

MAR 1 2006
WAYS AND MEANS

HOUSE FILE 2583
BY STRUYK

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

A BILL FOR

1 An Act relating to property taxation and the school finance
2 formula by providing for an increase in the foundation
3 property tax and an increase in the regular program foundation
4 base, and providing effective and applicability dates.

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

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

HF 2583

1 Section 1. Section 257.1, subsection 2, unnumbered
2 paragraph 2, Code 2005, is amended to read as follows:

3 ~~For the budget year commencing July 1, 1997, and for each~~
4 ~~succeeding budget year the regular program foundation base per~~
5 ~~pupil is eighty-seven and five-tenths percent of the regular~~
6 ~~program state cost per pupil.~~ For the budget years beginning
7 July 1, 2006, through July 1, 2010, the regular program
8 foundation base per pupil shall be annually determined by the
9 department of management, in consultation with the legislative
10 services agency and the department of education, in an amount
11 which maintains the proportion of state foundation aid and
12 property taxation on a statewide basis as it existed for the
13 budget year beginning July 1, 2005. For the budget year
14 beginning July 1, 2011, and each succeeding budget year, the
15 regular program foundation base per pupil is one hundred
16 percent of the regular program state cost per pupil. For the
17 budget year commencing July 1, 1991, and for each succeeding
18 budget year the special education support services foundation
19 base is seventy-nine percent of the special education support
20 services state cost per pupil. The combined foundation base
21 is the sum of the regular program foundation base and the
22 special education support services foundation base.

23 Sec. 2. Section 257.3, subsection 1, unnumbered paragraph
24 1, Code 2005, is amended to read as follows:

25 Except as provided in subsections 2 and 3, a school
26 district shall cause to be levied each year, for the school
27 general fund, a foundation property tax ~~equal to five dollars~~
28 ~~and forty cents~~ calculated per thousand dollars of assessed
29 valuation on all taxable property in the district as follows:

30 a. For the budget year beginning July 1, 2006, six dollars
31 and ten cents per thousand dollars of assessed valuation.

32 b. For the budget year beginning July 1, 2007, six dollars
33 and eighty cents per thousand dollars of assessed valuation.

34 c. For the budget year beginning July 1, 2008, seven
35 dollars and fifty cents per thousand dollars of assessed

1 valuation.

2 d. For the budget year beginning July 1, 2009, eight
3 dollars and twenty cents per thousand dollars of assessed
4 valuation.

5 e. For the budget year beginning July 1, 2010, eight
6 dollars and ninety cents per thousand dollars of assessed
7 valuation.

8 f. For the budget year beginning July 1, 2011, and each
9 succeeding budget year, the foundation property tax shall be
10 annually determined by the department of management, in
11 consultation with the legislative services agency and the
12 department of education, in an amount which maintains the
13 proportion of state foundation aid and property taxation on a
14 statewide basis as it existed for the budget year beginning
15 July 1, 2005.

16 PARAGRAPH DIVIDED. The county auditor shall spread the
17 foundation levy over all taxable property in the district.

18 Sec. 3. Section 257.3, subsection 2, paragraphs a and b,
19 Code 2005, are amended to read as follows:

20 a. Notwithstanding subsection 1, a reorganized school
21 district shall cause a reduced foundation property tax ~~of-four~~
22 ~~dollars-and-forty-cents-per-thousand-dollars-of-assessed~~
23 ~~valuation~~ to be levied on all taxable property which, in the
24 year preceding a reorganization, was within a school district
25 affected by the reorganization as defined in section 275.1, or
26 in the year preceding a dissolution was a part of a school
27 district that dissolved if the dissolution proposal has been
28 approved by the director of the department of education
29 pursuant to section 275.55. The amount of the reduction shall
30 be determined by the department of management in an amount
31 corresponding to one dollar per thousand dollars of assessed
32 valuation for the initial budget year in which the
33 reorganization or dissolution takes place, fifty cents per
34 thousand dollars of assessed valuation for the first
35 succeeding year, and twenty-five cents per thousand dollars of

1 assessed valuation for the second succeeding year. Beginning
2 in the third succeeding year, the foundation property tax
3 shall be levied at the rate otherwise applicable had the
4 reorganization or dissolution not taken place.

