  
4 county services is an amount equal to the sum of the  
5 following:

6 (1) The annual price index times the difference between  
7 the current fiscal year's tentative maximum property tax  
8 dollars for rural county services minus the unused taxing  
9 authority carried forward from the fiscal year preceding the  
10 current fiscal year.

11 (2) The amount of net new valuation taxes.

12 (3) The amount of unused taxing authority carried forward  
13 from the current fiscal year.

14 d. Subtract the amount of property tax replacement dollars  
15 to be received for the budget year that will be deposited in  
16 the general fund or the rural services fund, as applicable.

17 e. Subtract the amount of local sales and services taxes  
18 for property tax relief estimated by the department of revenue  
19 to be received for the budget year that will be deposited in  
20 the general fund or the rural services fund, as applicable.

21 f. Subtract the amount of local sales and services taxes  
22 received for property tax relief in the fiscal year preceding  
23 the current fiscal year for the county general fund and rural  
24 services fund, and add the amount of local sales and services  
25 taxes that was budgeted for property tax relief for each of  
26 those funds in that fiscal year.

27 4. Property taxes certified for deposit in the mental  
28 health, mental retardation, and developmental disabilities  
29 services fund in section 331.424A, the cemetery fund in  
30 section 331.424B, the emergency services fund in section  
31 331.424C, the county supplemental fund in section 331.425, and  
32 the debt service fund in section 331.430, any capital projects  
33 fund established by the county for deposit of bond, loan, or  
34 note proceeds, and any temporary increase approved pursuant to  
35 section 331.424, are not counted against the maximum amount of

1 property tax dollars that may be certified for a budget year  
2 under subsection 3.

3 Sec. 2. NEW SECTION. 331.423A BASE AMOUNT CALCULATION  
4 FOR FISCAL YEAR 2005-2006.

5 1. For purposes of computing the tentative maximum  
6 property tax dollars under section 331.423, for the fiscal  
7 year beginning July 1, 2005, the term "current fiscal year's  
8 tentative maximum property tax dollars", as used in section  
9 331.423, subsection 3, for general county services and rural  
10 county services shall mean the base amount computed under  
11 subsections 2 and 3, and adjusted by subsection 4.

12 2. a. The base amount for general county services shall  
13 be an amount equal to one of the following:

14 (1) The sum, divided by three, of the amount of property  
15 taxes levied for general county services and the amount of  
16 property tax replacement dollars received, the amount of  
17 revenues received under section 99F.11 that were specifically  
18 designated for property tax relief, and the amount of local  
19 sales and services tax revenues received as property tax  
20 relief and deposited in the general fund, for the fiscal years  
21 beginning July 1, 2000, July 1, 2001, and July 1, 2002, times  
22 the annual price index computed for each of the three fiscal  
23 years. The ending fund balance differential shall be  
24 subtracted from this amount. The ending fund balance  
25 differential for general county services is the increase in  
26 the general fund's ending balance for the fiscal year  
27 beginning July 1, 2002, over the general fund's ending balance  
28 for the fiscal year beginning July 1, 1999, divided by three.

29 (2) The amount of property taxes levied for general county  
30 services and the amount of property tax replacement dollars  
31 received, the amount of revenues received under section 99F.11  
32 that were specifically designated for property tax relief, and  
33 the amount of local sales and services tax revenues received  
34 as property tax relief and deposited in the general fund, for  
35 the fiscal year beginning July 1, 2002, times the annual price

1 index computed for the fiscal year beginning July 1, 2002.  
2 The ending fund balance differential shall be subtracted from  
3 this amount. The ending fund balance differential for general  
4 county services is the increase in the general fund's ending  
5 balance for the fiscal year beginning July 1, 2002, over the  
6 general fund's ending balance for the fiscal year beginning  
7 July 1, 2001.

8 b. For purposes of paragraph "a", the amount of property  
9 taxes levied for general county services shall include the  
10 amounts levied for each fiscal year for general county  
11 services pursuant to sections 331.422, subsection 1, 331.424,  
12 and 331.426, Code 2003, and shall exclude the amount of  
13 property tax dollars levied for the purposes described in  
14 section 331.422, subsections 3 and 4, and section 331.425,  
15 Code 2003, in each fiscal year.

16 For purposes of paragraph "a", the ending fund balance  
17 differential shall not include the amount of general  
18 obligation bond proceeds deposited in the general fund. If  
19 the ending fund balance differential is zero or less, no  
20 adjustment shall be made.

21 3. a. The base amount for rural county services shall be  
22 an amount equal to one of the following:

23 (1) The sum, divided by three, of the amount of property  
24 taxes levied for rural county services and the amount of  
25 property tax replacement dollars received, the amount of  
26 revenues received under section 99F.11 that were specifically  
27 designated for property tax relief, and the amount of local  
28 sales and services tax revenues received as property tax  
29 relief and deposited in the rural services fund, for the  
30 fiscal years beginning July 1, 2000, July 1, 2001, and July 1,  
31 2002, times the annual price index computed for each of the  
32 three fiscal years. The ending fund balance differential  
33 shall be subtracted from this amount. The ending fund balance  
34 differential for rural county services is the increase in the  
35 rural services fund's ending balance for the fiscal year

1 beginning July 1, 2002, over the rural services fund's ending  
2 balance for the fiscal year beginning July 1, 1999, divided by  
3 three.

4 (2) The amount of property taxes levied for rural county  
5 services and the amount of property tax replacement dollars  
6 received, the amount of revenues received under section 99F.11  
7 that were specifically designated for property tax relief, and  
8 the amount of local sales and services tax revenues received  
9 as property tax relief and deposited in the rural services  
10 fund, for the fiscal year beginning July 1, 2002, times the  
11 annual price index computed for the fiscal year beginning July  
12 1, 2002. The ending fund balance differential shall be  
13 subtracted from this amount. The ending fund balance  
14 differential for rural county services is the increase in the  
15 rural services fund's ending balance for the fiscal year  
16 beginning July 1, 2002, over the rural services fund's ending  
17 balance for the fiscal year beginning July 1, 2001.

18 b. For purposes of paragraph "a", the amount of property  
19 taxes levied for rural county services shall include the  
20 amounts levied for each fiscal year for rural county services  
21 pursuant to sections 331.422, subsection 2, 331.424, and  
22 331.426, Code 2003, and shall exclude the amount of property  
23 tax dollars levied for the purposes described in section  
24 331.422, subsections 3 and 4, and section 331.425, Code 2003,  
25 in each fiscal year.

26 For purposes of paragraph "a", if the ending fund balance  
27 differential is zero or less, no adjustment shall be made.

28 4. a. The amount computed in subsection 2 shall be  
29 adjusted by multiplying it by the annual price index  
30 calculated for the fiscal year beginning July 1, 2004, and  
31 then adding the amount of net new valuation taxes calculated  
32 for the fiscal year beginning July 1, 2004.

33 b. The amount computed in subsection 3 shall be adjusted  
34 by multiplying it by the annual price index calculated for the  
35 fiscal year beginning July 1, 2004, and then adding the amount



1 of net new valuation taxes calculated for the fiscal year  
2 beginning July 1, 2004.

3 5. Each county shall certify to the department of  
4 management the method of computation it has chosen under this  
5 section for calculation of "current fiscal year's tentative  
6 maximum property tax dollars" for the fiscal year beginning  
7 July 1, 2005.

8 Sec. 3. NEW SECTION. 331.423B ENDING FUND BALANCE.

9 1. Budgeted ending fund balances on a cash basis for a  
10 budget year in excess of twenty-five percent of budgeted  
11 expenditures in either the general fund, county supplemental  
12 fund, or rural services fund for that budget year shall be  
13 explicitly reserved or designated for a specific purpose and  
14 specifically described in the certified budget. The  
15 description shall include the projected date that the balances  
16 will be expended for the specific purpose. A county is  
17 encouraged, but not required, to reduce budgeted, unreserved,  
18 or undesignated ending fund balances for the budget year to an  
19 amount equal to approximately twenty-five percent of budgeted  
20 expenditures in the general fund, county supplemental fund,  
21 and rural services fund for that budget year unless a decision  
22 is certified by the state appeal board ordering a reduction in  
23 the ending fund balance of any of those funds. In a protest  
24 to the county budget under section 331.436, the county shall  
25 have the burden of proving that the budgeted balances in  
26 excess of twenty-five percent are reasonably likely to be  
27 expended for the explicitly reserved or designated specific  
28 purpose by the date identified in the certified budget. The  
29 excess budgeted balance for the specific purpose shall be  
30 considered an increase in an item in the budget for purposes  
31 of section 24.28.

32 2. For a county that has, as of June 30, 2004, reduced its  
33 actual ending fund balance to less than twenty-five percent of  
34 actual expenditures on a cash basis, additional property taxes  
35 may be computed and levied as provided in this subsection.

1 The additional property tax levy amount is an amount not to  
2 exceed twenty-five percent of total actual expenditures from  
3 the general fund and rural services fund for the fiscal year  
4 beginning July 1, 2003, minus the combined ending fund  
5 balances for those funds for that year. The amount of the  
6 additional property taxes shall be divided between the general  
7 fund and the rural services fund in proportion to the amount  
8 of actual expenditures for general county services to total  
9 actual expenditures for general and rural county services for  
10 the fiscal year beginning July 1, 2003, and in proportion to  
11 the amount of actual expenditures for rural county services to  
12 total actual expenditures for general and rural county  
13 services for the fiscal year beginning July 1, 2003. However,  
14 the amount apportioned for general county services and for  
15 rural county services shall not exceed for each fund twenty-  
16 five percent of actual expenditures for the fiscal year  
17 beginning July 1, 2003.

18 All or a portion of additional property tax dollars may be  
19 levied for the purpose of increasing cash reserves for general  
20 county services and rural county services in the budget year.  
21 The additional property tax dollars authorized under this  
22 subsection but not levied may be carried forward as unused  
23 ending fund balance taxing authority until and for the fiscal  
24 year beginning July 1, 2010. The amount carried forward, when  
25 combined with unused taxing authority shall not exceed twenty-  
26 five percent of the maximum amount of property tax dollars  
27 available in the current fiscal year. Additionally, property  
28 taxes that are levied as unused ending fund balance taxing  
29 authority under this subsection may be the subject of a  
30 protest under section 331.436 and the amount will be  
31 considered an increase in an item in the budget for purposes  
32 of section 24.28. The amount of additional property taxes  
33 levied under this subsection shall not be included in the  
34 computation of the maximum amount of property tax dollars  
35 which may be certified and levied under section 331.423.

1     Sec. 4. NEW SECTION. 331.423C DEPARTMENT RULES AND  
2 FORMS.

3     The department of management shall adopt rules to  
4 administer sections 331.423, 331.423A, and 331.423B. The  
5 department, in consultation with the county finance committee,  
6 shall prescribe forms to be used by counties when making  
7 calculations required by those sections.

8     Sec. 5. Section 331.424, Code 2003, is amended by striking  
9 the section and inserting in lieu thereof the following:

10    331.424 AUTHORITY TO LEVY BEYOND MAXIMUM PROPERTY TAX  
11 DOLLARS.

12    1. The board may certify additions to the maximum amount  
13 of property tax dollars to be levied for a period of time not  
14 to exceed two years if the proposition has been submitted at a  
15 special election and received a favorable majority of the  
16 votes cast on the proposition.

17    2. The special election is subject to the following:

18    a. The board must give at least thirty-two days' notice to  
19 the county commissioner of elections that the special election  
20 is to be held.

21    b. The special election shall be conducted by the county  
22 commissioner of elections in accordance with law.

23    c. The proposition to be submitted shall be substantially  
24 in the following form:

25    "Vote "yes" or "no" on the following question: Shall the  
26 county of \_\_\_\_\_ levy for an additional \$\_\_\_\_\_ each year  
27 for \_\_\_ years beginning July 1, \_\_\_\_\_, in excess of the  
28 statutory limits otherwise applicable for the (general county  
29 services or rural services) fund?"

30    d. The canvass shall be held beginning at one p.m. on the  
31 second day which is not a holiday following the special  
32 election.

33    e. Notice of the special election shall be published at  
34 least once in a newspaper as specified in section 331.305  
35 prior to the date of the special election. The notice shall

1 appear as early as practicable after the board has voted to  
2 submit a proposition to the voters to levy additional property  
3 tax dollars.

4 3. Registered voters in the county may vote on the  
5 proposition to increase property taxes for the general fund in  
6 excess of the statutory limit. Registered voters residing  
7 outside the corporate limits of a city within the county may  
8 vote on the proposition to increase property taxes for the  
9 rural services fund in excess of the statutory limit.

10 4. The amount of additional property tax dollars certified  
11 under this section shall not be included in the computation of  
12 the maximum amount of property tax dollars which may be  
13 certified and levied under section 331.423.

14 Sec. 6. Section 331.425, Code 2003, is amended by striking  
15 the section and inserting in lieu thereof the following:

16 331.425 COUNTY SUPPLEMENTAL FUND.

17 1. The county supplemental fund is established for the  
18 following purposes:

19 a. Accounting for pension and related employee benefits as  
20 provided by the department of management.

21 b. Accounting for tort liability insurance, property  
22 insurance, and any other insurance that may be necessary in  
23 the operation of the county, costs of a self-insurance  
24 program, costs of a local government risk pool, and amounts  
25 payable under any insurance agreements to provide or procure  
26 such insurance, self-insurance program, or local government  
27 risk pool.

28 c. Accounting for gifts or grants received by the county  
29 for a particular purpose.

30 d. Accounting for money and property received and handled  
31 by the county as trustee or custodian or in the capacity of an  
32 agent.

