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SENATE FILE 391 WAYS & MEANS  
BY BRUNKHORST

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

A BILL FOR

1 An Act relating to school finance and related tax changes,  
2 providing a penalty, and including effective and applicability  
3 date provisions.

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

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SF 391  
WAYS & MEANS

1 DIVISION I

2 SALES AND USE TAX RATE INCREASE

3 Section 1. Section 423.2, subsection 1, unnumbered  
4 paragraph 1, Code 2005, is amended to read as follows:

5 There is imposed a tax of ~~five~~ six percent upon the sales  
6 price of all sales of tangible personal property, consisting  
7 of goods, wares, or merchandise, sold at retail in the state  
8 to consumers or users except as otherwise provided in this  
9 subchapter.

10 Sec. 2. Section 423.2, subsections 2, 3, 4, 5, 7, 8, and  
11 9, Code 2005, are amended to read as follows:

12 2. A tax of ~~five~~ six percent is imposed upon the sales  
13 price of the sale or furnishing of gas, electricity, water,  
14 heat, pay television service, and communication service,  
15 including the sales price from such sales by any municipal  
16 corporation or joint water utility furnishing gas,  
17 electricity, water, heat, pay television service, and  
18 communication service to the public in its proprietary  
19 capacity, except as otherwise provided in this subchapter,  
20 when sold at retail in the state to consumers or users.

21 3. A tax of ~~five~~ six percent is imposed upon the sales  
22 price of all sales of tickets or admissions to places of  
23 amusement, fairs, and athletic events except those of  
24 elementary and secondary educational institutions. A tax of  
25 ~~five~~ six percent is imposed on the sales price of an entry fee  
26 or like charge imposed solely for the privilege of  
27 participating in an activity at a place of amusement, fair, or  
28 athletic event unless the sales price of tickets or admissions  
29 charges for observing the same activity are taxable under this  
30 subchapter. A tax of ~~five~~ six percent is imposed upon that  
31 part of private club membership fees or charges paid for the  
32 privilege of participating in any athletic sports provided  
33 club members.

34 4. A tax of ~~five~~ six percent is imposed upon the sales  
35 price derived from the operation of all forms of amusement

1 devices and games of skill, games of chance, raffles, and  
2 bingo games as defined in chapter 99B, operated or conducted  
3 within the state, the tax to be collected from the operator in  
4 the same manner as for the collection of taxes upon the sales  
5 price of tickets or admission as provided in this section.  
6 Nothing in this subsection shall legalize any games of skill  
7 or chance or slot-operated devices which are now prohibited by  
8 law.

9 The tax imposed under this subsection covers the total  
10 amount from the operation of games of skill, games of chance,  
11 raffles, and bingo games as defined in chapter 99B, and  
12 musical devices, weighing machines, shooting galleries,  
13 billiard and pool tables, bowling alleys, pinball machines,  
14 slot-operated devices selling merchandise not subject to the  
15 general sales taxes and on the total amount from devices or  
16 systems where prizes are in any manner awarded to patrons and  
17 upon the receipts from fees charged for participation in any  
18 game or other form of amusement, and generally upon the sales  
19 price from any source of amusement operated for profit, not  
20 specified in this section, and upon the sales price from which  
21 tax is not collected for tickets or admission, but tax shall  
22 not be imposed upon any activity exempt from sales tax under  
23 section 423.3, subsection 78. Every person receiving any  
24 sales price from the sources described in this section is  
25 subject to all provisions of this subchapter relating to  
26 retail sales tax and other provisions of this chapter as  
27 applicable.

28 5. There is imposed a tax of ~~five~~ six percent upon the  
29 sales price from the furnishing of services as defined in  
30 section 423.1.

31 7. a. A tax of ~~five~~ six percent is imposed upon the sales  
32 price from the sales, furnishing, or service of solid waste  
33 collection and disposal service.

34 For purposes of this subsection, "solid waste" means  
35 garbage, refuse, sludge from a water supply treatment plant or

1 air contaminant treatment facility, and other discarded waste  
2 materials and sludges, in solid, semisolid, liquid, or  
3 contained gaseous form, resulting from nonresidential  
4 commercial operations, but does not include auto hulks; street  
5 sweepings; ash; construction debris; mining waste; trees;  
6 tires; lead acid batteries; used oil; hazardous waste; animal  
7 waste used as fertilizer; earthen fill, boulders, or rock;  
8 foundry sand used for daily cover at a sanitary landfill;  
9 sewage sludge; solid or dissolved material in domestic sewage  
10 or other common pollutants in water resources, such as silt,  
11 dissolved or suspended solids in industrial wastewater  
12 effluents or discharges which are point sources subject to  
13 permits under section 402 of the federal Water Pollution  
14 Control Act, or dissolved materials in irrigation return  
15 flows; or source, special nuclear, or by-product material  
16 defined by the federal Atomic Energy Act of 1954.

17 A recycling facility that separates or processes recyclable  
18 materials and that reduces the volume of the waste by at least  
19 eighty-five percent is exempt from the tax imposed by this  
20 subsection if the waste exempted is collected and disposed of  
21 separately from other solid waste.

22 b. A person who transports solid waste generated by that  
23 person or another person without compensation shall pay the  
24 tax imposed by this subsection at the collection or disposal  
25 facility based on the disposal charge or tipping fee.  
26 However, the costs of a service or portion of a service to  
27 collect and manage recyclable materials separated from solid  
28 waste by the waste generator are exempt from the tax imposed  
29 by this subsection.

30 8. a. A tax of ~~five~~ six percent is imposed upon the sales  
31 price from sales of bundled services contracts. For purposes  
32 of this subsection, a "bundled services contract" means an  
33 agreement providing for a retailer's performance of services,  
34 one or more of which is a taxable service enumerated in this  
35 section and one or more of which is not, in return for a

1 consumer's or user's single payment for the performance of the  
2 services, with no separate statement to the consumer or user  
3 of what portion of that payment is attributable to any one  
4 service which is a part of the contract.

5 b. For purposes of the administration of the tax on  
6 bundled services contracts, the director may enter into  
7 agreements of limited duration with individual retailers,  
8 groups of retailers, or organizations representing retailers  
9 of bundled services contracts. Such an agreement shall impose  
10 the tax rate only upon that portion of the sales price from a  
11 bundled services contract which is attributable to taxable  
12 services provided under the contract.

13 9. A tax of ~~five~~ six percent is imposed upon the sales  
14 price from any mobile telecommunications service which this  
15 state is allowed to tax by the provisions of the federal  
16 Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4  
17 U.S.C. § 116 et seq. For purposes of this subsection, taxes  
18 on mobile telecommunications service, as defined under the  
19 federal Mobile Telecommunications Sourcing Act that are deemed  
20 to be provided by the customer's home service provider, shall  
21 be paid to the taxing jurisdiction whose territorial limits  
22 encompass the customer's place of primary use, regardless of  
23 where the mobile telecommunications service originates,  
24 terminates, or passes through and shall in all other respects  
25 be taxed in conformity with the federal Mobile  
26 Telecommunications Sourcing Act. All other provisions of the  
27 federal Mobile Telecommunications Sourcing Act are adopted by  
28 the state of Iowa and incorporated into this subsection by  
29 reference. With respect to mobile telecommunications service  
30 under the federal Mobile Telecommunications Sourcing Act, the  
31 director shall, if requested, enter into agreements consistent  
32 with the provisions of the federal Act.