5 ~~b.--In-succeeding-school-years,-the-foundation-property-tax~~
6 ~~levy-on-that-portion-shall-be-increased-to-the-rate-of-four~~
7 ~~dollars-and-ninety-cents-per-thousand-dollars-of-assessed~~
8 ~~valuation-the-first-succeeding-year,-five-dollars-and-fifteen~~
9 ~~cents-per-thousand-dollars-of-assessed-valuation-the-second~~
10 ~~succeeding-year,-and-five-dollars-and-forty-cents-per-thousand~~
11 ~~dollars-of-assessed-valuation-the-third-succeeding-year-and~~
12 ~~each-year-thereafter.~~

13 Sec. 4. Section 257.16, Code 2005, is amended by adding
14 the following new subsection:

15 NEW SUBSECTION. 5. a. For the school budget year
16 beginning July 1, 2006, the department of management shall
17 calculate for each district the difference between the sum of
18 the revenues generated by the foundation property tax and the
19 additional property tax in the district calculated for the
20 budget year beginning July 1, 2006, and the revenues that
21 would have been generated by the foundation property tax and
22 the additional property tax in that district for the budget
23 year beginning July 1, 2005. However, in making the
24 calculation of the difference in revenues under this
25 subsection, the department shall not include the revenues
26 generated under section 257.37 for funding media and
27 educational services through the area education agencies. If
28 the property tax revenues for a district calculated for the
29 budget year beginning July 1, 2006, exceed the property tax
30 revenues for that district calculated for the budget year
31 beginning July 1, 2005, the department of management shall
32 reduce the revenues raised by the the additional property tax
33 levy in that district by that difference and the department of
34 education shall pay property tax adjustment aid to the
35 district equal to that difference from moneys appropriated for

1 property tax adjustment aid.

2 b. For the budget year beginning July 1, 2007, and
3 succeeding budget years, the department of education shall pay
4 property tax adjustment aid to a school district equal to the
5 amount paid to the district for the base year less an amount
6 equal to the product of the state percent of growth for the
7 budget year multiplied by the amount paid to the district for
8 the base year. The department of management shall adjust the
9 rate of the additional property tax accordingly and notify the
10 department of education of the amount of aid to be paid to
11 each district from moneys appropriated for property tax
12 adjustment aid.

13 c. Property tax adjustment aid shall be paid to school
14 districts in the manner provided in this section.

15 Sec. 5. Section 425A.3, subsection 1, Code 2005, is
16 amended to read as follows:

17 1. The family farm tax credit fund shall be apportioned
18 each year in the manner provided in this chapter so as to give
19 a credit against the tax on each eligible tract of
20 agricultural land within the several school districts of the
21 state in which the levy for the general school fund exceeds
22 ~~five-dollars-and-forty-cents-per-thousand-dollars-of-assessed~~
23 ~~value~~ the amount specified in section 257.3, subsection 1.

24 The amount of the credit on each eligible tract of
25 agricultural land shall be the amount the tax levied for the
26 general school fund exceeds the amount of tax which would be
27 levied on each eligible tract of agricultural land were the
28 levy for the general school fund ~~five-dollars-and-forty-cents~~
29 ~~per-thousand-dollars-of-assessed-value~~ the amount specified in
30 section 257.3, subsection 1 for the previous year. However,
31 in the case of a deficiency in the family farm tax credit fund
32 to pay the credits in full, the credit on each eligible tract
33 of agricultural land in the state shall be proportionate and
34 applied as provided in this chapter.

35 Sec. 6. Section 425A.5, Code 2005, is amended to read as

1 follows:

2 425A.5 COMPUTATION BY COUNTY AUDITOR.