33 2. County revenues from taxes and other sources for the  
34 purposes described in this section shall be credited to the  
35 county supplemental fund.

1 Sec. 7. Section 331.429, subsection 1, Code 2003, is  
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. f. Notwithstanding paragraphs "a" and "b",  
4 transfers from the general fund or rural services fund in  
5 accordance with this paragraph. The board may transfer  
6 additional funds from the general fund or rural services fund  
7 in excess of the amounts in paragraphs "a" and "b" if the  
8 proposition has been submitted at a special election and  
9 received a favorable majority of the votes cast on the  
10 proposition. The board shall direct the county commissioner  
11 of elections to submit the proposition at an election. The  
12 board must give at least thirty-two days' notice to the county  
13 commissioner of elections that the special election is to be  
14 held. For a transfer from the general fund, registered voters  
15 of the county may vote on the proposition. For a transfer  
16 from the rural services fund, registered voters of the county  
17 residing outside the corporate limits of a city within the  
18 county may vote on the proposition. The proposition to be  
19 submitted shall be substantially in the following form:

20 "Vote "yes" or "no" on the following question: Shall the  
21 county of \_\_\_\_\_ transfer an additional \$\_\_\_\_\_ each year for  
22 two years beginning July 1, \_\_\_\_, from the (general fund or  
23 rural services fund) to the secondary road fund?"

24 Notice of the special election shall be published at least  
25 once in a newspaper in the manner provided in section 331.305.  
26 Notice of the special election shall appear as early as  
27 practicable after the board has voted to submit a proposition  
28 to the voters to transfer funds from the general fund or rural  
29 services fund to the secondary road fund.

30 If a majority of the votes cast are in favor of the  
31 proposition, the board shall certify the results of the  
32 election to the department of management and transfer the  
33 approved amount to the secondary road fund in the appropriate  
34 fiscal year.

35 Sec. 8. Section 384.1, Code 2003, is amended by striking

1 the section and inserting in lieu thereof the following:

2 384.1 PROPERTY TAX DOLLARS -- MAXIMUMS.

3 1. A city shall certify taxes to be levied by the county  
4 on all taxable property within the city limits, for all city  
5 government purposes. Annually, the city council may certify  
6 basic levies for city government purposes, subject to the  
7 limitation on property tax dollars provided in this section.

8 2. For purposes of this section:

9 a. "Annual price index" means the sum of one plus the  
10 change, computed to four decimal places, between the  
11 preliminary price index for the third quarter of the calendar  
12 year preceding the calendar year in which the budget year  
13 starts and the revised price index for the third quarter of  
14 the previous calendar year as published in the same issue in  
15 which such preliminary price index is first published. The  
16 price index used shall be the state and local government  
17 chain-type price index used in the quantity and price indexes  
18 for gross domestic product as published by the United States  
19 department of commerce. The annual price index shall not be  
20 less than one and shall not exceed one and four hundredths.

21 b. "Boundary adjustment" means annexation, severance,  
22 incorporation, or discontinuance as those terms are defined in  
23 section 368.1.

24 c. "Budget year" is the fiscal year beginning during the  
25 calendar year in which a budget is certified.

26 d. "Current fiscal year" is the fiscal year ending during  
27 the calendar year in which a budget is certified.

28 e. "Local sales and services taxes" means local sales and  
29 services taxes imposed under the authority of chapter 422B or  
30 a successor chapter.

31 f. "Net new valuation taxes" means the amount of property  
32 tax dollars equal to the budget year's tentative maximum  
33 general rate for city government purposes times the increase  
34 from the current fiscal year in taxable valuation due to the  
35 following:

1 (1) Net new construction excluding all incremental  
2 valuation that is released in any one year from an urban  
3 renewal area for which taxes are being divided under section  
4 403.19 if the property remains part of the urban renewal area.

5 (2) Additions or improvements to existing structures.

6 (3) Remodeling of existing structures for which a building  
7 permit is required.

8 (4) Net boundary adjustment.

9 (5) A municipality no longer dividing tax revenues in an  
10 urban renewal area as provided in section 403.19, to the  
11 extent that the incremental valuation released is due to new  
12 construction or revaluation on property newly constructed  
13 after the division of revenue begins.

14 (6) That portion of taxable property located in an urban  
15 revitalization area on which an exemption was allowed and such  
16 exemption has expired.

17 g. "Property tax replacement dollars" means revenues  
18 received under chapter 437A, subchapter II, revenues received  
19 under section 99F.11 that are specifically designated by the  
20 city for property tax relief in the current fiscal year, and  
21 amounts appropriated by the general assembly for property tax  
22 relief first enacted for fiscal years beginning on or after  
23 July 1, 2004.

24 h. "Tentative maximum general rate" means the amount  
25 calculated in subsection 3, paragraph "b", subparagraph (1),  
26 divided by the net taxable valuation in the city. For  
27 purposes of this paragraph, "net taxable valuation" is the  
28 amount of taxable valuation in the city minus the amount of  
29 taxable valuation in the city used to calculate net new  
30 valuation taxes.

31 i. "Unused taxing authority" means the maximum amount of  
32 property tax dollars calculated under subsection 3 for a  
33 fiscal year minus the amount actually levied under this  
34 section in that fiscal year. Unused taxing authority may be  
35 carried forward to the following fiscal year. However, the

1 amount of unused taxing authority which may be carried forward  
2 shall not exceed twenty-five percent of the maximum amount of  
3 property tax dollars available in the current fiscal year as  
4 determined under this section.

5 3. a. Effective for the fiscal year beginning July 1,  
6 2005, the maximum amount of property tax dollars which may be  
7 certified by a city for city government purposes shall be the  
8 tentative maximum property tax dollars calculated under  
9 paragraph "b", and adjusted by the amounts in paragraphs "c",  
10 "d", and "e".

11 b. The tentative maximum property tax dollars for city  
12 government purposes for a budget year is an amount equal to  
13 the sum of the following:

14 (1) The annual price index times the difference between  
15 the current fiscal year's tentative maximum property tax  
16 dollars for city government purposes minus the unused taxing  
17 authority carried forward from the fiscal year preceding the  
18 current fiscal year.

19 (2) The amount of net new valuation taxes.

20 (3) The amount of unused taxing authority carried forward  
21 from the current fiscal year.

22 c. Subtract the amount of property tax replacement dollars  
23 to be received for the budget year that will be deposited in  
24 the city general fund.

25 d. Subtract the amount of local sales and services taxes  
26 for property tax relief estimated by the department of revenue  
27 to be received for the budget year that will be deposited in  
28 the city general fund.

29 e. Subtract the amount of local sales and services taxes  
30 received for property tax relief in the fiscal year preceding  
31 the current fiscal year for the city general fund, and add the  
32 amount of local sales and services taxes that was budgeted for  
33 property tax relief for the city general fund in that fiscal  
34 year.

35 4. Property taxes certified for deposit in the debt



1 service fund in section 384.4, trust and agency funds in  
2 section 384.6, capital improvements reserve fund in section  
3 384.7, the emergency fund in section 384.8, any capital  
4 projects fund established by the city for deposit of bond,  
5 loan, or note proceeds, any temporary increase approved  
6 pursuant to section 384.1D, property taxes collected from a  
7 voted levy in section 384.12, and property taxes levied under  
8 section 384.12, subsection 18, are not counted against the  
9 maximum amount of property tax dollars that may be certified  
10 for a budget year under subsection 3.

11 5. Notwithstanding the maximum amount of taxes a city may  
12 certify for levy, the tax certified for levy by a city on  
13 tracts of land and improvements on the tracts of land used and  
14 assessed for agricultural or horticultural purposes shall not  
15 exceed three dollars and three-eighths cents per thousand  
16 dollars of assessed value in any year. Improvements located  
17 on such tracts of land and not used for agricultural or  
18 horticultural purposes and all residential dwellings are  
19 subject to the same rate of tax certified for levy by the city  
20 on all other taxable property within the city.

21 Sec. 9. NEW SECTION. 384.1A BASE AMOUNT CALCULATION FOR  
22 FISCAL YEAR 2005-2006.

23 1. For purposes of computing the tentative maximum  
24 property tax dollars under section 384.1, for the fiscal year  
25 beginning July 1, 2005, the term "current fiscal year's  
26 tentative maximum property tax dollars", as used in section  
27 384.1, subsection 3, for city government purposes shall mean  
28 the base amount computed under subsection 2, and adjusted by  
29 subsection 3.

30 2. a. The base amount for city government purposes shall  
31 be an amount equal to one of the following:

32 (1) The sum, divided by three, of the amount of property  
33 taxes levied for city government purposes and the amount of  
34 property tax replacement dollars received, the amount of  
35 revenues received under section 99F.11 that were specifically

1 designated for property tax relief, and the amount of local  
2 sales and services tax revenues received as property tax  
3 relief and deposited in the general fund, for the fiscal years  
4 beginning July 1, 2000, July 1, 2001, and July 1, 2002, times  
5 the annual price index computed for each of the three fiscal  
6 years. The ending fund balance differential shall be  
7 subtracted from this amount. The ending fund balance  
8 differential for city government purposes is the increase in  
9 the city general fund's ending balance for the fiscal year  
10 beginning July 1, 2002, over the city general fund's ending  
11 balance for the fiscal year beginning July 1, 1999, divided by  
12 three.

13 (2) The amount of property taxes levied for city  
14 government purposes and the amount of property tax replacement  
15 dollars received, the amount of revenues received under  
16 section 99F.11 that were specifically designated for property  
17 tax relief, and the amount of local sales and services tax  
18 revenues received as property tax relief and deposited in the  
19 general fund, for the fiscal year beginning July 1, 2002,  
20 times the annual price index computed for the fiscal year  
21 beginning July 1, 2002. The ending fund balance differential  
22 shall be subtracted from this amount. The ending fund balance  
23 differential for city government purposes is the increase in  
24 the city general fund's ending balance for the fiscal year  
25 beginning July 1, 2002, over the city general fund's ending  
26 balance for the fiscal year beginning July 1, 2001.

27 b. For purposes of paragraph "a", the amount of property  
28 taxes levied for city government purposes shall include the  
29 amounts levied for each fiscal year for city government  
30 purposes pursuant to section 384.1, Code 2003, and shall  
31 exclude the amount of property tax dollars levied for the  
32 purpose described in section 384.12, subsection 20, Code 2003.

33 For purposes of paragraph "a", the ending fund balance  
34 differential shall not include the amount of general  
35 obligation bond proceeds deposited in the city general fund.

1 If the ending fund balance differential is zero or less, no  
2 adjustment shall be made.

3 3. The amount computed in subsection 2 shall be adjusted  
4 by multiplying it by the annual price index calculated for the  
5 fiscal year beginning July 1, 2004, and then adding the amount  
6 of net new valuation taxes calculated for the fiscal year  
7 beginning July 1, 2004.

8 4. Each city shall certify to the department of management  
9 the method of computation it has chosen under this section for  
10 calculation of "current fiscal year's tentative maximum  
11 property tax dollars" for the fiscal year beginning July 1,  
12 2005.

13 Sec. 10. NEW SECTION. 384.1B ENDING FUND BALANCE.

14 1. Budgeted ending fund balances on a cash basis for a  
15 budget year in excess of twenty-five percent of budgeted  
16 expenditures in the general fund for that budget year shall be  
17 explicitly reserved or designated for a specific purpose and  
18 specifically described in the certified budget. The  
19 description shall include the projected date that the balances  
20 will be expended for the specific purpose. A city is  
21 encouraged, but not required, to reduce budgeted, unreserved,  
22 or undesignated ending fund balances for the budget year to an  
23 amount equal to approximately twenty-five percent of budgeted  
24 expenditures in the general fund for that budget year unless a  
25 decision is certified by the state appeal board ordering a  
26 reduction in the ending fund balance of that fund. In a  
27 protest to the city budget under section 384.19, the city  
28 shall have the burden of proving that the budgeted balances in  
29 excess of twenty-five percent are reasonably likely to be  
30 expended for the explicitly reserved or designated specific  
31 purpose by the date identified in the certified budget. The  
32 excess budgeted balance for the specific purpose shall be  
33 considered an increase in an item in the budget for purposes  
34 of section 24.28.

35 2. For a city that has, as of June 30, 2004, reduced its

1 actual ending fund balance to less than twenty-five percent of  
2 actual expenditures on a cash basis, additional property taxes  
3 may be computed and levied as provided in this subsection.  
4 The additional property tax levy amount is an amount not to  
5 exceed twenty-five percent of total actual expenditures from  
6 the general fund for the fiscal year beginning July 1, 2003,  
7 minus the combined ending fund balance for that fund for that  
8 year. However, the additional property tax levy amount shall  
9 not exceed twenty-five percent of actual expenditures from the  
10 general fund for the fiscal year beginning July 1, 2003.

11 All or a portion of additional property tax dollars may be  
12 levied for the purpose of increasing cash reserves for city  
13 government purposes in the budget year. The additional  
14 property tax dollars authorized under this subsection but not  
15 levied may be carried forward as unused ending fund balance  
16 taxing authority until and for the fiscal year beginning July  
17 1, 2010. The amount carried forward, when combined with  
18 unused taxing authority shall not exceed twenty-five percent  
19 of the maximum amount of property tax dollars available in the  
20 current fiscal year. Additionally, property taxes that are  
21 levied as unused ending fund balance taxing authority under  
22 this subsection may be the subject of a protest under section  
23 384.19 and the amount will be considered an increase in an  
24 item in the budget for purposes of section 24.28. The amount  
25 of additional property taxes levied under this subsection  
26 shall not be included in the computation of the maximum amount  
27 of property tax dollars which may be certified and levied  
28 under section 384.1.