33 Sec. 3. Section 423.4, Code 2005, is amended by adding the  
34 following new subsection:

35 NEW SUBSECTION. 4. Construction contractors may make

1 application to the department for a refund of the additional  
2 one percent tax paid under this subchapter by reason of the  
3 increase in the tax from five to six percent for taxes paid on  
4 goods, wares, or merchandise under the following conditions:

5 a. The goods, wares, or merchandise are incorporated into  
6 an improvement to real estate in fulfillment of a written  
7 contract fully executed prior to January 1, 2006. The refund  
8 shall not apply to equipment transferred in fulfillment of a  
9 mixed construction contract.

10 b. The contractor has paid to the department or to a  
11 retailer the full six percent tax.

12 c. The claim is filed on forms provided by the department  
13 and is filed within one year of the date the tax is paid.

14 A contractor who makes an erroneous application for refund  
15 shall be liable for payment of the excess refund paid plus  
16 interest at the rate in effect under section 421.7. In  
17 addition, a contractor who willfully makes a false application  
18 for refund is guilty of a simple misdemeanor and is liable for  
19 a penalty equal to fifty percent of the excess refund claimed.  
20 Excess refunds, penalties, and interest due under this  
21 subsection may be enforced and collected in the same manner as  
22 the tax imposed by this subchapter.

23 Sec. 4. Section 423.5, unnumbered paragraph 1, Code 2005,  
24 is amended to read as follows:

25 An excise tax at the rate of five six percent of the  
26 purchase price or installed purchase price is imposed on the  
27 following:

28 Sec. 5. Section 423C.3, subsection 1, Code 2005, is  
29 amended to read as follows:

30 1. A tax of five six percent is imposed upon the rental  
31 price of an automobile if the rental transaction is subject to  
32 the sales and services tax under chapter 423, subchapter II,  
33 or the use tax under chapter 423, subchapter III. The tax  
34 shall not be imposed on any rental transaction not taxable  
35 under the state sales and services tax, as provided in section

1 423.3, or the state use tax, as provided in section 423.6, on  
2 automobile rental receipts.

3     Sec. 6. APPLICABILITY. This section of this division of  
4 this Act applies in regard to the increase in the state sales  
5 tax from five to six percent. The six percent rate applies to  
6 all sales of taxable personal property, consisting of goods,  
7 wares, or merchandise if delivery occurs on or after January  
8 1, 2006. The six percent rate applies to the sales price of  
9 the sale, furnishing, or service of gas, electricity, water,  
10 heat, pay television service, and communication service if the  
11 date of billing the customer is on or after January 1, 2006.  
12 In the case of a service contract entered into prior to  
13 January 1, 2006, which contract calls for periodic payments,  
14 the six percent rate applies to those payments made or due on  
15 or after January 1, 2006. This periodic payment applies, but  
16 is not limited to, tickets or admissions, private club  
17 membership fees, sources of amusement, equipment rental, dry  
18 cleaning, reducing salons, dance schools, and all other  
19 services subject to tax, except the aforementioned utility  
20 services which are subject to a special transitional rule.  
21 Unlike periodic payments under service contracts, installment  
22 sales of goods, wares, and merchandise are subject to the full  
23 amount of sales or use tax when the sales contract is entered  
24 into.

25     Sec. 7. EFFECTIVE DATE. This division of this Act takes  
26 effect January 1, 2006.

27                                   DIVISION II  
28                                   HOMESTEAD TAX CREDIT  
29                                   REPEAL

30     Sec. 8. Chapter 425, Code 2005, is repealed.

31                                   COORDINATING AMENDMENTS

32     Sec. 9. Section 25B.7, subsection 2, paragraphs a and b,  
33 Code 2005, are amended by striking the paragraphs.

34     Sec. 10. Section 100.18, subsection 2, paragraph b, Code  
35 2005, is amended to read as follows:

1 b. The rules shall require the installation of smoke  
2 detectors in existing single-family rental units and multiple-  
3 unit residential buildings. Existing single-family dwelling  
4 units shall be equipped with approved smoke detectors. A  
5 ~~person who files for a homestead credit pursuant to chapter~~  
6 ~~425 shall certify that the single-family dwelling unit for~~  
7 ~~which the credit is filed has a smoke detector installed in~~  
8 ~~compliance with this section, or that one will be installed~~  
9 ~~within thirty days of the date the filing for the credit is~~  
10 ~~made.~~ The state fire marshal shall adopt rules and establish  
11 appropriate procedures to administer this subsection.

12 Sec. 11. Section 216.12, subsection 5, Code 2005, is  
13 amended to read as follows:

14 5. The rental or leasing of a housing accommodation in a  
15 building which contains housing accommodations for not more  
16 than four families living independently of each other, if the  
17 owner resides in one of the housing accommodations for which  
18 the owner ~~qualifies~~ would have qualified for the homestead tax  
19 credit under section 425.1, Code 2005.

20 Sec. 12. Section 321.1A, subsection 1, Code 2005, is  
21 amended by striking the subsection.

22 Sec. 13. Section 331.401, subsection 1, paragraphs e and  
23 f, Code 2005, are amended to read as follows:

24 e. Adopt resolutions authorizing the county assessor to  
25 provide forms for ~~homestead-exemption-claimants-as-provided-in~~  
26 ~~section-425-2-and~~ military service tax exemptions as provided  
27 in section 426A.14.

28 f. Examine and allow or disallow ~~claims-for-homestead~~  
29 ~~exemption-in-accordance-with-section-425-3-and~~ claims for  
30 military service tax exemption in accordance with chapter  
31 426A. The board, by a single resolution, may allow or  
32 disallow the exemptions recommended by the assessor.

33 Sec. 14. Section 331.403, subsection 3, Code 2005, is  
34 amended to read as follows:

35 3. A county that fails to meet the filing deadline imposed

1 by this section shall have withheld from any state  
2 reimbursement payments to be made to the county and allocated  
3 to the county ~~pursuant-to-section-425-1~~ an amount equal to  
4 five cents per capita until the financial report is filed.

5 Sec. 15. Section 331.512, subsection 3, Code 2005, is  
6 amended to read as follows:

7 3. Carry out duties relating to the ~~homestead-tax-credit~~  
8 ~~and agricultural land tax credit~~ as provided in ~~chapters-425~~  
9 ~~and chapter 426~~.

10 Sec. 16. Section 331.559, subsection 12, Code 2005, is  
11 amended by striking the subsection.

12 Sec. 17. Section 384.22, unnumbered paragraph 2, Code  
13 2005, is amended to read as follows:

14 A city that fails to meet the filing deadline imposed by  
15 this section shall have withheld from any state reimbursement  
16 payments to be made to the county which are allocated to the  
17 city ~~pursuant-to-section-425-1~~ an amount equal to five cents  
18 per capita until the annual report is filed with the auditor  
19 of state.

20 Sec. 18. Section 404.3, subsection 1, Code 2005, is  
21 amended to read as follows:

22 1. All qualified real estate assessed as residential  
23 property is eligible to receive an exemption from taxation  
24 based on the actual value added by the improvements. The  
25 exemption is for a period of ten years. The amount of the  
26 exemption is equal to a percent of the actual value added by  
27 the improvements, determined as follows: One hundred fifteen  
28 percent of the value added by the improvements. However, the  
29 amount of the actual value added by the improvements which  
30 shall be used to compute the exemption shall not exceed twenty  
31 thousand dollars ~~and-the-granting-of-the-exemption-shall-not~~  
32 ~~result-in-the-actual-value-of-the-qualified-real-estate-being~~  
33 ~~reduced-below-the-actual-value-on-which-the-homestead-credit~~  
34 ~~is-computed-under-section-425-1~~.

35 Sec. 19. Section 427.9, Code 2005, is amended to read as

1 follows:

2 427.9 SUSPENSION OF TAXES, ASSESSMENTS, AND RATES OR  
3 CHARGES, INCLUDING INTEREST, FEES, AND COSTS.