3 The family farm tax credit allowed each year shall be
4 computed as follows: On or before April 1, the county auditor
5 shall list by school districts all tracts of agricultural land
6 which are entitled to credit, the taxable value for the
7 previous year, the budget from each school district for the
8 previous year, and the tax rate determined for the general
9 fund of the school district in the manner prescribed in
10 section 444.3 for the previous year, and if the tax rate is in
11 excess of ~~five-dollars-and-forty-cents-per-thousand-dollars-of~~
12 ~~assessed-value~~ the rate specified in section 257.3, subsection
13 1, the auditor shall multiply the tax levy which is in excess
14 of ~~five-dollars-and-forty-cents-per-thousand-dollars-of~~
15 ~~assessed-value~~ the rate specified in section 257.3, subsection
16 1, by the total taxable value of the agricultural land
17 entitled to credit in the school district, and on or before
18 April 1, certify the total amount of credit and the total
19 number of acres entitled to the credit to the department of
20 revenue.

21 Sec. 7. Section 426.3, Code 2005, is amended to read as
22 follows:

23 426.3 WHERE CREDIT GIVEN.

24 The agricultural land credit fund shall be apportioned each
25 year in the manner hereinafter provided so as to give a credit
26 against the tax on each tract of agricultural lands within the
27 several school districts of the state in which the levy for
28 the general school fund exceeds ~~five-dollars-and-forty-cents~~
29 ~~per-thousand-dollars-of-assessed-value~~ the amount specified in
30 section 257.3, subsection 1; the amount of such credit on each
31 tract of such lands shall be the amount the tax levied for the
32 general school fund exceeds the amount of tax which would be
33 levied on said tract of such lands were the levy for the
34 general school fund ~~five-dollars-and-forty-cents-per-thousand~~
35 ~~dollars-of-assessed-value-for-the-previous-year~~ the amount

1 specified in section 257.3, subsection 1, except in the case
2 of a deficiency in the agricultural land credit fund to pay
3 said credits in full, in which case the credit on each
4 eligible tract of such lands in the state shall be
5 proportionate and shall be applied as hereinafter provided.

6 Sec. 8. Section 426.6, unnumbered paragraph 1, Code 2005,
7 is amended to read as follows:

8 The agricultural land tax credit allowed each year shall be
9 computed as follows: On or before April 1, the county auditor
10 shall list by school districts all tracts of agricultural
11 lands which are entitled to credit, together with the taxable
12 value for the previous year, together with the budget from
13 each school district for the previous year, and the tax rate
14 determined for the general fund of the district in the manner
15 prescribed in section 444.3 for the previous year, and if such
16 tax rate is in excess of ~~five-dollars-and-forty-cents-per~~
17 ~~thousand-dollars-of-assessed-value~~ the rate specified in
18 section 257.3, subsection 1, the auditor shall multiply the
19 tax levy which is in excess of ~~five-dollars-and-forty-cents~~
20 ~~per-thousand-dollars-of-assessed-value~~ the rate specified in
21 section 257.3, subsection 1, by the total taxable value of the
22 agricultural lands entitled to credit in the district, and on
23 or before April 1, certify the amount to the department of
24 revenue.

25 Sec. 9. EFFECTIVE AND APPLICABILITY DATES.

26 1. The sections of this Act amending section 257.1
27 relating to the calculation of the regular program foundation
28 base per pupil, relating to the foundation property tax
29 pursuant to section 257.3, and providing for the payment of
30 property tax adjustment aid pursuant to section 257.16, being
31 deemed of immediate importance, take effect upon enactment.

32 2. The sections of this Act amending provisions relating
33 to the family farm tax credit and the agricultural land tax
34 credit take effect January 1, 2007, for taxes payable in the
35 fiscal year beginning July 1, 2007.

1

EXPLANATION

2 This bill increases and modifies the levels and methods of
3 computation of the foundation property tax levy and the
4 regular program foundation base within the school finance
5 formula.

