

# House File 884 - Introduced

HOUSE FILE \_\_\_\_\_  
BY TYMESON

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

## A BILL FOR

1 An Act relating to school district property taxes collected as  
2 incremental taxes and collected in urban revitalization areas  
3 and providing an applicability date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 1904HH 82  
6 sc/je/5

PAG LIN

1 1 Section 1. Section 260E.4, Code 2007, is amended to read  
1 2 as follows:  
1 3 260E.4 INCREMENTAL PROPERTY TAXES.  
1 4 If an agreement provides that all or part of program costs  
1 5 are to be paid for by incremental property taxes, the board of  
1 6 directors shall provide by resolution that taxes levied on the  
1 7 employer's taxable business property, where new jobs are  
1 8 created as a result of a project, each year by or for the  
1 9 benefit of the state, city, county, ~~school district~~, or other  
1 10 taxing district after the effective date of the resolution  
1 11 shall be divided as provided in section 403.19, subsections 1  
1 12 and 2, in the same manner as if the employer's business  
1 13 property, where new jobs are created as a result of a project,  
1 14 was taxable property in an urban renewal project and the  
1 15 resolution was an ordinance within the meaning of those  
1 16 subsections. The taxes received by the board of directors  
1 17 shall be allocated to and when collected be paid into a  
1 18 special fund of the community college and may be irrevocably  
1 19 pledged by the community college to pay the principal of and  
1 20 interest on the certificates issued by the community college  
1 21 to finance or refinance, in whole or in part, the project.  
1 22 However, with respect to any urban renewal project as to which  
1 23 an ordinance is in effect under section 403.19, the collection  
1 24 of incremental property taxes authorized by this chapter are  
1 25 suspended in favor of collection of incremental taxes under  
1 26 section 403.19. As used in this section, "taxes" includes,  
1 27 but is not limited to, all levies on an ad valorem basis upon  
1 28 land or real property of the employer's business, where new  
1 29 jobs are created as a result of a project.

1 30 Sec. 2. Section 298.3, subsection 12, Code 2007, is  
1 31 amended by striking the subsection.

1 32 Sec. 3. Section 357H.9, Code 2007, is amended to read as  
1 33 follows:

1 34 357H.9 INCREMENTAL PROPERTY TAXES.

1 35 The board of trustees shall provide by resolution that  
2 1 taxes levied on the taxable property in a rural improvement  
2 2 zone each year by or for the benefit of the state, city,  
2 3 county, ~~school district~~, or other taxing district after the  
2 4 effective date of the resolution shall be divided as provided  
2 5 in section 403.19, subsections 1 and 2, in the same manner as  
2 6 if the taxable property in the rural improvement zone was  
2 7 taxable property in an urban renewal area and the resolution  
2 8 was an ordinance within the meaning of those subsections. The  
2 9 taxes received by the board of trustees shall be allocated to,  
2 10 and when collected be paid into, a special fund and may be  
2 11 irrevocably pledged by the trustees to pay the principal of  
2 12 and interest on the certificates, contracts, or other  
2 13 obligations approved by the board of trustees to finance or  
2 14 refinance, in whole or in part, an improvement project. As  
2 15 used in this section, "taxes" includes, but is not limited to,  
2 16 all levies on an ad valorem basis upon land or real property  
2 17 located in the rural improvement zone.

2 18 Sec. 4. Section 403.17, subsection 1, Code 2007, is  
2 19 amended to read as follows:

2 20 1. "Affected taxing entity" means a city, community  
2 21 college, or county, ~~or school district~~ which levied or  
2 22 certified for levy a property tax on any portion of the  
2 23 taxable property located within the urban renewal area in the  
2 24 fiscal year beginning prior to the calendar year in which a  
2 25 proposed urban renewal plan is submitted to the local  
2 26 governing body for approval.

2 27 Sec. 5. Section 403.19, unnumbered paragraph 1, Code 2007,  
2 28 is amended to read as follows:

2 29 A municipality may provide by ordinance that taxes levied  
2 30 on taxable property in an urban renewal area each year by or  
2 31 for the benefit of the state, city, county, ~~school district,~~  
2 32 or other taxing district, shall be divided as follows:

2 33 Sec. 6. Section 403.19, subsection 2, Code 2007, is  
2 34 amended to read as follows:

2 35 2. That portion of the taxes each year in excess of such  
3 1 amount shall be allocated to and when collected be paid into a  
3 2 special fund of the municipality to pay the principal of and  
3 3 interest on loans, moneys advanced to, or indebtedness,  
3 4 whether funded, refunded, assumed, or otherwise, including  
3 5 bonds issued under the authority of section 403.9, subsection  
3 6 1, incurred by the municipality to finance or refinance, in  
3 7 whole or in part, an urban renewal project within the area,  
3 8 and to provide assistance for low and moderate income family  
3 9 housing as provided in section 403.22, except that all taxes  
3 10 for the regular and voter-approved physical plant and  
~~3 11 equipment levy of levied by a school district imposed pursuant~~  
~~3 12 to section 298.2 and taxes for the payment of bonds and~~  
3 13 interest of each taxing district must be collected against all  
3 14 taxable property within the taxing district without limitation  
3 15 by the provisions of this subsection. ~~However, all or a~~  
~~3 16 portion of the taxes for the physical plant and equipment levy~~  
~~3 17 shall be paid by the school district to the municipality if~~  
~~3 18 the auditor certifies to the school district by July 1 the~~  
~~3 19 amount of such levy that is necessary to pay the principal and~~  
~~3 20 interest on bonds issued by the municipality to finance an~~  
~~3 21 urban renewal project, which bonds were issued before July 1,~~  
~~3 22 2001. Indebtedness incurred to refund bonds issued prior to~~  
~~3 23 July 1, 2001, shall not be included in the certification.~~  
~~3 24 Such school district shall pay over the amount certified by~~  
~~3 25 November 1 and May 1 of the fiscal year following~~  
~~3 26 certification to the school district. Unless and until the~~  
3 27 total assessed valuation of the taxable property in an urban  
3 28 renewal area exceeds the total assessed value of the taxable  
3 29 property in such area as shown by the last equalized  
3 30 assessment roll referred to in subsection 1, all of the taxes  
3 31 levied and collected upon the taxable property in the urban  
3 32 renewal area shall be paid into the funds for the respective  
3 33 taxing districts as taxes by or for the taxing districts in  
3 34 the same manner as all other property taxes. When such loans,  
3 35 advances, indebtedness, and bonds, if any, and interest  
4 1 thereon, have been paid, all moneys thereafter received from  
4 2 taxes upon the taxable property in such urban renewal area  
4 3 shall be paid into the funds for the respective taxing  
4 4 districts in the same manner as taxes on all other property.  
4 5 ~~In those instances where a school district has entered into an~~  
~~4 6 agreement pursuant to section 279.64 for sharing of school~~  
~~4 7 district taxes levied and collected from valuation described~~  
~~4 8 in this subsection and released to the school district, the~~  
~~4 9 school district shall transfer the taxes as provided in the~~  
~~4 10 agreement.~~

4 11 Sec. 7. Section 403.19, subsection 7, Code 2007, is  
4 12 amended by striking the subsection.

4 13 Sec. 8. Section 403.21, subsection 1, Code 2007, is  
4 14 amended to read as follows:

4 15 1. In order to promote communication and cooperation among  
4 16 cities, counties, and community colleges with respect to the  
4 17 allocation and division of taxes, no jobs training projects as  
4 18 defined in chapter 260E or 260F shall be undertaken within the  
4 19 area of operation of a municipality after July 1, 1995, unless  
4 20 the municipality and the community college have entered into  
4 21 an agreement or have jointly adopted a plan relating to a  
4 22 community college's new jobs training program which shall  
4 23 provide for a procedure for advance notification to each  
4 24 affected municipality, for exchange of information, for mutual  
4 25 consultation, and for procedural guidelines for all such new  
4 26 jobs training projects, including related project financing to  
4 27 be undertaken within the area of operation of the  
4 28 municipality. The joint agreement or the plan shall state its  
4 29 precise duration and shall be binding on the community college  
4 30 and the municipality with respect to all new jobs training

4 31 projects, including related project financing undertaken  
4 32 during its existence. The joint agreement or plan shall be  
4 33 effective upon adoption and shall be placed on file in the  
4 34 office of the secretary of the board of directors of the  
4 35 community college and such other location as may be stated in  
5 1 the joint agreement or plan. ~~The joint agreement or plan~~  
~~5 2 shall also be sent to each school district which levied or~~  
~~5 3 certified for levy a property tax on any portion of the~~  
~~5 4 taxable property located in the area of operation of the~~  
~~5 5 municipality in the fiscal year beginning prior to the~~  
~~5 6 calendar year in which the plan is adopted or the agreement is~~  
~~5 7 reached.~~ If no such agreement is reached or plan adopted, the  
5 8 community college shall not use incremental property tax  
5 9 revenues to fund jobs training projects within the area of  
5 10 operation of the municipality. Agreements entered into  
5 11 between a community college and a city or county pursuant to  
5 12 chapter 28E shall not apply.