4 If a person is a recipient of federal supplementary  
5 security income or state supplementary assistance, as defined  
6 in section 249.1, or is a resident of a health care facility,  
7 as defined by section 135C.1, which is receiving payment from  
8 the department of human services for the person's care, the  
9 person shall be deemed to be unable to contribute to the  
10 public revenue. The director of human services shall notify a  
11 person receiving such assistance of the tax suspension  
12 provision and shall provide the person with evidence to  
13 present to the appropriate county board of supervisors which  
14 shows the person's eligibility for tax suspension on parcels  
15 owned, possessed, or upon which the person is paying taxes as  
16 a purchaser under contract. The board of supervisors so  
17 notified, without the filing of a petition and statement as  
18 specified in section 427.8, shall order the county treasurer  
19 to suspend the collection of all the taxes, special  
20 assessments, and rates or charges, including interest, fees,  
21 and costs, assessed against the parcels and remaining unpaid  
22 by the person or contractually payable by the person, for such  
23 time as the person remains the owner or contractually  
24 prospective owner of the parcels, and during the period the  
25 person receives assistance as described in this section. The  
26 county board of supervisors shall annually send to the  
27 department of human services the names and social security  
28 numbers of persons receiving a tax suspension pursuant to this  
29 section. The department shall verify the continued  
30 eligibility for tax suspension of each name on the list and  
31 shall return the list to the board of supervisors. The  
32 ~~director of human services shall advise the person that the~~  
33 ~~person may apply for an additional property tax credit~~  
34 ~~pursuant to sections 425.16 to 425.39 which shall be credited~~  
35 ~~against the amount of the taxes suspended.~~

1 Sec. 20. Section 435.22, subsection 2, Code 2005, is  
2 amended by striking the subsection.

3 Sec. 21. Section 435.22, subsection 3, Code 2005, is  
4 amended to read as follows:

5 3. The amount thus computed shall be the annual tax for  
6 all homes, except as follows:

7 a. For the sixth through ninth years after the year of  
8 manufacture the annual tax is ninety percent of the tax  
9 computed according to subsection 1 ~~or-2-of-this-section,~~  
10 ~~whichever-is-applicable.~~

11 b. For all homes ten or more years after the year of  
12 manufacture the annual tax is eighty percent of the tax  
13 computed according to subsection 1 ~~or-2-of-this-section,~~  
14 ~~whichever-is-applicable.~~

15 Sec. 22. Section 435.22, subsection 5, Code 2005, is  
16 amended by striking the subsection.

17 Sec. 23. Section 435.26, subsection 1, paragraph a, Code  
18 2005, is amended to read as follows:

19 a. A mobile home or manufactured home which is located  
20 outside a manufactured home community or mobile home park  
21 shall be converted to real estate by being placed on a  
22 permanent foundation and shall be assessed for real estate  
23 taxes. A home, after conversion to real estate, is eligible  
24 for ~~the-homestead-tax-credit-and~~ the military service tax  
25 exemption as provided in ~~sections-425-2-and~~ section 426A.11.

26 Sec. 24. Section 435.26A, subsection 3, Code 2005, is  
27 amended to read as follows:

28 3. After the surrender of a manufactured home's  
29 certificate of title under this section, the manufactured home  
30 shall continue to be taxed under section 435.22 and is not  
31 eligible for ~~the-homestead-tax-credit-or~~ the military service  
32 tax exemption. A foreclosure action on a manufactured home  
33 whose title has been surrendered under this section shall be  
34 conducted as a real estate foreclosure. A tax lien and its  
35 priority shall remain the same on a manufactured home after

1 its certificate of title has been surrendered.

2 Sec. 25. Section 441.73, subsection 4, Code 2005, is  
3 amended to read as follows:

4 4. The executive council shall transfer for the fiscal  
5 year beginning July 1, ~~1992~~ 2006, and each fiscal year  
6 thereafter, from ~~funds~~ the fund established in ~~sections-425.1~~  
7 ~~and section~~ 426.1, an amount necessary to pay litigation  
8 expenses. The amount of the fund for each fiscal year shall  
9 not exceed seven hundred thousand dollars. ~~The-executive~~  
10 ~~council-shall-determine-annually-the-proportionate-amounts-to~~  
11 ~~be-transferred-from-the-two-separate-funds-~~ At any time when  
12 no litigation is pending or in progress the balance in the  
13 litigation expense fund shall not exceed one hundred thousand  
14 dollars. Any excess moneys shall be transferred ~~in-a~~  
15 ~~proportionate-amount~~ back to the ~~funds~~ fund from which ~~they~~  
16 ~~were~~ originally transferred.

17 Sec. 26. Section 499A.14, Code 2005, is amended to read as  
18 follows:

19 499A.14 TAXATION.

20 The real estate shall be taxed in the name of the  
21 cooperative, and each member of the cooperative shall pay that  
22 member's proportionate share of the tax in accordance with the  
23 proration formula set forth in the bylaws, and ~~each-member~~  
24 ~~occupying-an-apartment-as-a-residence-shall-receive-that~~  
25 ~~member's-proportionate-homestead-tax-credit-and~~ each veteran  
26 of the military services of the United States identified as  
27 such under the laws of the state of Iowa or the United States  
28 shall receive as a credit that member's veterans tax benefit  
29 as prescribed by the laws of the state of Iowa.

30 Sec. 27. Section 541A.1, Code 2005, is amended by adding  
31 the following new subsections:

32 NEW SUBSECTION. 5A. "Household income" means all income  
33 of an individual and the individual's spouse in a household  
34 and actual monetary contributions received from any other  
35 person living with the individual during their respective

1 twelve-month income tax accounting periods ending with or  
2 during the previous calendar year.

3 NEW SUBSECTION. 5B. "Income" means the sum of Iowa net  
4 income as defined in section 422.7, plus all of the following  
5 to the extent not already included in Iowa net income: capital  
6 gains, alimony, child support money, cash public assistance  
7 and relief, amount of in-kind assistance for housing expenses,  
8 the gross amount of any pension or annuity, including but not  
9 limited to railroad retirement benefits, payments received  
10 under the federal Social Security Act, except child insurance  
11 benefits received by a member of the individual's household,  
12 and all military retirement and veterans' disability pensions,  
13 interest received from the state or federal government or any  
14 of its instrumentalities, workers' compensation, and the gross  
15 amount of disability income or "loss of time" insurance.  
16 "Income" does not include gifts from nongovernmental sources,  
17 or surplus foods or other relief in kind supplied by a  
18 governmental agency. In determining income, net operating  
19 losses and net capital losses shall not be considered.

20 Sec. 28. Section 541A.3, subsection 1, paragraph a, Code  
21 2005, is amended to read as follows:

22 a. For an account holder with a household income~~7-as~~  
23 ~~defined-in-section-425-177-subsection-67~~ which is one hundred  
24 fifty percent or less of the federal poverty level, twenty-  
25 five percent.

26 Sec. 29. Section 435.33, Code 2005, is repealed.

27 Sec. 30. EFFECTIVE AND APPLICABILITY DATE. This division  
28 of this Act takes effect January 1, 2006, for property taxes  
29 payable in fiscal years beginning on or after July 1, 2006.

30 DIVISION III

31 AGRICULTURAL LAND TAX CREDIT

32 REPEAL

33 Sec. 31. Chapter 426, Code 2005, is repealed.

34 COORDINATING AMENDMENTS

35 Sec. 32. Section 331.401, subsection 1, paragraph g, Code

1 2005, is amended by striking the paragraph.