29 Sec. 11. NEW SECTION. 384.1C DEPARTMENT RULES AND FORMS.

30 The department of management shall adopt rules to  
31 administer sections 384.1, 384.1A, and 384.1B. The  
32 department, in consultation with the city finance committee,  
33 shall prescribe forms to be used by cities when making  
34 calculations required by those sections.

35 Sec. 12. NEW SECTION. 384.1D AUTHORITY TO LEVY BEYOND

1 MAXIMUM PROPERTY TAX DOLLARS.

2 1. The city council may certify additions to the maximum  
3 amount of property tax dollars to be levied for a period of  
4 time not to exceed two years if the proposition has been  
5 submitted at a special election and received a favorable  
6 majority of the votes cast on the proposition.

7 2. The special election is subject to the following:

8 a. The city council must give at least thirty-two days'  
9 notice to the county commissioner of elections that the  
10 special election is to be held.

11 b. The special election shall be conducted by the county  
12 commissioner of elections in accordance with law.

13 c. The proposition to be submitted shall be substantially  
14 in the following form:

15 "Vote "yes" or "no" on the following:

16 Shall the city of \_\_\_\_\_ levy for an additional \$ \_\_\_\_\_  
17 each year for \_\_\_ years beginning next July 1, \_\_\_\_\_, in excess  
18 of the statutory limits otherwise applicable for the city  
19 general fund?"

20 d. The canvass shall be held beginning at one p.m. on the  
21 second day which is not a holiday following the special  
22 election.

23 e. Notice of the special election shall be published at  
24 least once in a newspaper as specified in section 362.3 prior  
25 to the date of the special election. The notice shall appear  
26 as early as practicable after the city council has voted to  
27 seek additional property tax dollars.

28 3. The amount of additional property tax dollars levied  
29 under subsection 2 shall not be included in the computation of  
30 the maximum amount of property tax dollars which may be  
31 certified and levied under section 384.1.

32 Sec. 13. APPLICABILITY DATE. This division of this Act  
33 applies to the fiscal year beginning July 1, 2005, and all  
34 subsequent fiscal years.

35

DIVISION II

1 REPEAL

2 Sec. 14. 2003 Iowa Acts, First Extraordinary Session,  
3 chapter 1, sections 1 through 43, are repealed.

4 Sec. 15. EFFECTIVE DATE. This division of this Act, being  
5 deemed of immediate importance, takes effect upon enactment.

6 DIVISION III

7 CORRESPONDING AND CONFORMING AMENDMENTS

8 Sec. 16. Section 23A.2, subsection 10, paragraph h, Code  
9 Supplement 2003, is amended to read as follows:

10 h. The performance of an activity listed in section  
11 331.424, Code 2003, as a service for which a supplemental levy  
12 may was allowed to be certified.

13 Sec. 17. Section 123.38, unnumbered paragraph 2, Code  
14 2003, is amended to read as follows:

15 Any licensee or permittee, or the licensee's or permittee's  
16 executor or administrator, or any person duly appointed by the  
17 court to take charge of and administer the property or assets  
18 of the licensee or permittee for the benefit of the licensee's  
19 or permittee's creditors, may voluntarily surrender a license  
20 or permit to the division. When a license or permit is  
21 surrendered the division shall notify the local authority, and  
22 the division or the local authority shall refund to the person  
23 surrendering the license or permit, a proportionate amount of  
24 the fee received by the division or the local authority for  
25 the license or permit as follows: if a license or permit is  
26 surrendered during the first three months of the period for  
27 which it was issued, the refund shall be three-fourths of the  
28 amount of the fee; if surrendered more than three months but  
29 not more than six months after issuance, the refund shall be  
30 one-half of the amount of the fee; if surrendered more than  
31 six months but not more than nine months after issuance, the  
32 refund shall be one-fourth of the amount of the fee. No  
33 refund shall be made, however, for any special liquor permit,  
34 nor for a liquor control license, wine permit, or beer permit  
35 surrendered more than nine months after issuance. For

1 purposes of this paragraph, any portion of license or permit  
2 fees used for the purposes authorized in section ~~331.424~~  
3 ~~subsection-17-paragraphs-"a"-and-"b"~~, and in section 331.424A  
4 shall not be deemed received either by the division or by a  
5 local authority. No refund shall be made to any licensee or  
6 permittee, upon the surrender of the license or permit, if  
7 there is at the time of surrender, a complaint filed with the  
8 division or local authority, charging the licensee or  
9 permittee with a violation of this chapter. If upon a hearing  
10 on a complaint the license or permit is not revoked or  
11 suspended, then the licensee or permittee is eligible, upon  
12 surrender of the license or permit, to receive a refund as  
13 provided in this section; but if the license or permit is  
14 revoked or suspended upon hearing the licensee or permittee is  
15 not eligible for the refund of any portion of the license or  
16 permit fee.

17 Sec. 18. Section 218.99, Code 2003, is amended to read as  
18 follows:

19 218.99 COUNTIES TO BE NOTIFIED OF PATIENTS' PERSONAL  
20 ACCOUNTS.

21 The administrator in control of a state institution shall  
22 direct the business manager of each institution under the  
23 administrator's jurisdiction ~~which-is-mentioned-in-section~~  
24 ~~331.424-subsection-17-paragraphs-"a"-and-"b"~~, and for which  
25 services are paid under section 331.424A, to quarterly inform  
26 the county of legal settlement's entity designated to perform  
27 the county's single entry point process of any patient or  
28 resident who has an amount in excess of two hundred dollars on  
29 account in the patients' personal deposit fund and the amount  
30 on deposit. The administrators shall direct the business  
31 manager to further notify the entity designated to perform the  
32 county's single entry point process at least fifteen days  
33 before the release of funds in excess of two hundred dollars  
34 or upon the death of the patient or resident. If the patient  
35 or resident has no county of legal settlement, notice shall be

1 made to the director of human services and the administrator  
2 in control of the institution involved.

3 Sec. 19. Section 331.263, subsection 2, Code 2003, is  
4 amended to read as follows:

5 2. The governing body of the community commonwealth shall  
6 have the authority to levy county taxes and shall have the  
7 authority to levy city taxes to the extent the city tax levy  
8 authority is transferred by the charter to the community  
9 commonwealth. A city participating in the community  
10 commonwealth shall transfer a portion of the city's tax levy  
11 authorized under section 384.1 or 384.12, whichever is  
12 applicable, to the governing body of the community  
13 commonwealth. The maximum rates amount of taxes authorized to  
14 be levied under ~~sections~~ section 384.1 and the maximum rates  
15 of taxes authorized to be levied under section 384.12 by a  
16 city participating in the community commonwealth shall be  
17 reduced by an amount equal to the rates of the same or similar  
18 taxes levied in the city by the governing body of the  
19 community commonwealth.

20 Sec. 20. Section 331.301, subsection 12, Code 2003, is  
21 amended to read as follows:

22 12. The board of supervisors may credit funds to a reserve  
23 for the purposes authorized by subsection 11 of this section,  
24 ~~section-331-424-subsection-17-paragraph-"f"~~, and section  
25 331.441, subsection 2, paragraph "b". Moneys credited to the  
26 reserve, and interest earned on such moneys, shall remain in  
27 the reserve until expended for purposes authorized by  
28 subsection 11 of this section,~~section-331-424-subsection-17~~  
29 ~~paragraph-"f"~~, or section 331.441, subsection 2, paragraph  
30 "b".

31 Sec. 21. Section 331.325, Code 2003, is amended to read as  
32 follows:

33 331.325 CONTROL AND MAINTENANCE OF PIONEER CEMETERIES --  
34 CEMETERY COMMISSION.

35 1. As used in this section, "pioneer cemetery" means a



1 cemetery where there have been six or fewer burials in the  
2 preceding fifty years.

3 2. Each county board of supervisors may adopt an ordinance  
4 assuming jurisdiction and control of pioneer cemeteries in the  
5 county. The board shall exercise the powers and duties of  
6 township trustees relating to the maintenance and repair of  
7 cemeteries in the county as provided in sections 359.28  
8 through 359.41 except that the board shall not certify a tax  
9 levy pursuant to section 359.30 or 359.33 and except that the  
10 maintenance and repair of all cemeteries under the  
11 jurisdiction of the county including pioneer cemeteries shall  
12 be paid from the ~~county-general~~ cemetery fund. The  
13 maintenance and improvement program for a pioneer cemetery may  
14 include restoration and management of native prairie grasses  
15 and wildflowers.

16 3. In lieu of management of the cemeteries, the board of  
17 supervisors may create, by ordinance, a cemetery commission to  
18 assume jurisdiction and management of the pioneer cemeteries  
19 in the county. The ordinance shall delineate the number of  
20 commissioners, the appointing authority, the term of office,  
21 officers, employees, organizational matters, rules of  
22 procedure, compensation and expenses, and other matters deemed  
23 pertinent by the board. The board may delegate any power and  
24 duties relating to cemeteries which may otherwise be exercised  
25 by township trustees pursuant to sections 359.28 through  
26 359.41 to the cemetery commission except the commission shall  
27 not certify a tax levy pursuant to section 359.30 or 359.33  
28 and except that the expenses of the cemetery commission shall  
29 be paid from the ~~county-general~~ cemetery fund.

30 4. Notwithstanding sections 359.30 and 359.33, the costs  
31 of management, repair, and maintenance of pioneer cemeteries  
32 shall be paid from the ~~county-general~~ cemetery fund.

33 Sec. 22. Section 331.421, subsections 1 and 10, Code 2003,  
34 are amended by striking the subsections.

35 Sec. 23. Section 331.421, Code 2003, is amended by adding

1 the following new subsection:

2 NEW SUBSECTION. 7A. "Item" means a budgeted expenditure,  
3 appropriation, or cash reserve from a fund for a service area,  
4 program, program element, or purpose.

5 Sec. 24. Section 331.422, unnumbered paragraph 1, Code  
6 2003, is amended to read as follows:

7 Subject to this section and sections 331.423 through  
8 ~~331.426~~ 331.425 or as otherwise provided by state law, the  
9 board of each county shall certify property taxes annually at  
10 its March session to be levied for county purposes as follows:

11 Sec. 25. Section 331.422, Code 2003, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 2A. Taxes in the amount necessary to meet  
14 obligations under section 331.425, subsection 1, paragraphs  
15 "a" and "b", shall be levied on all taxable property in the  
16 county.

17 Sec. 26. Section 331.424A, subsection 4, Code Supplement  
18 2003, is amended to read as follows:

19 4. For the fiscal year beginning July 1, 1996, and for  
20 each subsequent fiscal year, the county shall certify a levy  
21 for payment of services. For each fiscal year, county  
22 revenues from taxes imposed by the county credited to the  
23 services fund shall not exceed an amount equal to the amount  
24 of base year expenditures for services as defined in section  
25 331.438, less the amount of property tax relief to be received  
26 pursuant to section 426B.2, in the fiscal year for which the  
27 budget is certified. The county auditor and the board of  
28 supervisors shall reduce the amount of the levy certified for  
29 the services fund by the amount of property tax relief to be  
30 received. A levy certified under this section is not subject  
31 to ~~the appeal provisions of section 331.426 or to~~ any other  
32 provision in law authorizing a county to exceed, increase, or  
33 appeal a property tax levy limit.

34 Sec. 27. Section 331.424B, Code 2003, is amended to read  
35 as follows:

1 331.424B CEMETERY LEVY.

2 The board may levy annually a tax on all taxable property  
3 in the county not to exceed six and three-fourths cents per  
4 thousand dollars of the assessed value of all taxable property  
5 in the county to repair and maintain all cemeteries under the  
6 jurisdiction of the board including pioneer cemeteries and to  
7 pay other expenses of the board or the cemetery commission as  
8 provided in section 331.325. The proceeds of the tax levy  
9 shall be credited to the ~~county-general~~ cemetery fund.

10 Sec. 28. Section 331.427, subsection 3, paragraph 1, Code  
11 Supplement 2003, is amended to read as follows:

12 1. Services listed in ~~section-331-424~~-~~subsection-17~~-and  
13 section 331.554.

14 Sec. 29. Section 331.428, subsection 2, paragraph d, Code  
15 2003, is amended by striking the paragraph.

16 Sec. 30. Section 331.434, unnumbered paragraph 1, Code  
17 2003, is amended to read as follows:

18 Annually, the board of each county, subject to sections  
19 331.423 through ~~331-426~~ 331.425 and other applicable state  
20 law, shall prepare and adopt a budget, certify taxes, and  
21 provide appropriations as follows:

22 Sec. 31. Section 331.435, unnumbered paragraph 1, Code  
23 2003, is amended to read as follows:

24 The board may amend the adopted county budget, subject to  
25 sections 331.423 through ~~331-426~~ 331.425 and other applicable  
26 state law, to permit increases in any class of proposed  
27 expenditures contained in the budget summary published under  
28 section 331.434, subsection 3.

29 Sec. 32. Section 357B.8, subsection 2, paragraph c, Code  
30 2003, is amended to read as follows:

31 c. The benefited fire district shall certify the tax levy  
32 as provided in this subsection only after agreement granted by  
33 resolution of the city council. The amount of the tax rate  
34 levied under this subsection shall reduce by an equal amount  
35 the maximum ~~tax-levy~~ amount of taxes authorized for the

1 ~~general-fund-of-that-city~~ levy under section 384.1. If the  
2 district levies directly against property within a city to  
3 provide fire protection for that city, the city shall not be  
4 responsible for providing fire protection as provided in  
5 section 364.16, and shall have no liability for the method,  
6 manner, or means in which the district provides the fire  
7 protection.

8 Sec. 33. Section 373.10, Code 2003, is amended to read as  
9 follows:

10 373.10 TAXING AUTHORITY.

