

SENATE FILE 2227

BY STEWART, BEALL, BOLKCOM,  
RAGAN, DVORSKY, DANIELSON,  
KREIMAN, HATCH, DOTZLER,  
WARNSTADT, HORN, SENG, RIELLY,  
HANCOCK, WOOD, SCHOENJAHN,  
FRAISE, COURTNEY, QUIRMBACH,  
BLACK, GRONSTAL, and KIBBIE

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

A BILL FOR

1 An Act relating to the property taxes on the homestead of  
2 disabled veterans and including an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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WAYS & MEANS  
SF 2227

1 Section 1. NEW SECTION. 425.15A DISABLED VETERAN TAX  
2 FREEZE.

3 1. For purposes of this section, unless the context  
4 otherwise requires:

5 a. "Base year" means the year immediately preceding the  
6 first year in which the additional homestead credit under this  
7 section is allowed on the disabled veteran's homestead.

8 b. "Disabled veteran" means either of the following:

9 (1) A veteran who is entitled to compensation or who, but  
10 for the receipt of military retired pay, would be entitled to  
11 compensation under laws administered by the secretary of the  
12 United States department of veterans affairs.

13 (2) A person who was discharged or released from active  
14 duty because of a service-connected disability.

15 2. A disabled veteran who is eligible for the credit  
16 allowed under section 425.1 may claim an additional homestead  
17 credit pursuant to this section. To claim the credit under  
18 this section, the disabled veteran shall file by July 1 of the  
19 year for which the veteran is claiming the credit. The amount  
20 of the credit equals the amount of property taxes, less the  
21 regular homestead credit allowed under section 425.1, levied  
22 in the coming fiscal year that exceeds the amount of property  
23 taxes, less the regular homestead credit allowed under section  
24 425.1, that were levied in the base year. The credit under  
25 this section is payable from the homestead credit fund created  
26 in section 425.1.

27 Upon the filing and allowance of the claim, the claim shall  
28 be allowed on the disabled veteran's homestead for successive  
29 years without further filing as long as the property is  
30 legally and equitably owned and used as a homestead by the  
31 disabled veteran on July 1 of each of those successive years.

32 The credit allowed shall be continued to the estate of the  
33 disabled veteran who is deceased or the surviving spouse and  
34 any child, as defined in section 234.1, who are the  
35 beneficiaries of the deceased, disabled veteran, so long as

1 the surviving spouse remains unmarried.

2 Sec. 2. EFFECTIVE DATE. This Act, being deemed of  
3 immediate importance, takes effect upon enactment.

4 EXPLANATION

5 This bill provides that the property tax on a disabled  
6 veteran's homestead shall not increase from year to year. To  
7 receive this credit, the veteran must file by July 1, similar  
8 to filing for the regular homestead credit. Once the claim is  
9 filed and allowed, the veteran does not have to file for  
10 successive years so long as the property is still owned and  
11 used by the veteran as a homestead.

12 A disabled veteran is one who is entitled to compensation  
13 for injuries from active duty or would have received  
14 compensation but for retirement or is one who was discharged  
15 or released from active duty because of a service-connected  
16 disability.

17 The bill takes effect upon enactment.

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

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SF 2227 - Disabled Veterans' Property Taxes (LSB 5988 XS)  
Analyst: Dwayne Ferguson (Phone: [515] 281-6561) ([dwayne.ferguson@legis.state.ia.us](mailto:dwayne.ferguson@legis.state.ia.us))  
Fiscal Note Version - New  
Requested by Senator Jeff Danielson

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**Description**

Senate File 2227 provides a credit so that the property taxes on a disabled veteran's homestead do not increase from year to year.

**Assumptions**

1. There are 21,400 disabled veterans in Iowa.
2. The average 2005 assessed value of a house in Iowa was \$104,319. Between 1990 and 2005, the average annual growth rate for assessed values has been 6.7%.
3. The 2005 residential rollback percentage is 45.9960%. Between 1989 and 2005, the rollback has had an estimated rate of change of -6.8% in odd years and 0.2% in even years.
4. The Homestead Tax Credit excludes the first \$4,850 of taxable value.
5. The median household income for Iowa is \$41,350.
6. Iowans with household incomes between \$35,000 and \$50,000 have an estimated 71.8% homeownership rate.
7. An estimated 15,368 disabled veterans are homeowners and will qualify for the new credit.
8. The FY 2006 consolidated tax rate is \$33.46. Between FY 1990 and FY 2006, the average annual growth rate for the consolidated tax rate has been 1.6%.
9. These projections deal with the current group of disabled veterans. No attempt was made to adjust for the death rate for disabled veterans or for the addition of new disabled veterans.

**Fiscal Impact**

The cost to the State General Fund for the Homestead Tax Credit standing unlimited appropriation is an estimated \$1.0 million in FY 2007 and \$3.1 million in FY 2008. The credit grows proportionately to the increase in taxable valuation and the consolidated tax rate and is projected to cost \$6.0 million in FY 2011.

**Sources**

Department of Public Defense  
U. S. Census  
Iowa Finance Authority: 2003 Housing Study  
Department of Management  
Department of Revenue

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March 7, 2006