2 Sec. 33. Section 331.512, subsection 3, Code 2005, is  
3 amended to read as follows:

4 3. Carry out duties relating to the homestead tax credit  
5 and ~~agricultural-land~~ family farm tax credit as provided in  
6 chapters 425 and ~~426~~ 425A.

7 Sec. 34. Section 331.559, subsection 13, Code 2005, is  
8 amended to read as follows:

9 13. Carry out duties relating to the administration of the  
10 ~~agricultural-land~~ family farm tax credit as provided in  
11 ~~section-426-8~~ chapter 425A.

12 Sec. 35. Section 425A.1, Code 2005, is amended to read as  
13 follows:

14 425A.1 FAMILY FARM TAX CREDIT FUND.

15 The family farm tax credit fund is created in the office of  
16 the treasurer of state. There ~~shall-be-transferred-annually~~  
17 ~~to-the-fund-the-first-ten-million-dollars-of-the-amount~~  
18 ~~annually-appropriated-to-the-agricultural-land-credit-fund,~~  
19 ~~provided-in-section-426-1~~ is annually appropriated to the fund  
20 from moneys in the general fund of the state not otherwise  
21 appropriated the sum of ten million dollars. Any balance in  
22 the fund on June 30 shall revert to the general fund.

23 Sec. 36. Section 441.73, subsection 4, Code 2005, is  
24 amended to read as follows:

25 4. The executive council shall transfer for the fiscal  
26 year beginning July 1, ~~1992~~ 2006, and each fiscal year  
27 thereafter, from ~~funds~~ the fund established in ~~sections~~  
28 ~~section~~ 425.1 and-426-1, an amount necessary to pay litigation  
29 expenses. The amount of the fund for each fiscal year shall  
30 not exceed seven hundred thousand dollars. ~~The-executive~~  
31 ~~council-shall-determine-annually-the-proportionate-amounts-to~~  
32 ~~be-transferred-from-the-two-separate-funds.~~ At any time when  
33 no litigation is pending or in progress the balance in the  
34 litigation expense fund shall not exceed one hundred thousand  
35 dollars. Any excess moneys shall be transferred in-a

1 proportionate-amount back to the funds fund from which they  
2 were originally transferred.

3 Sec. 37. EFFECTIVE AND APPLICABILITY DATE. This division  
4 of this Act takes effect January 1, 2006, for property taxes  
5 payable in fiscal years beginning on or after July 1, 2006.

6 DIVISION IV

7 SCHOOL DISTRICT LEVIES

8 Sec. 38. Section 257.19, unnumbered paragraph 2, Code  
9 2005, is amended to read as follows:

10 Certification of a board's intent to participate for a  
11 budget year, the method of funding, and the amount to be  
12 raised shall be made to the department of management not later  
13 than April 15 of the base year. Funding for the instructional  
14 support program shall be obtained from instructional support  
15 state aid and from local funding using either an instructional  
16 support property tax or a combination of an instructional  
17 support property tax and an instructional support income  
18 surtax. However, a board of directors shall not fund the  
19 instructional support program with an income surtax for a  
20 budget year beginning on or after July 1, 2006, unless the  
21 board funded the program with an income surtax for the budget  
22 year beginning July 1, 2005, in which case the income surtax  
23 may continue to be used until the expiration of the  
24 participation period.

25 Sec. 39. Section 257.29, Code 2005, is amended by adding  
26 the following new unnumbered paragraph:

27 NEW UNNUMBERED PARAGRAPH. This section is repealed July 1,  
28 2006, and the additional funding provided by an educational  
29 improvement program shall not be available for school  
30 districts for budget years beginning on or after July 1, 2006.

31 Sec. 40. Section 298.2, subsection 4, unnumbered paragraph  
32 1, Code 2005, is amended to read as follows:

33 The board may, and upon the written request of not less  
34 than one hundred eligible electors or thirty percent of the  
35 number of eligible electors voting at the last regular school

1 election, whichever is greater, shall, direct the county  
2 commissioner of elections to provide for submitting the  
3 proposition of levying the voter-approved physical plant and  
4 equipment levy for a period of time authorized by the voters  
5 in the notice of election, not to exceed ten years, in the  
6 notice of the regular school election. The proposition is  
7 adopted if a majority of those voting on the proposition at  
8 the election approves it. The voter-approved physical plant  
9 and equipment levy shall be funded either by a physical plant  
10 and equipment property tax or by a combination of a physical  
11 plant and equipment property tax and a physical plant and  
12 equipment income surtax, as determined by the board. However,  
13 if the board intends to enter into a rental or lease  
14 arrangement under section 279.26, or intends to enter into a  
15 loan agreement under section 297.36, only a property tax shall  
16 be levied for those purposes. However, a board of directors  
17 shall not fund the physical plant and equipment levy with an  
18 income surtax for a budget year beginning on or after July 1,  
19 2006, unless the board funded the levy with an income surtax  
20 for the budget year beginning July 1, 2005, in which case the  
21 income surtax may continue to be used until the expiration of  
22 the participation period. Subject to the limitations of  
23 section 298.14, if the board uses a combination of a physical  
24 plant and equipment property tax and a physical plant and  
25 equipment surtax, for each fiscal year the board shall  
26 determine the percent of income surtax to be imposed expressed  
27 as full percentage points, not to exceed twenty percent.

28 Sec. 41. Section 298A.5, Code 2005, is amended by adding  
29 the following new unnumbered paragraph:

30 NEW UNNUMBERED PARAGRAPH. This section is repealed July 1,  
31 2006, and the additional funding provided by a schoolhouse tax  
32 levy shall not be available for school districts for budget  
33 years beginning on or after July 1, 2006.

34 Sec. 42. Section 300.3, Code 2005, is amended to read as  
35 follows:

1 300.3 DISCONTINUANCE OF LEVY.

2 Once approved at an election, the authority of the board to  
3 levy and collect the tax under section 300.2 shall continue  
4 until the board votes to rescind the levy and collection of  
5 the tax or the voters of the school district by majority vote  
6 order the discontinuance of the levy and collection of the  
7 tax. The tax shall be discontinued in the manner provided in  
8 this section or in the manner provided for imposition of the  
9 tax in section 300.2 or for budget years beginning on or after  
10 July 1, 2014, whichever is the earliest. However, if the  
11 board of directors did not levy and collect the tax under  
12 section 300.2 during the budget year beginning July 1, 2005,  
13 the authority to levy and collect the tax is repealed for  
14 budget years beginning on or after July 1, 2006.

15 DIVISION V

16 FOUNDATION PROPERTY TAX -- URBAN RENEWAL

17 Sec. 43. Section 403.19, subsection 2, Code 2005, is  
18 amended to read as follows:

19 2. That portion of the taxes each year in excess of such  
20 amount shall be allocated to and when collected be paid into a  
21 special fund of the municipality to pay the principal of and  
22 interest on loans, moneys advanced to, or indebtedness,  
23 whether funded, refunded, assumed, or otherwise, including  
24 bonds issued under the authority of section 403.9, subsection  
25 1, incurred by the municipality to finance or refinance, in  
26 whole or in part, an urban renewal project within the area,  
27 and to provide assistance for low and moderate income family  
28 housing as provided in section 403.22~~7-except-that.~~ However,  
29 taxes for the regular and voter-approved physical plant and  
30 equipment levy of a school district imposed pursuant to  
31 section 298.2, and taxes for the payment of bonds and interest  
32 of each taxing district must, and the foundation property tax  
33 imposed pursuant to section 257.3, subsection 1, but only as  
34 provided in subsection 8, shall be collected against all  
35 taxable property within the taxing district without limitation