11 The metropolitan council shall have the authority to levy  
12 city taxes to the extent the city tax levy authority is  
13 transferred by the charter to the metropolitan council. A  
14 member city shall transfer a portion of the city's tax levy  
15 authorized under section 384.1 or 384.12, whichever is  
16 applicable, to the metropolitan council. The maximum ~~rates~~  
17 amount of taxes authorized to be levied under ~~sections~~ section  
18 384.1 and the maximum rates of taxes authorized to be levied  
19 under section 384.12 by a member city shall be reduced by an  
20 amount equal to the rates of the same or similar taxes levied  
21 in the city by the metropolitan council.

22 Sec. 34. Section 386.8, Code 2003, is amended to read as  
23 follows:

24 386.8 OPERATION TAX.

25 A city may establish a self-supported improvement district  
26 operation fund, and may certify taxes not to exceed the rate  
27 limitation as established in the ordinance creating the  
28 district, or any amendment thereto, each year to be levied for  
29 the fund against all of the property in the district, for the  
30 purpose of paying the administrative expenses of the district,  
31 which may include but are not limited to administrative  
32 personnel salaries, a separate administrative office, planning  
33 costs including consultation fees, engineering fees,  
34 architectural fees, and legal fees and all other expenses  
35 reasonably associated with the administration of the district

1 and the fulfilling of the purposes of the district. The taxes  
2 levied for this fund may also be used for the purpose of  
3 paying maintenance expenses of improvements or self-  
4 liquidating improvements for a specified length of time with  
5 one or more options to renew if such is clearly stated in the  
6 petition which requests the council to authorize construction  
7 of the improvement or self-liquidating improvement, whether or  
8 not such petition is combined with the petition requesting  
9 creation of a district. Parcels of property which are  
10 assessed as residential property for property tax purposes are  
11 exempt from the tax levied under this section except  
12 residential properties within a duly designated historic  
13 district. A tax levied under this section is not subject to  
14 the maximum dollars levy limitation in section 384.1.

15 Sec. 35. Section 386.9, Code 2003, is amended to read as  
16 follows:

17 386.9 CAPITAL IMPROVEMENT TAX.

18 A city may establish a capital improvement fund for a  
19 district and may certify taxes, not to exceed the rate  
20 established by the ordinance creating the district, or any  
21 subsequent amendment thereto, each year to be levied for the  
22 fund against all of the property in the district, for the  
23 purpose of accumulating moneys for the financing or payment of  
24 a part or all of the costs of any improvement or self-  
25 liquidating improvement. However, parcels of property which  
26 are assessed as residential property for property tax purposes  
27 are exempt from the tax levied under this section except  
28 residential properties within a duly designated historic  
29 district. A tax levied under this section is not subject to  
30 the maximum dollars levy ~~limitations~~ limitation in section  
31 384.1 or the levy rate limitation in section 384.7.

32 Sec. 36. Section 331.426, Code 2003, is repealed.

33 Sec. 37. APPLICABILITY DATE. This division of this Act  
34 applies to the fiscal year beginning July 1, 2005, and all  
35 subsequent fiscal years.

DIVISION IV

STATE TAX IMPLEMENTATION COMMITTEE

1  
2  
3 Sec. 38. NEW SECTION. 8F.1 STATE TAX IMPLEMENTATION  
4 COMMITTEE.

5 1. On or before July 1, 2004, the department of revenue,  
6 in consultation with the department of management, shall  
7 initiate and coordinate the establishment of a state tax  
8 implementation committee. The department of revenue and the  
9 department of management shall provide staffing assistance to  
10 the committee.

11 2. The state tax implementation committee shall include  
12 four members of the general assembly, one each appointed by  
13 the majority leader of the senate, the speaker of the house of  
14 representatives, the minority leader of the senate, and the  
15 minority leader of the house of representatives. The  
16 committee shall also include members appointed by the  
17 department of revenue. One member shall be appointed to  
18 represent each of the following:

- 19 a. The department of revenue.  
20 b. The department of management.  
21 c. Counties  
22 d. Cities.  
23 e. School districts.  
24 f. County auditors.  
25 g. Commercial property taxpayers.  
26 h. Industrial property taxpayers.  
27 i. Residential property taxpayers.  
28 j. Agricultural property taxpayers.  
29 k. Chapter 437A taxpayers.  
30 l. An additional stakeholder.

31 The department may consider participation on the committee  
32 of former state officials with expertise in budget and tax  
33 policy.

34 The chairpersons of the committee shall be those members of  
35 the general assembly appointed by the majority leader of the

1 senate and the speaker of the house of representatives.

2 The members of the committee representing the department of  
3 revenue and the department of management are nonvoting, ex  
4 officio members.

5 3. Legislative members of the committee are eligible for  
6 per diem and expenses as provided in section 2.10. Other  
7 members may be eligible to receive compensation as provided in  
8 section 7E.6. Any vacancy shall be filled in the same manner  
9 as regular appointments are made.

10 4. The committee shall meet quarterly and at other times  
11 as necessary at the call of the chairpersons. Written notice  
12 of the time and place of each meeting shall be given to each  
13 member of the committee.

14 Sec. 39. NEW SECTION. 8F.2 REVIEW OF STATE AND LOCAL  
15 REVENUE AND SERVICES.

16 1. The committee shall conduct a review of the following:

17 a. Revenue sources available to local governments and  
18 school districts, including taxes, fees, state appropriations,  
19 and federal moneys.

20 b. Revenue sources available to the state, including  
21 taxes, fees, and federal moneys, and the portion of state  
22 revenues annually appropriated, or otherwise disbursed, to  
23 local governments.

24 c. Exemptions, credits, deductions, exclusions, and other  
25 reductions in state or local taxes made available, by state  
26 statute or local ordinance, to state and local taxpayers.

27 d. Services provided by local governments, including those  
28 provided at the discretion of a local government and those  
29 mandated by federal or state statutes and regulations.

30 In conducting its review of revenue sources, the committee  
31 shall study state and local taxes from the standpoint of  
32 equity, neutrality, competitiveness, simplicity, and  
33 stability.

34 2. The committee shall monitor implementation of sections  
35 331.423, 331.423A, 331.423B, 384.1, 384.1A, and 384.1B, as

1 amended or enacted by this Act.

2 3. The committee may hold public hearings to allow persons  
3 and organizations to be heard.

4 4. The committee shall submit an annual report to the  
5 general assembly no later than January 15 of each year. The  
6 report shall summarize the committee's activities to date and  
7 may include such other information that the committee deems  
8 relevant and necessary.

9 Sec. 40. NEW SECTION. 8F.3 INFORMATION.

10 The committee may request from any state agency or official  
11 the information and assistance as needed to perform the review  
12 and monitoring required in section 8F.2. A state agency or  
13 official shall furnish the information or assistance requested  
14 within the authority and resources of the state agency or  
15 official. This section does not allow the examination or  
16 copying of any public record required by law to be kept  
17 confidential.

18 Sec. 41. NEW SECTION. 8F.4 FUTURE REPEAL.

19 This chapter is repealed effective July 1, 2008.

20 Sec. 42. EFFECTIVE DATE. This division of this Act, being  
21 deemed of immediate importance, takes effect upon enactment.

22 EXPLANATION

23 This bill relates to the limitation on property taxes for  
24 counties and cities by removing the property tax rate  
25 limitations on counties and cities and substituting a  
26 limitation on property tax dollars, and by creating a state  
27 tax implementation committee.

28 Division I of the bill removes the property tax rate  
29 limitations on counties and cities and substitutes a  
30 limitation on the maximum amount of property tax dollars that  
31 may be certified by a county.

32 The division requires each county and city to compute a  
33 maximum property tax dollars base based on averages of three  
34 fiscal years' worth of tax askings by the county multiplied by  
35 a cumulative growth factor, i.e., price index, applied to the



1 average. An adjustment is made for ending fund balance  
2 differentials between three specified fiscal years. In the  
3 alternative, a county or city may compute the maximum property  
4 tax dollars base on taxes levied for the fiscal year beginning  
5 July 1, 2002, with inflation for that year applied and  
6 adjusted by an ending fund balance differential for FY 2002-  
7 2003 and FY 2001-2002.

8 The division provides that the base amount calculation  
9 shall be the tentative maximum property tax base for the  
10 fiscal year beginning July 1, 2005, as adjusted by the growth  
11 factor. Each year, property tax replacement dollars to be  
12 received and local sales and services taxes to be received are  
13 subtracted from the amount of property taxes for the fiscal  
14 year to reach the maximum amount of property taxes authorized  
15 to be levied for the fiscal year. "Property tax replacement  
16 dollars" is defined to mean revenues received from the utility  
17 delivery, generation, and transmission taxes; revenues  
18 received from gambling if specifically designated by the  
19 county or city for property tax relief; and amounts  
20 appropriated by the general assembly as property tax relief.

21 The division provides that a county or city that has not  
22 levied at its maximum for a year may carry forward the unused  
23 taxing authority from year to year in an amount not to exceed  
24 25 percent of the maximum dollars available for the year. The  
25 division also provides that taxes from new valuation be added  
26 in separately to the formula.

27 The division provides that the ending fund balance for the  
28 county general and rural funds and the city general fund shall  
29 not exceed 25 percent of the budget for the fiscal year unless  
30 the excess is reserved or designated for a specific purpose.  
31 Through fiscal year 2010-2011, counties and cities may levy  
32 unused ending fund balance taxing authority based on the  
33 amount of the ending fund balance for fiscal year 2003-2004.

34 The division allows a county or city to exceed its maximum  
35 tax authority for up to two years at a time if approved by the

1 voters at a special election. The division also allows the  
2 secondary road fund levy limits for counties to be exceeded if  
3 approved by the voters at a special election.

4 Division II of the bill repeals the sections of House File  
5 692 from the 2003 Extraordinary Session of the General  
6 Assembly that created the square footage tax. The division  
7 takes effect upon enactment.

8 Division III of the bill contains corresponding and  
9 conforming amendments. The division repeals the supplemental  
10 levy for counties and the sections of the Code that currently  
11 allow counties to exceed their levy rate limitations. The  
12 division gives counties authority to establish a cemetery fund  
13 and to establish supplemental funds for employee benefits,  
14 tort liability, and other specified accounting purposes.

15 Division IV of the bill creates a state tax implementation  
16 committee. The members of the committee include members of  
17 the general assembly, representatives of the department of  
18 revenue and the department of management, and representatives  
19 of various local governments and taxpayers.

20 The division requires the committee to conduct a review of  
21 state and local taxation in Iowa and to monitor implementation  
22 of this bill. The committee is to report annually to the  
23 general assembly by January 15 of each year.

24 The committee is abolished July 1, 2008.

25 Division IV takes effect upon enactment.

26 Divisions I and III of the bill apply to the fiscal year  
27 beginning July 1, 2005, and all subsequent fiscal years.

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Sievers  
Hosen  
Stewart

Succeeded By  
S/ HF 2297 SB# 3168  
Ways & Means

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON MCKIBBEN)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to property taxation by establishing a maximum  
2 property tax dollars limitation for counties and cities,  
3 repealing the square footage tax, and creating a state tax  
4 implementation committee to study local and state sources of  
5 revenue, and including effective and applicability date  
6 provisions.

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

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DIVISION I

MAXIMUM PROPERTY TAX DOLLARS

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2  
3 Section 1. Section 331.423, Code 2003, is amended by  
4 striking the section and inserting in lieu thereof the  
5 following:

6 331.423 PROPERTY TAX DOLLARS -- MAXIMUMS.

7 1. Annually, the board shall determine separate property  
8 tax levy limits to pay for general county services and rural  
9 county services in accordance with this section. The property  
10 tax levies separately certified for general county services  
11 and rural county services in accordance with section 331.434  
12 shall not exceed the amount determined under this section.

13 2. For purposes of this section and sections 331.423A and  
14 331.423B:

15 a. "Annual price index" means the sum of one plus the  
16 change, computed to four decimal places, between the  
17 preliminary price index for the third quarter of the calendar  
18 year preceding the calendar year in which the budget year  
19 starts and the revised price index for the third quarter of  
20 the previous calendar year as published in the same issue in  
21 which such preliminary price index is first published. The  
22 price index used shall be the state and local government  
23 chain-type price index used in the quantity and price indexes  
24 for gross domestic product as published by the United States  
25 department of commerce. The annual price index shall not be  
26 less than one and shall not exceed one and four hundredths.

27 b. "Boundary adjustment" means annexation, severance,  
28 incorporation, or discontinuance as those terms are defined in  
29 section 368.1.

30 c. "Budget year" is the fiscal year beginning during the  
31 calendar year in which a budget is first certified.

32 d. "Current fiscal year" is the fiscal year ending during  
33 the calendar year in which a budget is certified.

34 e. "Local sales and services taxes" means local sales and  
35 services taxes imposed under the authority of chapter 422B or

3168

1 a successor chapter.

2 f. "Net new valuation taxes" means the amount of property  
3 tax dollars equal to the budget year's tentative maximum  
4 general rate for purposes of the general fund, or the budget  
5 year's tentative maximum rural rate for purposes of the rural  
6 services fund, times the increase from the current fiscal year  
7 in taxable valuation due to the following:

8 (1) Net new construction excluding all incremental  
9 valuation that is released in any one year from an urban  
10 renewal area for which taxes are being divided under section  
11 403.19 if the property remains part of the urban renewal area.

12 (2) Additions or improvements to existing structures.

13 (3) Remodeling of existing structures for which a building  
14 permit is required.

15 (4) Net boundary adjustment.

16 (5) A municipality no longer dividing tax revenues in an  
17 urban renewal area as provided in section 403.19, to the  
18 extent that the incremental valuation released is due to new  
19 construction or revaluation on property newly constructed  
20 after the division of revenue begins.