6 The bill provides that for the budget years beginning July
7 1, 2006, through July 1, 2010, the regular program foundation
8 base per pupil shall be annually determined by the department
9 of management, in consultation with the legislative services
10 agency and the department of education, in an amount which
11 maintains the proportion of state foundation aid and property
12 taxation on a statewide basis as it existed for the budget
13 year beginning July 1, 2005. For the budget year beginning
14 July 1, 2011, and succeeding budget years, the bill provides
15 that the regular program foundation base per pupil is 100
16 percent of the regular program state cost per pupil.

17 With regard to the level of the foundation property tax,
18 the bill provides that the tax shall equal for the budget year
19 beginning July 1, 2006, \$6.10 per \$1,000 of assessed
20 valuation, for the budget year beginning July 1, 2007, \$6.80
21 per \$1,000 of assessed valuation, for the budget year
22 beginning July 1, 2008, \$7.50 per \$1,000 of assessed
23 valuation, for the budget year beginning July 1, 2009, \$8.20
24 per \$1,000 of assessed valuation, and for the budget year
25 beginning July 1, 2010, \$8.90 per \$1,000 of assessed
26 valuation. The bill provides that for the budget year
27 beginning July 1, 2011, and succeeding budget years, the
28 foundation property tax shall be annually determined by the
29 department of management, in consultation with the legislative
30 services agency and the department of education, in an amount
31 which maintains the proportion of state foundation aid and
32 property taxation within each district on a statewide basis as
33 it existed for the budget year beginning July 1, 2005.

34 Currently, a district which reorganizes or dissolves
35 qualifies for a reduced foundation property tax level, which

1 gradually increases over the next succeeding budget years
2 following the reorganization or dissolution. The bill
3 modifies these provisions such that the amount of the
4 reduction shall be determined annually by the department of
5 management in an amount corresponding to \$1 in the initial
6 year of the reorganization or dissolution, 50 cents in the
7 first succeeding year, and 25 cents in the second succeeding
8 year. The bill provides that the reduced foundation property
9 tax shall remain applicable for a period of three years
10 following the year in which the reorganization or dissolution
11 takes place, after which the level shall be increased to the
12 level which would otherwise be applicable in the event that a
13 reorganization or dissolution had not occurred.

14 The bill additionally provides that for the school budget
15 year beginning July 1, 2006, the department of management
16 shall calculate for each district the difference between the
17 sum of the revenues generated by the foundation property tax
18 and the additional property tax in the district calculated for
19 the budget year beginning July 1, 2006, and the revenues that
20 would have been generated by the foundation property tax and
21 the additional property tax in that district for the preceding
22 budget year. If the property tax revenues for a district
23 calculated for the budget year beginning July 1, 2006, exceed
24 the property tax revenues for that district calculated for the
25 preceding budget year, the bill provides that the department
26 of management shall reduce the revenues raised by the
27 foundation property tax and the additional property tax levy
28 in that district by that difference and the department of
29 education shall pay property tax adjustment aid to the
30 district equal to that difference. The bill provides that for
31 the budget year beginning July 1, 2007, and succeeding budget
32 years, the department of education shall pay property tax
33 adjustment aid to a school district equal to the amount paid
34 to the district for the base year less an amount equal to the
35 product of the state percent of growth for the budget year

1 multiplied by the amount paid to the district for the base
2 year. The bill provides that the department of management
3 shall adjust the rate of the foundation property tax and the
4 additional property tax accordingly and notify the department
5 of education of the amount of aid to be paid to each district.
6 The bill provides that the proportion of adjustment aid shall
7 be payable to school districts in the manner provided in
8 subsections 1 and 2 of Code section 257.16.

9 The bill makes conforming changes to provisions of the
10 family farm tax credit and the agricultural land tax credit,
11 relating to the increases in the levels of the foundation
12 property tax.

13 The bill provides that sections amending provisions
14 relating to the family farm tax credit and the agricultural
15 land tax credit take effect January 1, 2007, for taxes payable
16 in the fiscal year beginning July 1, 2007. The bill provides
17 that all other sections take effect upon enactment.

18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35