1 by the provisions of this subsection. However In addition,  
2 all or a portion of the taxes for the physical plant and  
3 equipment levy shall be paid by the school district to the  
4 municipality if the auditor certifies to the school district  
5 by July 1 the amount of such levy that is necessary to pay the  
6 principal and interest on bonds issued by the municipality to  
7 finance an urban renewal project, which bonds were issued  
8 before July 1, 2001. Indebtedness incurred to refund bonds  
9 issued prior to July 1, 2001, shall not be included in the  
10 certification. Such school district shall pay over the amount  
11 certified by November 1 and May 1 of the fiscal year following  
12 certification to the school district. Unless and until the  
13 total assessed valuation of the taxable property in an urban  
14 renewal area exceeds the total assessed value of the taxable  
15 property in such area as shown by the last equalized  
16 assessment roll referred to in subsection 1, all of the taxes  
17 levied and collected upon the taxable property in the urban  
18 renewal area shall be paid into the funds for the respective  
19 taxing districts as taxes by or for the taxing districts in  
20 the same manner as all other property taxes. When such loans,  
21 advances, indebtedness, and bonds, if any, and interest  
22 thereon, have been paid, all moneys thereafter received from  
23 taxes upon the taxable property in such urban renewal area  
24 shall be paid into the funds for the respective taxing  
25 districts in the same manner as taxes on all other property.

26 Sec. 44. Section 403.19, Code 2005, is amended by adding  
27 the following new subsection:

28 NEW SUBSECTION. 8. a. For urban renewal plans adopted on  
29 or after the effective date of this Act, taxes collected under  
30 subsection 2 shall not include the foundation property tax  
31 imposed pursuant to section 257.3, subsection 1.

32 b. For urban renewal plans adopted before the effective  
33 date of this Act, taxes collected under subsection 2 shall not  
34 include the foundation property tax imposed pursuant to  
35 section 257.3, subsection 1, for fiscal years beginning on or

1 after July 1, 2015. On or before October 31, 2005, a  
2 municipality shall report to the department of management the  
3 status of any loans, advances, indebtedness, or bonds issued  
4 or incurred before the effective date of this Act for urban  
5 renewal purposes and payable from the special fund in section  
6 403.19, subsection 2. The report shall include a schedule of  
7 payments for such loans, advances, indebtedness, or bonds.

8 Sec. 45. EFFECTIVE DATE. This division of this Act, being  
9 deemed of immediate importance, takes effect upon enactment.

10 DIVISION VI

11 SCHOOL FINANCE FORMULA

12 Sec. 46. Section 256D.4, Code 2005, is amended by striking  
13 the section and inserting in lieu thereof the following:

14 256D.4 PROGRAM FUNDING -- ALLOCATION.

15 The Iowa early intervention block grant program shall be  
16 funded through a combination of the following:

17 1. Thirty-five dollars of the increase in allowable growth  
18 for the school budget year beginning July 1, 2006, pursuant to  
19 section 257.8, subsection 4A, multiplied by a district's  
20 budget enrollment, which dollar amount shall increase in  
21 subsequent years by each year's state percent of growth. The  
22 proportion of a school district's budget which corresponds to  
23 the amount of funding received for the program based on the  
24 increase in allowable growth for the school budget year  
25 beginning July 1, 2006, shall be utilized exclusively for a  
26 school district's Iowa early intervention block grant program.

27 2. The early childhood at-risk district cost per pupil  
28 calculated in section 257.10, subsections 4A and 4B,  
29 multiplied by the early childhood at-risk weighted enrollment.  
30 For purposes of this section, the early childhood at-risk  
31 weighted enrollment for a district is the percentage of  
32 children who are eligible for free or reduced price meals  
33 under the federal National School Lunch Act and the federal  
34 Child Nutrition Act of 1966, 42 U.S.C. § 1751-1785, in grades  
35 one through three of the school district multiplied by the

1 budget enrollment in the school district.

2 Sec. 47. Section 257.1, subsection 2, unnumbered paragraph  
3 2, Code 2005, is amended to read as follow:

4 For the budget year commencing July 1, ~~1999~~ 2006, and for  
5 each succeeding budget year the regular program foundation  
6 base per pupil is ~~eighty-seven-and-five-tenths~~ one hundred  
7 percent of the regular program state cost per pupil. For the  
8 budget year commencing July 1, ~~1991~~ 2006, and for each  
9 succeeding budget year the special education support services  
10 foundation base is ~~seventy-nine~~ one hundred percent of the  
11 special education support services state cost per pupil, the  
12 media services foundation base is one hundred percent of the  
13 media services state cost per pupil, the educational services  
14 foundation base is one hundred percent of the educational  
15 services state cost per pupil, and the early childhood at-risk  
16 foundation base is one hundred percent of the early childhood  
17 at-risk state cost per pupil. The combined foundation base is  
18 the sum of the regular program foundation base, and the  
19 special education support services foundation base, the media  
20 services foundation base, the educational services foundation  
21 base, and the early childhood at-risk foundation base.

22 Sec. 48. Section 257.2, subsections 5 and 6, Code 2005,  
23 are amended to read as follows:

24 5. "Combined district cost per pupil" is an amount  
25 determined by adding together the regular program district  
26 cost per pupil for a year, and the special education support  
27 services district cost per pupil for that year, the media  
28 services district cost per pupil for that year, the  
29 educational services district cost per pupil for that year,  
30 and the early childhood at-risk district cost per pupil as  
31 calculated under section 257.10.

32 6. "Combined state cost per pupil" is a per pupil amount  
33 determined by adding together the regular program state cost  
34 per pupil for a year, and the special education support  
35 services state cost per pupil for that year, the media

1 services state cost per pupil for that year, the educational  
2 services state cost per pupil for that year, and the early  
3 childhood at-risk state cost per pupil as calculated under  
4 section 257.9.

5 Sec. 49. Section 257.3, subsection 1, unnumbered paragraph  
6 1, Code 2005, is amended to read as follows:

7 Except as provided in subsections 2 and 3, a school  
8 district shall cause to be levied each year, for the school  
9 general fund, a foundation property tax equal to five dollars  
10 and forty seventy cents per thousand dollars of assessed  
11 valuation on all taxable property in the district. The county  
12 auditor shall spread the foundation levy over all taxable  
13 property in the district.

14 Sec. 50. Section 257.3, subsection 2, paragraphs a and b,  
15 Code 2005, are amended to read as follows:

16 a. Notwithstanding subsection 1, a reorganized school  
17 district shall cause a foundation property tax of four dollars  
18 and forty seventy cents per thousand dollars of assessed  
19 valuation to be levied on all taxable property which, in the  
20 year preceding a reorganization, was within a school district  
21 affected by the reorganization as defined in section 275.1, or  
22 in the year preceding a dissolution was a part of a school  
23 district that dissolved if the dissolution proposal has been  
24 approved by the director of the department of education  
25 pursuant to section 275.55.

26 b. In succeeding school years, the foundation property tax  
27 levy on that portion shall be increased to the rate of four  
28 five dollars and ninety twenty cents per thousand dollars of  
29 assessed valuation the first succeeding year, five dollars and  
30 fifteen forty-five cents per thousand dollars of assessed  
31 valuation the second succeeding year, and five dollars and  
32 forty seventy cents per thousand dollars of assessed valuation  
33 the third succeeding year and each year thereafter.

34 Sec. 51. Section 257.8, subsection 2, Code 2005, is  
35 amended to read as follows:

1     2. ALLOWABLE GROWTH CALCULATION. The department of  
2 management shall calculate the regular program allowable  
3 growth for a budget year by multiplying the state percent of  
4 growth for the budget year by the regular program state cost  
5 per pupil for the base year, ~~and shall calculate~~ the special  
6 education support services allowable growth for the budget  
7 year by multiplying the state percent of growth for the budget  
8 year by the special education support services state cost per  
9 pupil for the base year, and the early childhood at-risk  
10 allowable growth for a budget year by multiplying the state  
11 percent of growth for the budget year by the early childhood  
12 at-risk state cost per pupil for the base year.