21 (6) That portion of taxable property located in an urban  
22 revitalization area on which an exemption was allowed and such  
23 exemption has expired.

24 g. "Property tax replacement dollars" means revenues  
25 received under chapter 437A, subchapter II, revenues received  
26 under section 99F.11 that are specifically designated by the  
27 county for property tax relief in the current fiscal year, and  
28 amounts appropriated by the general assembly for property tax  
29 relief first enacted for fiscal years beginning on or after  
30 July 1, 2004.

31 h. "Tentative maximum general rate" means the amount  
32 calculated in subsection 3, paragraph "b", subparagraph (1),  
33 divided by the net taxable valuation in the county. For  
34 purposes of this paragraph, "net taxable valuation" is the  
35 amount of taxable valuation in the county minus the amount of

1 taxable valuation in the county used to calculate net new  
2 valuation taxes.

3 i. "Tentative maximum rural rate" means the amount  
4 calculated in subsection 3, paragraph "c", subparagraph (1),  
5 divided by the net taxable valuation in the unincorporated  
6 area of the county. For purposes of this paragraph, "net  
7 taxable valuation" is the amount of taxable valuation in the  
8 unincorporated area of the county minus the amount of taxable  
9 valuation in the unincorporated area of the county used to  
10 calculate net new valuation taxes.

11 j. "Unused taxing authority" means the maximum amount of  
12 property tax dollars calculated under subsection 3 for a  
13 fiscal year minus the amount actually levied under this  
14 section in that fiscal year. Unused taxing authority may be  
15 carried forward to the following fiscal year. However, the  
16 amount of unused taxing authority which may be carried forward  
17 shall not exceed twenty-five percent of the maximum amount of  
18 property tax dollars available in the current fiscal year as  
19 determined under this section.

20 3. a. Effective for and after the fiscal year beginning  
21 July 1, 2005, the maximum amount of property tax dollars which  
22 may be certified for levy by a county for general county  
23 services and rural county services shall be the tentative  
24 maximum property tax dollars calculated under paragraphs "b"  
25 and "c", respectively, and adjusted by the amounts in  
26 paragraphs "d", "e", and "f".

27 b. The tentative maximum property tax dollars for general  
28 county services for a budget year is an amount equal to the  
29 sum of the following:

30 (1) The annual price index times the difference between  
31 the current fiscal year's tentative maximum property tax  
32 dollars for general county services minus the unused taxing  
33 authority carried forward from the fiscal year preceding the  
34 current fiscal year.

35 (2) The amount of net new valuation taxes.

1 (3) The amount of unused taxing authority carried forward  
2 from the current fiscal year.

3 c. The tentative maximum property tax dollars for rural  
4 county services is an amount equal to the sum of the  
5 following:

6 (1) The annual price index times the difference between  
7 the current fiscal year's tentative maximum property tax  
8 dollars for rural county services minus the unused taxing  
9 authority carried forward from the fiscal year preceding the  
10 current fiscal year.

11 (2) The amount of net new valuation taxes.

12 (3) The amount of unused taxing authority carried forward  
13 from the current fiscal year.

14 d. Subtract the amount of property tax replacement dollars  
15 to be received for the budget year that will be deposited in  
16 the general fund or the rural services fund, as applicable.

17 e. Subtract the amount of local sales and services taxes  
18 for property tax relief estimated by the department of revenue  
19 to be received for the budget year that will be deposited in  
20 the general fund or the rural services fund, as applicable.

21 f. Subtract the amount of local sales and services taxes  
22 received for property tax relief in the fiscal year preceding  
23 the current fiscal year for the county general fund and rural  
24 services fund, and add the amount of local sales and services  
25 taxes that was budgeted for property tax relief for each of  
26 those funds in that fiscal year.

27 4. Property taxes certified for deposit in the mental  
28 health, mental retardation, and developmental disabilities  
29 services fund in section 331.424A, the cemetery fund in  
30 section 331.424B, the emergency services fund in section  
31 331.424C, the county supplemental fund in section 331.425, and  
32 the debt service fund in section 331.430, any capital projects  
33 fund established by the county for deposit of bond, loan, or  
34 note proceeds, and any temporary increase approved pursuant to  
35 section 331.424, are not counted against the maximum amount of

1 property tax dollars that may be certified for a budget year  
2 under subsection 3.

3 Sec. 2. NEW SECTION. 331.423A BASE AMOUNT CALCULATION  
4 FOR FISCAL YEAR 2005-2006.

5 1. For purposes of computing the tentative maximum  
6 property tax dollars under section 331.423, for the fiscal  
7 year beginning July 1, 2005, the term "current fiscal year's  
8 tentative maximum property tax dollars", as used in section  
9 331.423, subsection 3, for general county services and rural  
10 county services shall mean the base amount computed under  
11 subsections 2 and 3, and adjusted by subsection 4.

12 2. a. The base amount for general county services shall  
13 be an amount equal to one of the following:

14 (1) The sum, divided by three, of the amount of property  
15 taxes levied for general county services and the amount of  
16 property tax replacement dollars received, the amount of  
17 revenues received under section 99F.11 that were specifically  
18 designated for property tax relief, and the amount of local  
19 sales and services tax revenues received as property tax  
20 relief and deposited in the general fund, for the fiscal years  
21 beginning July 1, 2000, July 1, 2001, and July 1, 2002, times  
22 the annual price index computed for each of the three fiscal  
23 years. The ending fund balance differential shall be  
24 subtracted from this amount. The ending fund balance  
25 differential for general county services is the increase in  
26 the general fund's ending balance for the fiscal year  
27 beginning July 1, 2002, over the general fund's ending balance  
28 for the fiscal year beginning July 1, 1999, divided by three.

29 (2) The amount of property taxes levied for general county  
30 services and the amount of property tax replacement dollars  
31 received, the amount of revenues received under section 99F.11  
32 that were specifically designated for property tax relief, and  
33 the amount of local sales and services tax revenues received  
34 as property tax relief and deposited in the general fund, for  
35 the fiscal year beginning July 1, 2002, times the annual price



1 index computed for the fiscal year beginning July 1, 2002.  
 2 The ending fund balance differential shall be subtracted from  
 3 this amount. The ending fund balance differential for general  
 4 county services is the increase in the general fund's ending  
 5 balance for the fiscal year beginning July 1, 2002, over the  
 6 general fund's ending balance for the fiscal year beginning  
 7 July 1, 2001.

8 b. For purposes of paragraph "a", the amount of property  
 9 taxes levied for general county services shall include the  
 10 amounts levied for each fiscal year for general county  
 11 services pursuant to sections 331.422, subsection 1, 331.424,  
 12 and 331.426, Code 2003, and shall exclude the amount of  
 13 property tax dollars levied for the purposes described in  
 14 section 331.422, subsections 3 and 4, and section 331.425,  
 15 Code 2003, in each fiscal year.

16 For purposes of paragraph "a", the ending fund balance  
 17 differential shall not include the amount of general  
 18 obligation bond proceeds deposited in the general fund. If  
 19 the ending fund balance differential is zero or less, no  
 20 adjustment shall be made.

21 3. a. The base amount for rural county services shall be  
 22 an amount equal to one of the following:

23 (1) The sum, divided by three, of the amount of property  
 24 taxes levied for rural county services and the amount of  
 25 property tax replacement dollars received, the amount of  
 26 revenues received under section 99F.11 that were specifically  
 27 designated for property tax relief, and the amount of local  
 28 sales and services tax revenues received as property tax  
 29 relief and deposited in the rural services fund, for the  
 30 fiscal years beginning July 1, 2000, July 1, 2001, and July 1,  
 31 2002, times the annual price index computed for each of the  
 32 three fiscal years. The ending fund balance differential  
 33 shall be subtracted from this amount. The ending fund balance  
 34 differential for rural county services is the increase in the  
 35 rural services fund's ending balance for the fiscal year

1 beginning July 1, 2002, over the rural services fund's ending  
2 balance for the fiscal year beginning July 1, 1999, divided by  
3 three.

4 (2) The amount of property taxes levied for rural county  
5 services and the amount of property tax replacement dollars  
6 received, the amount of revenues received under section 99F.11  
7 that were specifically designated for property tax relief, and  
8 the amount of local sales and services tax revenues received  
9 as property tax relief and deposited in the rural services  
10 fund, for the fiscal year beginning July 1, 2002, times the  
11 annual price index computed for the fiscal year beginning July  
12 1, 2002. The ending fund balance differential shall be  
13 subtracted from this amount. The ending fund balance  
14 differential for rural county services is the increase in the  
15 rural services fund's ending balance for the fiscal year  
16 beginning July 1, 2002, over the rural services fund's ending  
17 balance for the fiscal year beginning July 1, 2001.

18 b. For purposes of paragraph "a", the amount of property  
19 taxes levied for rural county services shall include the  
20 amounts levied for each fiscal year for rural county services  
21 pursuant to sections 331.422, subsection 2, 331.424, and  
22 331.426, Code 2003, and shall exclude the amount of property  
23 tax dollars levied for the purposes described in section  
24 331.422, subsections 3 and 4, and section 331.425, Code 2003,  
25 in each fiscal year.

26 For purposes of paragraph "a", if the ending fund balance  
27 differential is zero or less, no adjustment shall be made.

28 4. a. The amount computed in subsection 2 shall be  
29 adjusted by multiplying it by the annual price index  
30 calculated for the fiscal year beginning July 1, 2004, and  
31 then adding the amount of net new valuation taxes calculated  
32 for the fiscal year beginning July 1, 2004.

33 b. The amount computed in subsection 3 shall be adjusted  
34 by multiplying it by the annual price index calculated for the  
35 fiscal year beginning July 1, 2004, and then adding the amount

1 of net new valuation taxes calculated for the fiscal year  
2 beginning July 1, 2004.

3 5. Each county shall certify to the department of  
4 management the method of computation it has chosen under this  
5 section for calculation of "current fiscal year's tentative  
6 maximum property tax dollars" for the fiscal year beginning  
7 July 1, 2005.

8 Sec. 3. NEW SECTION. 331.423B ENDING FUND BALANCE.

9 1. Budgeted ending fund balances on a cash basis for a  
10 budget year in excess of twenty-five percent of budgeted  
11 expenditures in either the general fund, county supplemental  
12 fund, or rural services fund for that budget year shall be  
13 explicitly reserved or designated for a specific purpose and  
14 specifically described in the certified budget. The  
15 description shall include the projected date that the balances  
16 will be expended for the specific purpose. A county is  
17 encouraged, but not required, to reduce budgeted, unreserved,  
18 or undesignated ending fund balances for the budget year to an  
19 amount equal to approximately twenty-five percent of budgeted  
20 expenditures in the general fund, county supplemental fund,  
21 and rural services fund for that budget year unless a decision  
22 is certified by the state appeal board ordering a reduction in  
23 the ending fund balance of any of those funds. In a protest  
24 to the county budget under section 331.436, the county shall  
25 have the burden of proving that the budgeted balances in  
26 excess of twenty-five percent are reasonably likely to be  
27 expended for the explicitly reserved or designated specific  
28 purpose by the date identified in the certified budget. The  
29 excess budgeted balance for the specific purpose shall be  
30 considered an increase in an item in the budget for purposes  
31 of section 24.28.

32 2. For a county that has, as of June 30, 2004, reduced its  
33 actual ending fund balance to less than twenty-five percent of  
34 actual expenditures on a cash basis, additional property taxes  
35 may be computed and levied as provided in this subsection.

1 The additional property tax levy amount is an amount not to  
2 exceed twenty-five percent of total actual expenditures from  
3 the general fund and rural services fund for the fiscal year  
4 beginning July 1, 2003, minus the combined ending fund  
5 balances for those funds for that year. The amount of the  
6 additional property taxes shall be divided between the general  
7 fund and the rural services fund in proportion to the amount  
8 of actual expenditures for general county services to total  
9 actual expenditures for general and rural county services for  
10 the fiscal year beginning July 1, 2003, and in proportion to  
11 the amount of actual expenditures for rural county services to  
12 total actual expenditures for general and rural county  
13 services for the fiscal year beginning July 1, 2003. However,  
14 the amount apportioned for general county services and for  
15 rural county services shall not exceed for each fund twenty-  
16 five percent of actual expenditures for the fiscal year  
17 beginning July 1, 2003.

18 All or a portion of additional property tax dollars may be  
19 levied for the purpose of increasing cash reserves for general  
20 county services and rural county services in the budget year.  
21 The additional property tax dollars authorized under this  
22 subsection but not levied may be carried forward as unused  
23 ending fund balance taxing authority until and for the fiscal  
24 year beginning July 1, 2010. The amount carried forward, when  
25 combined with unused taxing authority shall not exceed twenty-  
26 five percent of the maximum amount of property tax dollars  
27 available in the current fiscal year. Additionally, property  
28 taxes that are levied as unused ending fund balance taxing  
29 authority under this subsection may be the subject of a  
30 protest under section 331.436 and the amount will be  
31 considered an increase in an item in the budget for purposes  
32 of section 24.28. The amount of additional property taxes  
33 levied under this subsection shall not be included in the  
34 computation of the maximum amount of property tax dollars  
35 which may be certified and levied under section 331.423.

1     Sec. 4. NEW SECTION. 331.423C DEPARTMENT RULES AND  
2 FORMS.

3     The department of management shall adopt rules to  
4 administer sections 331.423, 331.423A, and 331.423B. The  
5 department, in consultation with the county finance committee,  
6 shall prescribe forms to be used by counties when making  
7 calculations required by those sections.