5 13 Sec. 9. Section 404.3, subsection 8, Code 2007, is amended  
5 14 to read as follows:

5 15 8. "Qualified real estate" as used in this chapter and  
5 16 section 419.17 means real property, other than land, which is  
5 17 located in a designated revitalization area and to which  
5 18 improvements have been added, during the time the area was so  
5 19 designated, which have increased the actual value by at least  
5 20 the percent specified in the plan adopted by the city or  
5 21 county pursuant to section 404.2 or if no percent is specified  
5 22 then by at least fifteen percent, or at least ten percent in  
5 23 the case of real property assessed as residential property or  
5 24 which have, in the case of land upon which is located more  
5 25 than one building and not assessed as residential property,  
5 26 increased the actual value of the buildings to which the  
5 27 improvements have been made by at least fifteen percent.  
5 28 "Qualified real estate" also means land upon which no  
5 29 structure existed at the start of the new construction, which  
5 30 is located in a designated revitalization area and upon which  
5 31 new construction has been added during the time the area was  
5 32 so designated. "Improvements" as used in this chapter and  
5 33 section 419.17 includes rehabilitation and additions to  
5 34 existing structures as well as new construction on vacant land  
5 35 or on land with existing structures. However, new  
6 1 construction on land assessed as agricultural property shall  
6 2 not qualify as "improvements" for purposes of this chapter and  
6 3 section 419.17 unless the governing body of the city or county  
6 4 has presented justification at a public hearing held pursuant  
6 5 to section 404.2 for the revitalization of land assessed as  
6 6 agricultural property by means of new construction. Such  
6 7 justification shall demonstrate, in addition to the other  
6 8 requirements of this chapter and section 419.17, that the  
6 9 improvements on land assessed as agricultural land will  
6 10 utilize the minimum amount of agricultural land necessary to  
6 11 accomplish the revitalization of the other classes of property  
6 12 within the urban revitalization area. However, if such  
6 13 construction, rehabilitation or additions were begun prior to  
6 14 January 29, 1979, or one year prior to the adoption by the  
6 15 city or county of a plan of urban revitalization pursuant to  
6 16 section 404.2, whichever occurs later, the value added by such  
6 17 construction, rehabilitation or additions shall not constitute  
6 18 an increase in value for purposes of qualifying for the  
6 19 exemptions listed in this section. "Actual value added by the  
6 20 improvements" as used in this chapter and section 419.17 means  
6 21 the actual value added as of the first year for which the  
6 22 exemption was received. "Exemption from taxation" as used in  
6 23 this chapter means exemption from city and county property  
6 24 taxes if the urban revitalization area is located in a city  
6 25 and exemption from county property taxes if the urban  
6 26 revitalization area is located in the area of a county outside  
6 27 the boundaries of a city.

6 28 Sec. 10. Section 455H.309, Code 2007, is amended to read  
6 29 as follows:

6 30 455H.309 INCREMENTAL PROPERTY TAXES.

6 31 To encourage economic development and the recycling of  
6 32 contaminated land to promote the purposes of this chapter,  
6 33 cities and counties may provide by ordinance that the costs of  
6 34 carrying out response actions under this chapter are to be  
6 35 reimbursed, in whole or in part, by incremental property taxes  
7 1 over a six-year period. A city or county which implements the  
7 2 option provided for under this section shall provide that  
7 3 taxes levied on property enrolled in the land recycling  
7 4 program under this chapter each year by or for the benefit of  
7 5 the state, city, county, ~~school district~~, or other taxing  
7 6 district shall be divided as provided in section 403.19,

7 7 subsections 1 and 2, in the same manner as if the enrolled  
7 8 property was taxable property in an urban renewal project.  
7 9 Incremental property taxes collected under this section shall  
7 10 be placed in a special fund of the city or county. A  
7 11 participant shall be reimbursed with moneys from the special  
7 12 fund for costs associated with carrying out a response action  
7 13 in accordance with rules adopted by the commission. Beginning  
7 14 in the fourth of the six years of collecting incremental  
7 15 property taxes, the city or county shall begin decreasing by  
7 16 twenty-five percent each year the amount of incremental  
7 17 property taxes computed under this section.

7 18 Sec. 11. Section 279.64, Code 2007, is repealed.

7 19 Sec. 12. APPLICABILITY DATE. This Act applies to taxes  
7 20 due and payable in the fiscal year beginning July 1, 2008, and  
7 21 all subsequent fiscal years.

7 22 EXPLANATION

7 23 This bill exempts the school district tax levy from being  
7 24 collected as part of the incremental taxes paid to a  
7 25 municipality for an urban renewal area. The bill also exempts  
7 26 the school district tax levy from being collected as  
7 27 incremental taxes for industrial new jobs training programs,  
7 28 rural improvement zone projects, and land recycling programs.  
7 29 The bill repeals a section of the Code that allowed school  
7 30 districts to enter into agreements to share school district  
7 31 tax increment revenue released to a school district by a  
7 32 municipality.

7 33 The bill defines "exemption from taxation" for purposes of  
7 34 urban revitalization to mean exemption from city and county  
7 35 property taxes or exemption from county property taxes, as  
8 1 applicable.

8 2 The bill applies to taxes due and payable in the fiscal  
8 3 year beginning July 1, 2008, and all subsequent fiscal years.

8 4 LSB 1904HH 82

8 5 sc:rj/je/5