13     Sec. 52. Section 257.8, Code 2005, is amended by adding  
14 the following new subsection:

15     NEW SUBSECTION. 4A. ALTERNATIVE ALLOWABLE GROWTH -- 2006  
16 FORMULA ADJUSTMENTS.

17     a. Notwithstanding the calculation in subsection 2, for  
18 purposes of funding the Iowa early intervention block grant  
19 program and phase II of the educational excellence program,  
20 the department of management shall calculate the regular  
21 program allowable growth for the budget year beginning July 1,  
22 2006, by increasing the allowable growth for the budget year  
23 for the regular program state cost per pupil, as computed in  
24 subsection 2, by one hundred seven dollars. For purposes of  
25 determining the amount of a budget adjustment as defined in  
26 section 257.14, amounts added to allowable growth pursuant to  
27 this paragraph shall be subtracted from the school district's  
28 regular program cost per pupil for the budget year beginning  
29 July 1, 2006, prior to determining the amount of the  
30 adjustment.

31     b. Notwithstanding the calculation in subsection 2, for  
32 purposes of providing additional funding for the instructional  
33 support program, the department of management shall add to the  
34 calculation in paragraph "a" for the budget years beginning  
35 July 1, 2006, through July 1, 2010, the following:

1 (1) For the budget year beginning July 1, 2006, ninety-two  
2 dollars. Amounts received pursuant to this subparagraph for  
3 the budget year beginning July 1, 2006, shall be restricted to  
4 those school districts that were participating in the  
5 instructional support program on July 1, 2005.

6 (2) For the budget year beginning July 1, 2007, for school  
7 districts that received alternate allowable growth pursuant to  
8 subparagraph (1) for the budget year beginning July 1, 2006,  
9 ninety-two dollars. For the budget year beginning July 1,  
10 2007, for a school district that did not receive alternative  
11 allowable growth pursuant to subparagraph (1) for the budget  
12 year beginning July 1, 2006, one hundred eighty-four dollars.

13 (3) For the budget year beginning July 1, 2008, ninety-two  
14 dollars.

15 (4) For the budget year beginning July 1, 2009, ninety-two  
16 dollars.

17 (5) For the budget year beginning July 1, 2010, ninety-two  
18 dollars.

19 Amounts provided pursuant to subparagraphs (3) through (5)  
20 of this subsection shall be received by every school district  
21 in the state.

22 For purposes of determining the amount of a budget  
23 adjustment as defined in section 257.14, amounts added to  
24 allowable growth pursuant to this paragraph "b" shall be  
25 subtracted from the school district's regular program cost per  
26 pupil for the budget years beginning July 1, 2006, through  
27 July 1, 2010, prior to determining the amount of the  
28 adjustment.

29 c. A school district shall calculate allowable growth  
30 pursuant to the provisions of subsection 2 for the budget year  
31 beginning July 1, 2007, and succeeding budget years, utilizing  
32 a regular program state cost per pupil figure which  
33 incorporates the increases in regular program allowable growth  
34 calculated for each budget year pursuant to paragraphs "a" and  
35 "b".

1     Sec. 53. Section 257.9, Code 2005, is amended by adding  
2 the following new subsections:

3     NEW SUBSECTION. 4A. EARLY CHILDHOOD AT-RISK STATE COST  
4 PER PUPIL FOR 2006-2007. For the budget year beginning July  
5 1, 2006, the early childhood at-risk state cost per pupil is  
6 four thousand seven hundred twenty-four dollars.

7     NEW SUBSECTION. 4B. EARLY CHILDHOOD AT-RISK STATE COST  
8 PER PUPIL FOR 2007 AND SUCCEEDING YEARS. For the budget year  
9 beginning July 1, 2007, and succeeding budget years, the early  
10 childhood at-risk state cost per pupil for the budget year is  
11 the early childhood at-risk state cost per pupil for the base  
12 year plus the early childhood at-risk allowable growth for the  
13 budget year.

14     Sec. 54. Section 257.9, subsection 5, Code 2005, is  
15 amended to read as follows:

16     5. COMBINED STATE COST PER PUPIL. The combined state cost  
17 per pupil is the sum of the regular program state cost per  
18 pupil, and the special education support services state cost  
19 per pupil, the media services state cost per pupil, the  
20 educational services state cost per pupil, and the early  
21 childhood at-risk state cost per pupil.

22     Sec. 55. Section 257.10, subsection 4, Code 2005, is  
23 amended by adding the following new unnumbered paragraph:

24     NEW UNNUMBERED PARAGRAPH. For the budget year beginning  
25 July 1, 2006, and succeeding budget years, the department of  
26 management shall increase the special education support  
27 services district cost per pupil, the media services district  
28 cost per pupil, or the educational services district cost per  
29 pupil, for a school district that has a special education  
30 support services district cost per pupil, media services  
31 district cost per pupil, or educational services district cost  
32 per pupil, which falls below the respective state cost per  
33 pupil, to equal the state cost per pupil for special education  
34 support services, media services, or educational services.

35     Sec. 56. Section 257.10, Code 2005, is amended by adding

1 the following new subsections:

2 NEW SUBSECTION. 4A. EARLY CHILDHOOD AT-RISK DISTRICT COST  
3 PER PUPIL FOR 2006. For the budget year beginning July 1,  
4 2006, the early childhood at-risk district cost per pupil  
5 shall be equal to the early childhood at-risk state cost per  
6 pupil for the budget year beginning July 1, 2006.

7 NEW SUBSECTION. 4B. EARLY CHILDHOOD AT-RISK DISTRICT COST  
8 PER PUPIL FOR 2007 AND SUCCEEDING BUDGET YEARS. For the  
9 budget year beginning July 1, 2007, and succeeding budget  
10 years, the early childhood at-risk district cost per pupil for  
11 the budget year is the early childhood at-risk district cost  
12 per pupil for the base year plus the early childhood at-risk  
13 allowable growth for the budget year.

14 Sec. 57. Section 257.10, subsection 5, Code 2005, is  
15 amended to read as follows:

16 5. COMBINED DISTRICT COST PER PUPIL. The combined  
17 district cost per pupil for a school district is the sum of  
18 the regular program district cost per pupil, and the special  
19 education support services district cost per pupil, the media  
20 services district cost per pupil, the educational services  
21 district cost per pupil, and the early childhood at-risk  
22 district cost per pupil. Combined district cost per pupil  
23 does not include additional allowable growth added for school  
24 districts that have a negative balance of funds raised for  
25 special education instruction programs, additional allowable  
26 growth granted by the school budget review committee for a  
27 single school year, or additional allowable growth added for  
28 programs for dropout prevention.

29 Sec. 58. Section 257.14, Code 2005, is amended by adding  
30 the following new subsection:

31 NEW SUBSECTION. 4. For the budget years beginning July 1,  
32 2006, through July 1, 2013, if the department of management  
33 determines that the amount received pursuant to this section  
34 by a school district is less than the amount the school  
35 district would otherwise have received if the increase in

1 allowable growth received by the district pursuant to section  
2 257.8, subsection 4A, had not been made, the district may  
3 apply to the school budget review committee for additional  
4 allowable growth in an amount equal to the difference.

5 Sec. 59. Section 257.20, Code 2005, is amended by striking  
6 the section and inserting in lieu thereof the following:

7 257.20 INSTRUCTIONAL SUPPORT -- STATE FUNDING.