8     Sec. 5. Section 331.424, Code 2003, is amended by striking  
9 the section and inserting in lieu thereof the following:

10     331.424 AUTHORITY TO LEVY BEYOND MAXIMUM PROPERTY TAX  
11 DOLLARS.

12     1. The board may certify additions to the maximum amount  
13 of property tax dollars to be levied for a period of time not  
14 to exceed two years if the proposition has been submitted at a  
15 special election and received a favorable majority of the  
16 votes cast on the proposition.

17     2. The special election is subject to the following:

18     a. The board must give at least thirty-two days' notice to  
19 the county commissioner of elections that the special election  
20 is to be held.

21     b. The special election shall be conducted by the county  
22 commissioner of elections in accordance with law.

23     c. The proposition to be submitted shall be substantially  
24 in the following form:

25     "Vote "yes" or "no" on the following question: Shall the  
26 county of \_\_\_\_\_ levy for an additional \$\_\_\_\_\_ each year  
27 for \_\_\_ years beginning July 1, \_\_\_\_\_, in excess of the  
28 statutory limits otherwise applicable for the (general county  
29 services or rural services) fund?"

30     d. The canvass shall be held beginning at one p.m. on the  
31 second day which is not a holiday following the special  
32 election.

33     e. Notice of the special election shall be published at  
34 least once in a newspaper as specified in section 331.305  
35 prior to the date of the special election. The notice shall

1 appear as early as practicable after the board has voted to  
2 submit a proposition to the voters to levy additional property  
3 tax dollars.

4 3. Registered voters in the county may vote on the  
5 proposition to increase property taxes for the general fund in  
6 excess of the statutory limit. Registered voters residing  
7 outside the corporate limits of a city within the county may  
8 vote on the proposition to increase property taxes for the  
9 rural services fund in excess of the statutory limit.

10 4. The amount of additional property tax dollars certified  
11 under this section shall not be included in the computation of  
12 the maximum amount of property tax dollars which may be  
13 certified and levied under section 331.423.

14 Sec. 6. Section 331.425, Code 2003, is amended by striking  
15 the section and inserting in lieu thereof the following:

16 331.425 COUNTY SUPPLEMENTAL FUND.

17 1. The county supplemental fund is established for the  
18 following purposes:

19 a. Accounting for pension and related employee benefits as  
20 provided by the department of management.

21 b. Accounting for tort liability insurance, property  
22 insurance, and any other insurance that may be necessary in  
23 the operation of the county, costs of a self-insurance  
24 program, costs of a local government risk pool, and amounts  
25 payable under any insurance agreements to provide or procure  
26 such insurance, self-insurance program, or local government  
27 risk pool.

28 c. Accounting for gifts or grants received by the county  
29 for a particular purpose.

30 d. Accounting for money and property received and handled  
31 by the county as trustee or custodian or in the capacity of an  
32 agent.

33 2. County revenues from taxes and other sources for the  
34 purposes described in this section shall be credited to the  
35 county supplemental fund.

1 Sec. 7. Section 331.429, subsection 1, Code 2003, is  
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. f. Notwithstanding paragraphs "a" and "b",  
4 transfers from the general fund or rural services fund in  
5 accordance with this paragraph. The board may transfer  
6 additional funds from the general fund or rural services fund  
7 in excess of the amounts in paragraphs "a" and "b" if the  
8 proposition has been submitted at a special election and  
9 received a favorable majority of the votes cast on the  
10 proposition. The board shall direct the county commissioner  
11 of elections to submit the proposition at an election. The  
12 board must give at least thirty-two days' notice to the county  
13 commissioner of elections that the special election is to be  
14 held. For a transfer from the general fund, registered voters  
15 of the county may vote on the proposition. For a transfer  
16 from the rural services fund, registered voters of the county  
17 residing outside the corporate limits of a city within the  
18 county may vote on the proposition. The proposition to be  
19 submitted shall be substantially in the following form:

20 "Vote "yes" or "no" on the following question: Shall the  
21 county of \_\_\_\_\_ transfer an additional \$\_\_\_\_\_ each year for  
22 two years beginning July 1, \_\_\_\_, from the (general fund or  
23 rural services fund) to the secondary road fund?"

24 Notice of the special election shall be published at least  
25 once in a newspaper in the manner provided in section 331.305.  
26 Notice of the special election shall appear as early as  
27 practicable after the board has voted to submit a proposition  
28 to the voters to transfer funds from the general fund or rural  
29 services fund to the secondary road fund.

30 If a majority of the votes cast are in favor of the  
31 proposition, the board shall certify the results of the  
32 election to the department of management and transfer the  
33 approved amount to the secondary road fund in the appropriate  
34 fiscal year.

35 Sec. 8. Section 384.1, Code 2003, is amended by striking

1 the section and inserting in lieu thereof the following:

2 384.1 PROPERTY TAX DOLLARS -- MAXIMUMS.

3 1. A city shall certify taxes to be levied by the county  
4 on all taxable property within the city limits, for all city  
5 government purposes. Annually, the city council may certify  
6 basic levies for city government purposes, subject to the  
7 limitation on property tax dollars provided in this section.

8 2. For purposes of this section:

9 a. "Annual price index" means the sum of one plus the  
10 change, computed to four decimal places, between the  
11 preliminary price index for the third quarter of the calendar  
12 year preceding the calendar year in which the budget year  
13 starts and the revised price index for the third quarter of  
14 the previous calendar year as published in the same issue in  
15 which such preliminary price index is first published. The  
16 price index used shall be the state and local government  
17 chain-type price index used in the quantity and price indexes  
18 for gross domestic product as published by the United States  
19 department of commerce. The annual price index shall not be  
20 less than one and shall not exceed one and four hundredths.

21 b. "Boundary adjustment" means annexation, severance,  
22 incorporation, or discontinuance as those terms are defined in  
23 section 368.1.

24 c. "Budget year" is the fiscal year beginning during the  
25 calendar year in which a budget is certified.

26 d. "Current fiscal year" is the fiscal year ending during  
27 the calendar year in which a budget is certified.

28 e. "Local sales and services taxes" means local sales and  
29 services taxes imposed under the authority of chapter 422B or  
30 a successor chapter.

31 f. "Net new valuation taxes" means the amount of property  
32 tax dollars equal to the budget year's tentative maximum  
33 general rate for city government purposes times the increase  
34 from the current fiscal year in taxable valuation due to the  
35 following:



1 (1) Net new construction excluding all incremental  
2 valuation that is released in any one year from an urban  
3 renewal area for which taxes are being divided under section  
4 403.19 if the property remains part of the urban renewal area.

5 (2) Additions or improvements to existing structures.

6 (3) Remodeling of existing structures for which a building  
7 permit is required.

8 (4) Net boundary adjustment.

9 (5) A municipality no longer dividing tax revenues in an  
10 urban renewal area as provided in section 403.19, to the  
11 extent that the incremental valuation released is due to new  
12 construction or revaluation on property newly constructed  
13 after the division of revenue begins.

14 (6) That portion of taxable property located in an urban  
15 revitalization area on which an exemption was allowed and such  
16 exemption has expired.

17 g. "Property tax replacement dollars" means revenues  
18 received under chapter 437A, subchapter II, revenues received  
19 under section 99F.11 that are specifically designated by the  
20 city for property tax relief in the current fiscal year, and  
21 amounts appropriated by the general assembly for property tax  
22 relief first enacted for fiscal years beginning on or after  
23 July 1, 2004.

24 h. "Tentative maximum general rate" means the amount  
25 calculated in subsection 3, paragraph "b", subparagraph (1),  
26 divided by the net taxable valuation in the city. For  
27 purposes of this paragraph, "net taxable valuation" is the  
28 amount of taxable valuation in the city minus the amount of  
29 taxable valuation in the city used to calculate net new  
30 valuation taxes.

31 i. "Unused taxing authority" means the maximum amount of  
32 property tax dollars calculated under subsection 3 for a  
33 fiscal year minus the amount actually levied under this  
34 section in that fiscal year. Unused taxing authority may be  
35 carried forward to the following fiscal year. However, the

1 amount of unused taxing authority which may be carried forward  
2 shall not exceed twenty-five percent of the maximum amount of  
3 property tax dollars available in the current fiscal year as  
4 determined under this section.

5 3. a. Effective for the fiscal year beginning July 1,  
6 2005, the maximum amount of property tax dollars which may be  
7 certified by a city for city government purposes shall be the  
8 tentative maximum property tax dollars calculated under  
9 paragraph "b", and adjusted by the amounts in paragraphs "c",  
10 "d", and "e".

11 b. The tentative maximum property tax dollars for city  
12 government purposes for a budget year is an amount equal to  
13 the sum of the following:

14 (1) The annual price index times the difference between  
15 the current fiscal year's tentative maximum property tax  
16 dollars for city government purposes minus the unused taxing  
17 authority carried forward from the fiscal year preceding the  
18 current fiscal year.

19 (2) The amount of net new valuation taxes.

20 (3) The amount of unused taxing authority carried forward  
21 from the current fiscal year.

22 c. Subtract the amount of property tax replacement dollars  
23 to be received for the budget year that will be deposited in  
24 the city general fund.

25 d. Subtract the amount of local sales and services taxes  
26 for property tax relief estimated by the department of revenue  
27 to be received for the budget year that will be deposited in  
28 the city general fund.

29 e. Subtract the amount of local sales and services taxes  
30 received for property tax relief in the fiscal year preceding  
31 the current fiscal year for the city general fund, and add the  
32 amount of local sales and services taxes that was budgeted for  
33 property tax relief for the city general fund in that fiscal  
34 year.

35 4. Property taxes certified for deposit in the debt

1 service fund in section 384.4, trust and agency funds in  
 2 section 384.6, capital improvements reserve fund in section  
 3 384.7, the emergency fund in section 384.8, any capital  
 4 projects fund established by the city for deposit of bond,  
 5 loan, or note proceeds, any temporary increase approved  
 6 pursuant to section 384.1D, property taxes collected from a  
 7 voted levy in section 384.12, and property taxes levied under  
 8 section 384.12, subsection 18, are not counted against the  
 9 maximum amount of property tax dollars that may be certified  
 10 for a budget year under subsection 3.

11 5. Notwithstanding the maximum amount of taxes a city may  
 12 certify for levy, the tax certified for levy by a city on  
 13 tracts of land and improvements on the tracts of land used and  
 14 assessed for agricultural or horticultural purposes shall not  
 15 exceed three dollars and three-eighths cents per thousand  
 16 dollars of assessed value in any year. Improvements located  
 17 on such tracts of land and not used for agricultural or  
 18 horticultural purposes and all residential dwellings are  
 19 subject to the same rate of tax certified for levy by the city  
 20 on all other taxable property within the city.

21 Sec. 9. NEW SECTION. 384.1A BASE AMOUNT CALCULATION FOR  
 22 FISCAL YEAR 2005-2006.

23 1. For purposes of computing the tentative maximum  
 24 property tax dollars under section 384.1, for the fiscal year  
 25 beginning July 1, 2005, the term "current fiscal year's  
 26 tentative maximum property tax dollars", as used in section  
 27 384.1, subsection 3, for city government purposes shall mean  
 28 the base amount computed under subsection 2, and adjusted by  
 29 subsection 3.

30 2. a. The base amount for city government purposes shall  
 31 be an amount equal to one of the following:

32 (1) The sum, divided by three, of the amount of property  
 33 taxes levied for city government purposes and the amount of  
 34 property tax replacement dollars received, the amount of  
 35 revenues received under section 99F.11 that were specifically

1 designated for property tax relief, and the amount of local  
2 sales and services tax revenues received as property tax  
3 relief and deposited in the general fund, for the fiscal years  
4 beginning July 1, 2000, July 1, 2001, and July 1, 2002, times  
5 the annual price index computed for each of the three fiscal  
6 years. The ending fund balance differential shall be  
7 subtracted from this amount. The ending fund balance  
8 differential for city government purposes is the increase in  
9 the city general fund's ending balance for the fiscal year  
10 beginning July 1, 2002, over the city general fund's ending  
11 balance for the fiscal year beginning July 1, 1999, divided by  
12 three.

13 (2) The amount of property taxes levied for city  
14 government purposes and the amount of property tax replacement  
15 dollars received, the amount of revenues received under  
16 section 99F.11 that were specifically designated for property  
17 tax relief, and the amount of local sales and services tax  
18 revenues received as property tax relief and deposited in the  
19 general fund, for the fiscal year beginning July 1, 2002,  
20 times the annual price index computed for the fiscal year  
21 beginning July 1, 2002. The ending fund balance differential  
22 shall be subtracted from this amount. The ending fund balance  
23 differential for city government purposes is the increase in  
24 the city general fund's ending balance for the fiscal year  
25 beginning July 1, 2002, over the city general fund's ending  
26 balance for the fiscal year beginning July 1, 2001.

27 b. For purposes of paragraph "a", the amount of property  
28 taxes levied for city government purposes shall include the  
29 amounts levied for each fiscal year for city government  
30 purposes pursuant to section 384.1, Code 2003, and shall  
31 exclude the amount of property tax dollars levied for the  
32 purpose described in section 384.12, subsection 20, Code 2003.

33 For purposes of paragraph "a", the ending fund balance  
34 differential shall not include the amount of general  
35 obligation bond proceeds deposited in the city general fund.

1 If the ending fund balance differential is zero or less, no  
2 adjustment shall be made.

3 3. The amount computed in subsection 2 shall be adjusted  
4 by multiplying it by the annual price index calculated for the  
5 fiscal year beginning July 1, 2004, and then adding the amount  
6 of net new valuation taxes calculated for the fiscal year  
7 beginning July 1, 2004.

8 4. Each city shall certify to the department of management  
9 the method of computation it has chosen under this section for  
10 calculation of "current fiscal year's tentative maximum  
11 property tax dollars" for the fiscal year beginning July 1,  
12 2005.

13 Sec. 10. NEW SECTION. 384.1B ENDING FUND BALANCE.

14 1. Budgeted ending fund balances on a cash basis for a  
15 budget year in excess of twenty-five percent of budgeted  
16 expenditures in the general fund for that budget year shall be  
17 explicitly reserved or designated for a specific purpose and  
18 specifically described in the certified budget. The  
19 description shall include the projected date that the balances  
20 will be expended for the specific purpose. A city is  
21 encouraged, but not required, to reduce budgeted, unreserved,  
22 or undesignated ending fund balances for the budget year to an  
23 amount equal to approximately twenty-five percent of budgeted  
24 expenditures in the general fund for that budget year unless a  
25 decision is certified by the state appeal board ordering a  
26 reduction in the ending fund balance of that fund. In a  
27 protest to the city budget under section 384.19, the city  
28 shall have the burden of proving that the budgeted balances in  
29 excess of twenty-five percent are reasonably likely to be  
30 expended for the explicitly reserved or designated specific  
31 purpose by the date identified in the certified budget. The  
32 excess budgeted balance for the specific purpose shall be  
33 considered an increase in an item in the budget for purposes  
34 of section 24.28.

35 2. For a city that has, as of June 30, 2004, reduced its

1 actual ending fund balance to less than twenty-five percent of  
2 actual expenditures on a cash basis, additional property taxes  
3 may be computed and levied as provided in this subsection.  
4 The additional property tax levy amount is an amount not to  
5 exceed twenty-five percent of total actual expenditures from  
6 the general fund for the fiscal year beginning July 1, 2003,  
7 minus the combined ending fund balance for that fund for that  
8 year. However, the additional property tax levy amount shall  
9 not exceed twenty-five percent of actual expenditures from the  
10 general fund for the fiscal year beginning July 1, 2003.

11 All or a portion of additional property tax dollars may be  
12 levied for the purpose of increasing cash reserves for city  
13 government purposes in the budget year. The additional  
14 property tax dollars authorized under this subsection but not  
15 levied may be carried forward as unused ending fund balance  
16 taxing authority until and for the fiscal year beginning July  
17 1, 2010. The amount carried forward, when combined with  
18 unused taxing authority shall not exceed twenty-five percent  
19 of the maximum amount of property tax dollars available in the  
20 current fiscal year. Additionally, property taxes that are  
21 levied as unused ending fund balance taxing authority under  
22 this subsection may be the subject of a protest under section  
23 384.19 and the amount will be considered an increase in an  
24 item in the budget for purposes of section 24.28. The amount  
25 of additional property taxes levied under this subsection  
26 shall not be included in the computation of the maximum amount  
27 of property tax dollars which may be certified and levied  
28 under section 384.1.

29 Sec. 11. NEW SECTION. 384.1C DEPARTMENT RULES AND FORMS.

30 The department of management shall adopt rules to  
31 administer sections 384.1, 384.1A, and 384.1B. The  
32 department, in consultation with the city finance committee,  
33 shall prescribe forms to be used by cities when making  
34 calculations required by those sections.

35 Sec. 12. NEW SECTION. 384.1D AUTHORITY TO LEVY BEYOND

1 MAXIMUM PROPERTY TAX DOLLARS.

2 1. The city council may certify additions to the maximum  
3 amount of property tax dollars to be levied for a period of  
4 time not to exceed two years if the proposition has been  
5 submitted at a special election and received a favorable  
6 majority of the votes cast on the proposition.

7 2. The special election is subject to the following:

8 a. The city council must give at least thirty-two days'  
9 notice to the county commissioner of elections that the  
10 special election is to be held.

11 b. The special election shall be conducted by the county  
12 commissioner of elections in accordance with law.

13 c. The proposition to be submitted shall be substantially  
14 in the following form:

15 "Vote "yes" or "no" on the following:

16 Shall the city of \_\_\_\_\_ levy for an additional \$ \_\_\_\_\_  
17 each year for \_\_\_ years beginning next July 1, \_\_\_\_, in excess  
18 of the statutory limits otherwise applicable for the city  
19 general fund?"

20 d. The canvass shall be held beginning at one p.m. on the  
21 second day which is not a holiday following the special  
22 election.

23 e. Notice of the special election shall be published at  
24 least once in a newspaper as specified in section 362.3 prior  
25 to the date of the special election. The notice shall appear  
26 as early as practicable after the city council has voted to  
27 seek additional property tax dollars.

28 3. The amount of additional property tax dollars levied  
29 under subsection 2 shall not be included in the computation of  
30 the maximum amount of property tax dollars which may be  
31 certified and levied under section 384.1.

32 Sec. 13. APPLICABILITY DATE. This division of this Act  
33 applies to the fiscal year beginning July 1, 2005, and all  
34 subsequent fiscal years.

35

DIVISION II

1 REPEAL

2 Sec. 14. 2003 Iowa Acts, First Extraordinary Session,  
3 chapter 1, sections 1 through 43, are repealed.

4 Sec. 15. EFFECTIVE DATE. This division of this Act, being  
5 deemed of immediate importance, takes effect upon enactment.

6 DIVISION III

7 CORRESPONDING AND CONFORMING AMENDMENTS

8 Sec. 16. Section 23A.2, subsection 10, paragraph h, Code  
9 Supplement 2003, is amended to read as follows:

10 h. The performance of an activity listed in section  
11 331.424, Code 2003, as a service for which a supplemental levy  
12 may was allowed to be certified.

13 Sec. 17. Section 123.38, unnumbered paragraph 2, Code  
14 2003, is amended to read as follows:

15 Any licensee or permittee, or the licensee's or permittee's  
16 executor or administrator, or any person duly appointed by the  
17 court to take charge of and administer the property or assets  
18 of the licensee or permittee for the benefit of the licensee's  
19 or permittee's creditors, may voluntarily surrender a license  
20 or permit to the division. When a license or permit is  
21 surrendered the division shall notify the local authority, and  
22 the division or the local authority shall refund to the person  
23 surrendering the license or permit, a proportionate amount of  
24 the fee received by the division or the local authority for  
25 the license or permit as follows: if a license or permit is  
26 surrendered during the first three months of the period for  
27 which it was issued, the refund shall be three-fourths of the  
28 amount of the fee; if surrendered more than three months but  
29 not more than six months after issuance, the refund shall be  
30 one-half of the amount of the fee; if surrendered more than  
31 six months but not more than nine months after issuance, the  
32 refund shall be one-fourth of the amount of the fee. No  
33 refund shall be made, however, for any special liquor permit,  
34 nor for a liquor control license, wine permit, or beer permit  
35 surrendered more than nine months after issuance. For



1 purposes of this paragraph, any portion of license or permit  
 2 fees used for the purposes authorized in section ~~331.424,~~  
 3 ~~subsection 17, paragraphs "a" and "b", and in section~~ 331.424A,  
 4 shall not be deemed received either by the division or by a  
 5 local authority. No refund shall be made to any licensee or  
 6 permittee, upon the surrender of the license or permit, if  
 7 there is at the time of surrender, a complaint filed with the  
 8 division or local authority, charging the licensee or  
 9 permittee with a violation of this chapter. If upon a hearing  
 10 on a complaint the license or permit is not revoked or  
 11 suspended, then the licensee or permittee is eligible, upon  
 12 surrender of the license or permit, to receive a refund as  
 13 provided in this section; but if the license or permit is  
 14 revoked or suspended upon hearing the licensee or permittee is  
 15 not eligible for the refund of any portion of the license or  
 16 permit fee.

17 Sec. 18. Section 218.99, Code 2003, is amended to read as  
 18 follows:

19 218.99 COUNTIES TO BE NOTIFIED OF PATIENTS' PERSONAL  
 20 ACCOUNTS.

21 The administrator in control of a state institution shall  
 22 direct the business manager of each institution under the  
 23 administrator's jurisdiction ~~which is mentioned in section~~  
 24 ~~331.424, subsection 17, paragraphs "a" and "b", and~~ for which  
 25 services are paid under section 331.424A, to quarterly inform  
 26 the county of legal settlement's entity designated to perform  
 27 the county's single entry point process of any patient or  
 28 resident who has an amount in excess of two hundred dollars on  
 29 account in the patients' personal deposit fund and the amount  
 30 on deposit. The administrators shall direct the business  
 31 manager to further notify the entity designated to perform the  
 32 county's single entry point process at least fifteen days  
 33 before the release of funds in excess of two hundred dollars  
 34 or upon the death of the patient or resident. If the patient  
 35 or resident has no county of legal settlement, notice shall be

1 made to the director of human services and the administrator  
2 in control of the institution involved.

3 Sec. 19. Section 331.263, subsection 2, Code 2003, is  
4 amended to read as follows:

5 2. The governing body of the community commonwealth shall  
6 have the authority to levy county taxes and shall have the  
7 authority to levy city taxes to the extent the city tax levy  
8 authority is transferred by the charter to the community  
9 commonwealth. A city participating in the community  
10 commonwealth shall transfer a portion of the city's tax levy  
11 authorized under section 384.1 or 384.12, whichever is  
12 applicable, to the governing body of the community  
13 commonwealth. The maximum rates amount of taxes authorized to  
14 be levied under sections section 384.1 and the maximum rates  
15 of taxes authorized to be levied under section 384.12 by a  
16 city participating in the community commonwealth shall be  
17 reduced by an amount equal to the rates of the same or similar  
18 taxes levied in the city by the governing body of the  
19 community commonwealth.

20 Sec. 20. Section 331.301, subsection 12, Code 2003, is  
21 amended to read as follows:

22 12. The board of supervisors may credit funds to a reserve  
23 for the purposes authorized by subsection 11 of this section,  
24 ~~section-331-424, subsection-17-paragraph-"f"~~; and section  
25 331.441, subsection 2, paragraph "b". Moneys credited to the  
26 reserve, and interest earned on such moneys, shall remain in  
27 the reserve until expended for purposes authorized by  
28 subsection 11 of this section,~~-section-331-424, subsection-17,~~  
29 ~~paragraph-"f"~~; or section 331.441, subsection 2, paragraph  
30 "b".

31 Sec. 21. Section 331.325, Code 2003, is amended to read as  
32 follows:

33 331.325 CONTROL AND MAINTENANCE OF PIONEER CEMETERIES --  
34 CEMETERY COMMISSION.

35 1. As used in this section, "pioneer cemetery" means a

1 cemetery where there have been six or fewer burials in the  
2 preceding fifty years.

3 2. Each county board of supervisors may adopt an ordinance  
4 assuming jurisdiction and control of pioneer cemeteries in the  
5 county. The board shall exercise the powers and duties of  
6 township trustees relating to the maintenance and repair of  
7 cemeteries in the county as provided in sections 359.28  
8 through 359.41 except that the board shall not certify a tax  
9 levy pursuant to section 359.30 or 359.33 and except that the  
10 maintenance and repair of all cemeteries under the  
11 jurisdiction of the county including pioneer cemeteries shall  
12 be paid from the ~~county-general~~ cemetery fund. The  
13 maintenance and improvement program for a pioneer cemetery may  
14 include restoration and management of native prairie grasses  
15 and wildflowers.

16 3. In lieu of management of the cemeteries, the board of  
17 supervisors may create, by ordinance, a cemetery commission to  
18 assume jurisdiction and management of the pioneer cemeteries  
19 in the county. The ordinance shall delineate the number of  
20 commissioners, the appointing authority, the term of office,  
21 officers, employees, organizational matters, rules of  
22 procedure, compensation and expenses, and other matters deemed  
23 pertinent by the board. The board may delegate any power and  
24 duties relating to cemeteries which may otherwise be exercised  
25 by township trustees pursuant to sections 359.28 through  
26 359.41 to the cemetery commission except the commission shall  
27 not certify a tax levy pursuant to section 359.30 or 359.33  
28 and except that the expenses of the cemetery commission shall  
29 be paid from the ~~county-general~~ cemetery fund.

30 4. Notwithstanding sections 359.30 and 359.33, the costs  
31 of management, repair, and maintenance of pioneer cemeteries  
32 shall be paid from the ~~county-general~~ cemetery fund.

33 Sec. 22. Section 331.421, subsections 1 and 10, Code 2003,  
34 are amended by striking the subsections.

35 Sec. 23. Section 331.421, Code 2003, is amended by adding

1 the following new subsection:

2 NEW SUBSECTION. 7A. "Item" means a budgeted expenditure,  
3 appropriation, or cash reserve from a fund for a service area,  
4 program, program element, or purpose.

5 Sec. 24. Section 331.422, unnumbered paragraph 1, Code  
6 2003, is amended to read as follows:

7 Subject to this section and sections 331.423 through  
8 ~~331.426~~ 331.425 or as otherwise provided by state law, the  
9 board of each county shall certify property taxes annually at  
10 its March session to be levied for county purposes as follows:

11 Sec. 25. Section 331.422, Code 2003, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 2A. Taxes in the amount necessary to meet  
14 obligations under section 331.425, subsection 1, paragraphs  
15 "a" and "b", shall be levied on all taxable property in the  
16 county.

17 Sec. 26. Section 331.424A, subsection 4, Code Supplement  
18 2003, is amended to read as follows:

19 4. For the fiscal year beginning July 1, 1996, and for  
20 each subsequent fiscal year, the county shall certify a levy  
21 for payment of services. For each fiscal year, county  
22 revenues from taxes imposed by the county credited to the  
23 services fund shall not exceed an amount equal to the amount  
24 of base year expenditures for services as defined in section  
25 331.438, less the amount of property tax relief to be received  
26 pursuant to section 426B.2, in the fiscal year for which the  
27 budget is certified. The county auditor and the board of  
28 supervisors shall reduce the amount of the levy certified for  
29 the services fund by the amount of property tax relief to be  
30 received. A levy certified under this section is not subject  
31 to ~~the appeal provisions of section 331.426 or to~~ any other  
32 provision in law authorizing a county to exceed, increase, or  
33 appeal a property tax levy limit.