8 1. For the budget year beginning July 1, 2006, and  
9 succeeding budget years, instructional support state aid shall  
10 be provided through the annual increases in allowable growth  
11 pursuant to the schedule contained in section 257.8,  
12 subsection 4A, paragraph "b". The remaining portion of  
13 instructional support program funding for the budget years  
14 beginning July 1, 2006, through July 1, 2009, shall be derived  
15 from local funding using either the instructional support  
16 property tax or a combination of the instructional support  
17 property tax and an instructional support income surtax. For  
18 the budget year commencing July 1, 2010, and succeeding budget  
19 years, the increase in allowable growth pursuant to section  
20 257.8, subsection 4A, paragraph "b", shall provide one hundred  
21 percent of the funding for instructional support.

22 2. For the budget years beginning July 1, 2006, through  
23 July 1, 2009, the board of directors of a school district  
24 adopting a resolution to participate in the instructional  
25 support program, or of a district reaching the expiration of  
26 the period for which the instructional support program was  
27 adopted, may impose or renew local funding only through the  
28 budget year beginning July 1, 2009.

29 Sec. 60. Section 257.27, Code 2005, is amended to read as  
30 follows:

31 257.27 CONTINUATION OF INSTRUCTIONAL SUPPORT PROGRAM.

32 ~~At the expiration of the period for which the instructional~~  
33 ~~support program was adopted, the program may be extended for a~~  
34 ~~period of not exceeding five or ten years in the manner~~  
35 ~~provided in section 257.18.~~

1 If the voters do not approve adoption of the instructional  
2 support program, the board shall wait at least one hundred  
3 twenty days following the election before taking action to  
4 adopt the program or resubmit the proposition.

5 Sec. 61. NEW SECTION. 257.27A FUTURE REPEAL.

6 Sections 257.18 through 257.27 are repealed July 1, 2010.

7 Sec. 62. Section 273.9, subsection 4, Code 2005, is  
8 amended to read as follows:

9 4. The costs of media services and education support  
10 services provided through the area education agency shall be  
11 funded as provided in chapter 257. Media services provided  
12 through the area education agency shall not be funded until  
13 the program plans submitted by the administrators of each area  
14 education agency as required by section 273.4 are modified as  
15 necessary and approved by the director of the department of  
16 education according to the criteria of section 273.6.

17 Sec. 63. Section 294A.9, unnumbered paragraphs 1 and 2,  
18 Code 2005, are amended by striking the unnumbered paragraphs  
19 and inserting in lieu thereof the following:

20 Phase II is established to improve the salaries of  
21 teachers. For each fiscal year beginning on or after July 1,  
22 2006, phase II shall be funded by a proportionate percentage  
23 of the dollar increase in allowable growth for the school  
24 budget year beginning July 1, 2006, pursuant to section 257.8,  
25 subsection 4A, multiplied by a district's budget enrollment,  
26 which dollar increase shall increase in subsequent years by  
27 each year's state percent of growth. The proportion of a  
28 school district's budget which corresponds to the amount of  
29 funding received for the program based on the increase in  
30 allowable growth for the school budget year beginning July 1,  
31 2006, shall be utilized exclusively for phase II.

32 Sec. 64. Section 294A.22, Code 2005, is amended to read as  
33 follows:

34 294A.22 PAYMENTS.

35 Payments for each phase I of the educational excellence

1 program shall be made by the department of administrative  
2 services on a monthly basis commencing on October 15 and  
3 ending on June 15 of each fiscal year, taking into  
4 consideration the relative budget and cash position of the  
5 state resources. The payments shall be separate from state  
6 aid payments made pursuant to sections 257.16 and 257.35. The  
7 payments made under this section to a school district or area  
8 education agency may be combined and a separate accounting of  
9 the amount paid for each program shall be included.

10 Any payments made to school districts or area education  
11 agencies for phase I under this chapter are miscellaneous  
12 income for purposes of chapter 257.

13 Payments made to a teacher by a school district or area  
14 education agency under this chapter are wages for the purposes  
15 of chapter 91A.

16 ~~If funds appropriated are insufficient to pay phase II~~  
17 ~~allocations in full, the department of administrative services~~  
18 ~~shall prorate payments to school districts and area education~~  
19 ~~agencies.~~

20 Sec. 65. Section 425A.3, subsection 1, Code 2005, is  
21 amended to read as follows:

22 1. The family farm tax credit fund shall be apportioned  
23 each year in the manner provided in this chapter so as to give  
24 a credit against the tax on each eligible tract of  
25 agricultural land within the several school districts of the  
26 state in which the levy for the general school fund exceeds  
27 five dollars and forty seventy cents per thousand dollars of  
28 assessed value. The amount of the credit on each eligible  
29 tract of agricultural land shall be the amount the tax levied  
30 for the general school fund exceeds the amount of tax which  
31 would be levied on each eligible tract of agricultural land  
32 were the levy for the general school fund five dollars and  
33 forty seventy cents per thousand dollars of assessed value for  
34 the previous year. However, in the case of a deficiency in  
35 the family farm tax credit fund to pay the credits in full,

1 the credit on each eligible tract of agricultural land in the  
2 state shall be proportionate and applied as provided in this  
3 chapter.

4 Sec. 66. Section 425A.5, Code 2005, is amended to read as  
5 follows:

6 425A.5 COMPUTATION BY COUNTY AUDITOR.

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

23 Sec. 67. Section 426.3, Code 2005, is amended to read as  
24 follows:

25 426.3 WHERE CREDIT GIVEN.

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

1 seventy cents per thousand dollars of assessed value for the  
2 previous year, except in the case of a deficiency in the  
3 agricultural land credit fund to pay said credits in full, in  
4 which case the credit on each eligible tract of such lands in  
5 the state shall be proportionate and shall be applied as  
6 hereinafter provided.

7 Sec. 68. Section 426.6, unnumbered paragraph 1, Code 2005,  
8 is amended to read as follows:

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

24 Sec. 69. Section 256D.5, Code 2005, is repealed.

25 Sec. 70. Section 256D.9, Code 2005, is repealed.

26 Sec. 71. Section 294A.25, Code 2005, is repealed.

27 Sec. 72. EFFECTIVE AND APPLICABILITY DATES.

28 1. The sections of this division of this Act increasing  
29 the regular program foundation base and the special education  
30 support services foundation base, increasing the foundation  
31 property tax, providing for an alternative allowable growth  
32 amount, and incorporating funding of media services and  
33 educational services, Iowa early intervention block grant  
34 funding, phase II of the educational excellence program, and  
35 the instructional support program into the school finance

1 formula, take effect July 1, 2005, and are applicable to the  
2 school budget year beginning July 1, 2006, and succeeding  
3 budget years.

4 2. The section of this division of this Act amending  
5 section 257.8 to include calculation of the early childhood  
6 at-risk allowable growth takes effect July 1, 2007.

7 3. The sections of this division of this Act amending  
8 provisions relating to the family farm tax credit and the  
9 agricultural land tax credit take effect January 1, 2007, for  
10 taxes payable in the fiscal year beginning July 1, 2007.

11 4. The section of this division of this Act repealing  
12 section 256D.9, being deemed of immediate importance, takes  
13 effect upon enactment.

14 DIVISION VII

15 ASSESSMENT OF PROPERTY

16 Sec. 73. Section 441.21, subsection 4, Code 2005, is  
17 amended by striking the subsection and inserting in lieu  
18 thereof the following:

19 4. For valuations established as of January 1, 2005, the  
20 actual value at which residential property is assessed shall  
21 be fifty percent of an amount equal to the sum of the market  
22 value for the assessment year and for the previous four  
23 assessment years, as determined by the assessor, divided by  
24 five.