34 Sec. 27. Section 331.424B, Code 2003, is amended to read  
35 as follows:

1 331.424B CEMETERY LEVY.

2 The board may levy annually a tax on all taxable property  
3 in the county not to exceed six and three-fourths cents per  
4 thousand dollars of the assessed value of all taxable property  
5 in the county to repair and maintain all cemeteries under the  
6 jurisdiction of the board including pioneer cemeteries and to  
7 pay other expenses of the board or the cemetery commission as  
8 provided in section 331.325. The proceeds of the tax levy  
9 shall be credited to the ~~county-general~~ cemetery fund.

10 Sec. 28. Section 331.427, subsection 3, paragraph 1, Code  
11 Supplement 2003, is amended to read as follows:

12 1. Services listed in ~~section-331-4247-subsection-17-and~~  
13 section 331.554.

14 Sec. 29. Section 331.428, subsection 2, paragraph d, Code  
15 2003, is amended by striking the paragraph.

16 Sec. 30. Section 331.434, unnumbered paragraph 1, Code  
17 2003, is amended to read as follows:

18 Annually, the board of each county, subject to sections  
19 331.423 through ~~331-426~~ 331.425 and other applicable state  
20 law, shall prepare and adopt a budget, certify taxes, and  
21 provide appropriations as follows:

22 Sec. 31. Section 331.435, unnumbered paragraph 1, Code  
23 2003, is amended to read as follows:

24 The board may amend the adopted county budget, subject to  
25 sections 331.423 through ~~331-426~~ 331.425 and other applicable  
26 state law, to permit increases in any class of proposed  
27 expenditures contained in the budget summary published under  
28 section 331.434, subsection 3.

29 Sec. 32. Section 357B.8, subsection 2, paragraph c, Code  
30 2003, is amended to read as follows:

31 c. The benefited fire district shall certify the tax levy  
32 as provided in this subsection only after agreement granted by  
33 resolution of the city council. The amount of the tax rate  
34 levied under this subsection shall reduce by an equal amount  
35 the maximum ~~tax-levy~~ amount of taxes authorized for the

1 ~~general-fund-of-that-city~~ levy under section 384.1. If the  
2 district levies directly against property within a city to  
3 provide fire protection for that city, the city shall not be  
4 responsible for providing fire protection as provided in  
5 section 364.16, and shall have no liability for the method,  
6 manner, or means in which the district provides the fire  
7 protection.

8 Sec. 33. Section 373.10, Code 2003, is amended to read as  
9 follows:

10 373.10 TAXING AUTHORITY.

11 The metropolitan council shall have the authority to levy  
12 city taxes to the extent the city tax levy authority is  
13 transferred by the charter to the metropolitan council. A  
14 member city shall transfer a portion of the city's tax levy  
15 authorized under section 384.1 or 384.12, whichever is  
16 applicable, to the metropolitan council. The maximum rates  
17 amount of taxes authorized to be levied under sections section  
18 384.1 and the maximum rates of taxes authorized to be levied  
19 under section 384.12 by a member city shall be reduced by an  
20 amount equal to the rates of the same or similar taxes levied  
21 in the city by the metropolitan council.

22 Sec. 34. Section 386.8, Code 2003, is amended to read as  
23 follows:

24 386.8 OPERATION TAX.

25 A city may establish a self-supported improvement district  
26 operation fund, and may certify taxes not to exceed the rate  
27 limitation as established in the ordinance creating the  
28 district, or any amendment thereto, each year to be levied for  
29 the fund against all of the property in the district, for the  
30 purpose of paying the administrative expenses of the district,  
31 which may include but are not limited to administrative  
32 personnel salaries, a separate administrative office, planning  
33 costs including consultation fees, engineering fees,  
34 architectural fees, and legal fees and all other expenses  
35 reasonably associated with the administration of the district

1 and the fulfilling of the purposes of the district. The taxes  
 2 levied for this fund may also be used for the purpose of  
 3 paying maintenance expenses of improvements or self-  
 4 liquidating improvements for a specified length of time with  
 5 one or more options to renew if such is clearly stated in the  
 6 petition which requests the council to authorize construction  
 7 of the improvement or self-liquidating improvement, whether or  
 8 not such petition is combined with the petition requesting  
 9 creation of a district. Parcels of property which are  
 10 assessed as residential property for property tax purposes are  
 11 exempt from the tax levied under this section except  
 12 residential properties within a duly designated historic  
 13 district. A tax levied under this section is not subject to  
 14 the maximum dollars levy limitation in section 384.1.

15 Sec. 35. Section 386.9, Code 2003, is amended to read as  
 16 follows:

17 386.9 CAPITAL IMPROVEMENT TAX.

18 A city may establish a capital improvement fund for a  
 19 district and may certify taxes, not to exceed the rate  
 20 established by the ordinance creating the district, or any  
 21 subsequent amendment thereto, each year to be levied for the  
 22 fund against all of the property in the district, for the  
 23 purpose of accumulating moneys for the financing or payment of  
 24 a part or all of the costs of any improvement or self-  
 25 liquidating improvement. However, parcels of property which  
 26 are assessed as residential property for property tax purposes  
 27 are exempt from the tax levied under this section except  
 28 residential properties within a duly designated historic  
 29 district. A tax levied under this section is not subject to  
 30 the maximum dollars levy ~~limitations~~ limitation in section  
 31 384.1 or the levy rate limitation in section 384.7.

32 Sec. 36. Section 331.426, Code 2003, is repealed.

33 Sec. 37. APPLICABILITY DATE. This division of this Act  
 34 applies to the fiscal year beginning July 1, 2005, and all  
 35 subsequent fiscal years.

DIVISION IV

STATE TAX IMPLEMENTATION COMMITTEE

1  
2  
3 Sec. 38. NEW SECTION. 8F.1 STATE TAX IMPLEMENTATION  
4 COMMITTEE.

5 1. On or before July 1, 2004, the department of revenue,  
6 in consultation with the department of management, shall  
7 initiate and coordinate the establishment of a state tax  
8 implementation committee. The department of revenue and the  
9 department of management shall provide staffing assistance to  
10 the committee.

11 2. The state tax implementation committee shall include  
12 four members of the general assembly, one each appointed by  
13 the majority leader of the senate, the speaker of the house of  
14 representatives, the minority leader of the senate, and the  
15 minority leader of the house of representatives. The  
16 committee shall also include members appointed by the  
17 department of revenue. One member shall be appointed to  
18 represent each of the following:

- 19 a. The department of revenue.  
20 b. The department of management.  
21 c. Counties  
22 d. Cities.  
23 e. School districts.  
24 f. County auditors.  
25 g. Commercial property taxpayers.  
26 h. Industrial property taxpayers.  
27 i. Residential property taxpayers.  
28 j. Agricultural property taxpayers.  
29 k. Chapter 437A taxpayers.  
30 l. An additional stateholder.

31 The department may consider participation on the committee  
32 of former state officials with expertise in budget and tax  
33 policy.

34 The chairpersons of the committee shall be those members of  
35 the general assembly appointed by the majority leader of the



1 senate and the speaker of the house of representatives.

2 The members of the committee representing the department of  
3 revenue and the department of management are nonvoting, ex  
4 officio members.

5 3. Legislative members of the committee are eligible for  
6 per diem and expenses as provided in section 2.10. Other  
7 members may be eligible to receive compensation as provided in  
8 section 7E.6. Any vacancy shall be filled in the same manner  
9 as regular appointments are made.

10 4. The committee shall meet quarterly and at other times  
11 as necessary at the call of the chairpersons. Written notice  
12 of the time and place of each meeting shall be given to each  
13 member of the committee.

14 Sec. 39. NEW SECTION. 8F.2 REVIEW OF STATE AND LOCAL  
15 REVENUE AND SERVICES.

16 1. The committee shall conduct a review of the following:

17 a. Revenue sources available to local governments and  
18 school districts, including taxes, fees, state appropriations,  
19 and federal moneys.

20 b. Revenue sources available to the state, including  
21 taxes, fees, and federal moneys, and the portion of state  
22 revenues annually appropriated, or otherwise disbursed, to  
23 local governments.

24 c. Exemptions, credits, deductions, exclusions, and other  
25 reductions in state or local taxes made available, by state  
26 statute or local ordinance, to state and local taxpayers.

27 d. Services provided by local governments, including those  
28 provided at the discretion of a local government and those  
29 mandated by federal or state statutes and regulations.

30 In conducting its review of revenue sources, the committee  
31 shall study state and local taxes from the standpoint of  
32 equity, neutrality, competitiveness, simplicity, and  
33 stability.

34 2. The committee shall monitor implementation of sections  
35 331.423, 331.423A, 331.423B, 384.1, 384.1A, and 384.1B, as

1 amended or enacted by this Act.

2 3. The committee may hold public hearings to allow persons  
3 and organizations to be heard.

4 4. The committee shall submit an annual report to the  
5 general assembly no later than January 15 of each year. The  
6 report shall summarize the committee's activities to date and  
7 may include such other information that the committee deems  
8 relevant and necessary.

9 Sec. 40. NEW SECTION. 8F.3 INFORMATION.

10 The committee may request from any state agency or official  
11 the information and assistance as needed to perform the review  
12 and monitoring required in section 8F.2. A state agency or  
13 official shall furnish the information or assistance requested  
14 within the authority and resources of the state agency or  
15 official. This section does not allow the examination or  
16 copying of any public record required by law to be kept  
17 confidential.

18 Sec. 41. NEW SECTION. 8F.4 FUTURE REPEAL.

19 This chapter is repealed effective July 1, 2008.

20 Sec. 42. EFFECTIVE DATE. This division of this Act, being  
21 deemed of immediate importance, takes effect upon enactment.

22 EXPLANATION

23 This bill relates to the limitation on property taxes for  
24 counties and cities by removing the property tax rate  
25 limitations on counties and cities and substituting a  
26 limitation on property tax dollars, and by creating a state  
27 tax implementation committee.

28 Division I of the bill removes the property tax rate  
29 limitations on counties and cities and substitutes a  
30 limitation on the maximum amount of property tax dollars that  
31 may be certified by a county.

32 The division requires each county and city to compute a  
33 maximum property tax dollars base based on averages of three  
34 fiscal years' worth of tax askings by the county multiplied by  
35 a cumulative growth factor, i.e., price index, applied to the

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1 average. An adjustment is made for ending fund balance  
2 differentials between three specified fiscal years. In the  
3 alternative, a county or city may compute the maximum property  
4 tax dollars base on taxes levied for the fiscal year beginning  
5 July 1, 2002, with inflation for that year applied and  
6 adjusted by an ending fund balance differential for FY 2002-  
7 2003 and FY 2001-2002.

8 The division provides that the base amount calculation  
9 shall be the tentative maximum property tax base for the  
10 fiscal year beginning July 1, 2005, as adjusted by the growth  
11 factor. Each year, property tax replacement dollars to be  
12 received and local sales and services taxes to be received are  
13 subtracted from the amount of property taxes for the fiscal  
14 year to reach the maximum amount of property taxes authorized  
15 to be levied for the fiscal year. "Property tax replacement  
16 dollars" is defined to mean revenues received from the utility  
17 delivery, generation, and transmission taxes; revenues  
18 received from gambling if specifically designated by the  
19 county or city for property tax relief; and amounts  
20 appropriated by the general assembly as property tax relief.

21 The division provides that a county or city that has not  
22 levied at its maximum for a year may carry forward the unused  
23 taxing authority from year to year in an amount not to exceed  
24 25 percent of the maximum dollars available for the year. The  
25 division also provides that taxes from new valuation be added  
26 in separately to the formula.

27 The division provides that the ending fund balance for the  
28 county general and rural funds and the city general fund shall  
29 not exceed 25 percent of the budget for the fiscal year unless  
30 the excess is reserved or designated for a specific purpose.  
31 Through fiscal year 2010-2011, counties and cities may levy  
32 unused ending fund balance taxing authority based on the  
33 amount of the ending fund balance for fiscal year 2003-2004.

34 The division allows a county or city to exceed its maximum  
35 tax authority for up to two years at a time if approved by the

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1 voters at a special election. The division also allows the  
2 secondary road fund levy limits for counties to be exceeded if  
3 approved by the voters at a special election.

4 Division II of the bill repeals the sections of House File  
5 692 from the 2003 Extraordinary Session of the General  
6 Assembly that created the square footage tax. The division  
7 takes effect upon enactment.

8 Division III of the bill contains corresponding and  
9 conforming amendments. The division repeals the supplemental  
10 levy for counties and the sections of the Code that currently  
11 allow counties to exceed their levy rate limitations. The  
12 division gives counties authority to establish a cemetery fund  
13 and to establish supplemental funds for employee benefits,  
14 tort liability, and other specified accounting purposes.

15 Division IV of the bill creates a state tax implementation  
16 committee. The members of the committee include members of  
17 the general assembly, representatives of the department of  
18 revenue and the department of management, and representatives  
19 of various local governments and taxpayers.

20 The division requires the committee to conduct a review of  
21 state and local taxation in Iowa and to monitor implementation  
22 of this bill. The committee is to report annually to the  
23 general assembly by January 15 of each year.

24 The committee is abolished July 1, 2008.

25 Division IV takes effect upon enactment.

26 Divisions I and III of the bill apply to the fiscal year  
27 beginning July 1, 2005, and all subsequent fiscal years.

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