25 Sec. 74. RETROACTIVE APPLICABILITY. This division of this  
26 Act, being deemed of immediate importance, takes effect upon  
27 enactment and applies retroactively to assessment years  
28 beginning on or after January 1, 2005.

29 EXPLANATION

30 SALES AND USE TAX RATE INCREASE -- This division I  
31 increases from 5 percent to 6 percent the tax rate of the  
32 sales and use taxes. In addition, the automobile rental  
33 excise tax rate is increased from 5 percent to 6 percent. A  
34 provision is made for a refund of the additional 1 percent in  
35 the case of construction contractors where contracts have been

1 executed prior to January 1, 2006.

2 The division of the bill and the rate increases are  
3 effective January 1, 2006.

4 HOMESTEAD TAX CREDIT -- This division II repeals the  
5 homestead tax credit and the related extraordinary property  
6 tax credit and reimbursement beginning with property taxes  
7 payable in the fiscal year beginning July 1, 2006.

8 AGRICULTURAL LAND TAX CREDIT -- This division III repeals  
9 the agricultural land tax credit beginning with property taxes  
10 payable in the fiscal year beginning July 1, 2006. The family  
11 farm tax credit with its \$10 million appropriation is  
12 maintained.

13 SCHOOL DISTRICT LEVIES -- This division IV repeals the  
14 authority of school districts to impose the educational  
15 improvement program levy, the schoolhouse levy, and the  
16 educational and recreational tax beginning with the budget  
17 year beginning July 1, 2006. However, in the case of the  
18 educational and recreational tax, that tax may continue if it  
19 was imposed during the 2005-2006 budget year but not longer  
20 than the 2013-2014 budget year. The division also eliminates  
21 the authority of school districts to fund part of the  
22 instructional support program and the physical plant and  
23 equipment levy from an income surtax beginning with the 2006-  
24 2007 budget year, unless the income surtax was used for  
25 funding in the 2005-2006 budget year, in which case the  
26 authority continues until the expiration of the period of the  
27 districts' participation in the surtax funded programs.

28 EFFECTIVE AND APPLICABILITY DATES -- This division of the  
29 bill contains effective and applicability date provisions  
30 which are specified in each division when applicable.

31 FOUNDATION PROPERTY TAX -- URBAN RENEWAL -- This division V  
32 provides that the school foundation levy imposed pursuant to  
33 Code section 257.3, subsection 1, shall not be collected as  
34 incremental taxes for urban renewal purposes for urban renewal  
35 plans adopted on or after the effective date of the division.

1 The division further provides that the school foundation levy  
2 shall not be collected as incremental taxes for urban renewal  
3 purposes for urban renewal plans adopted before the effective  
4 date of the division beginning with the fiscal year beginning  
5 July 1, 2015.

6 This division of this Act takes effect upon enactment.

7 SCHOOL FINANCE FORMULA -- This division VI provides for an  
8 increase in the foundation property tax imposed under the  
9 state school foundation program pursuant to Code section  
10 257.3, from the current level of \$5.40 to \$5.70 per \$1,000 of  
11 assessed valuation on all taxable property in a school  
12 district.

13 The division also provides for an increase in the regular  
14 program foundation base and the special education support  
15 services foundation base under the state school foundation  
16 program from the current levels of 87.5 percent and 79  
17 percent, respectively, to 100 percent. The foundation base is  
18 the specified percentage of the state cost per pupil  
19 calculation which is paid as state aid to school districts  
20 above the foundation property tax.

21 The division provides for incorporation of media services  
22 and educational support services provided by area education  
23 agencies, currently funded through property taxes, into the  
24 school finance formula. The division provides for the  
25 establishment of a media services foundation base and an  
26 educational services foundation base which is 100 percent of  
27 their respective state costs per pupil, and provides that the  
28 combined district cost per pupil and state cost per pupil  
29 calculations include media and educational services district  
30 and state cost per pupil amounts.

31 The division provides that the department of management  
32 shall calculate an alternative allowable growth amount which  
33 adds a specified dollar amount to allowable growth in that  
34 year to reflect incorporation of early childhood block grant  
35 program funding, and phase II of the educational excellence

1 program into the school finance formula. The division  
2 establishes an early childhood at-risk state cost and district  
3 cost per pupil amount to facilitate this. The division also  
4 provides for additional increases in allowable growth over a  
5 five-year period beginning July 1, 2006, to gradually  
6 incorporate an amount of funding corresponding to  
7 instructional support program funding into the school finance  
8 formula. The division provides that for the budget year  
9 beginning July 1, 2006, school districts already participating  
10 in the instructional support program will receive a \$92  
11 increase in allowable growth, and continue to receive  
12 additional \$92 increases through the budget year beginning  
13 July 1, 2010. The division provides that school districts  
14 which were not participating in the instructional support  
15 program on July 1, 2006, shall not receive increased allowable  
16 growth that year, but for the budget year beginning July 1,  
17 2007, those school districts will receive \$184, plus \$92  
18 increases through the budget year beginning July 1, 2010. The  
19 division provides that school districts shall calculate the  
20 regular program allowable growth for the budget year beginning  
21 July 1, 2007, and succeeding budget years, utilizing a regular  
22 program state cost per pupil figure which incorporates these  
23 increases in regular program allowable growth. The division  
24 makes changes to instructional support program provisions  
25 relating to participation in the program and imposition of  
26 property tax or income surtax, and provides for the future  
27 repeal of the program effective July 1, 2010.

28 The division provides that for purposes of determining the  
29 amount of a budget adjustment pursuant to Code section 257.14,  
30 the alternative allowable growth increases shall be subtracted  
31 from the school district's regular program cost per pupil  
32 prior to determining the amount of the adjustment. The  
33 division also provides that for the budget years beginning  
34 July 1, 2006, through July 1, 2013, if the department of  
35 management determines that the amount of a school district's

1 budget adjustment is less than the amount the school district  
2 would otherwise have received if the increases in allowable  
3 growth received by the district had not been made, the  
4 district may apply to the school budget review committee for  
5 additional allowable growth in an amount equal to the  
6 difference.

7 The division provides for conforming changes to provisions  
8 of the family farm tax credit and the agricultural land tax  
9 credit contained in Code chapters 425A and 426 relating to the  
10 increase in the level of the foundation property tax, and  
11 makes additional conforming changes.

12 The division provides that provisions increasing the  
13 regular program foundation base and the special education  
14 support services foundation base, increasing the foundation  
15 property tax, providing for an alternative allowable growth  
16 amount, and incorporating funding of media services and  
17 educational services, Iowa early intervention block grant  
18 funding, phase II of the educational excellence program, and  
19 the instructional support program into the school finance  
20 formula, take effect July 1, 2005, and are applicable to the  
21 school budget year beginning July 1, 2006, and succeeding  
22 budget years. The provisions amending Code section 257.8 to  
23 include calculation of the early childhood at-risk allowable  
24 growth take effect July 1, 2007. Provisions relating to the  
25 family farm tax credit and the agricultural land tax credit  
26 take effect January 1, 2007, for taxes payable in the fiscal  
27 year beginning July 1, 2007.

28 The repeal of the repeal of Code chapter 256A takes effect  
29 upon enactment.

30 ASSESSMENT OF PROPERTY -- This division VII eliminates the  
31 assessment limitations for agricultural and residential  
32 property. The division further provides that residential  
33 property shall be assessed at 50 percent of an amount equal to  
34 the sum of the market value for the assessment year and for  
35 the previous four assessment years divided by five.

1 The division takes effect upon enactment and applies  
2 retroactively to assessment years beginning on or after  
3 January 1, 2005.

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