

# House Study Bill 500 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON SANDS)

## A BILL FOR

1 An Act relating to state and local government finances by  
2 increasing the regular program foundation base percentage,  
3 establishing a property tax exemption for commercial and  
4 industrial property, establishing property tax levy limits  
5 for cities and counties, eliminating certain reporting  
6 requirements, and including applicability provisions.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I  
EDUCATION FINANCE

Section 1. Section 257.1, subsection 2, paragraph b, Code 2011, is amended by striking the paragraph and inserting in lieu thereof the following:

b. (1) The regular program foundation base per pupil is the following:

(a) For the budget year commencing July 1, 2012, the regular program foundation base per pupil is eighty-seven and five-tenths percent of the regular program state cost per pupil.

(b) For the budget year commencing July 1, 2013, the regular program foundation base per pupil is eighty-nine and twenty-eight hundredths percent of the regular program state cost per pupil.

(c) For the budget year commencing July 1, 2014, the regular program foundation base per pupil is ninety-one and six hundredths percent of the regular program state cost per pupil.

(d) For the budget year commencing July 1, 2015, the regular program foundation base per pupil is ninety-two and eighty-four hundredths percent of the regular program state cost per pupil.

(e) For the budget year commencing July 1, 2016, the regular program foundation base per pupil is ninety-four and sixty-two hundredths percent of the regular program state cost per pupil.

(f) For the budget year commencing July 1, 2017, the regular program foundation base per pupil is ninety-six and forty hundredths percent of the regular program state cost per pupil.

(g) For the budget year commencing July 1, 2018, the regular program foundation base per pupil is ninety-eight and eighteen hundredths percent of the regular program state cost per pupil.

(h) For the budget year commencing July 1, 2019, and succeeding budget years, the regular program foundation base per pupil is one hundred percent of the regular program state cost per pupil.

(2) For each budget year, the special education support

1 services foundation base is seventy-nine percent of the special  
2 education support services state cost per pupil. The combined  
3 foundation base is the sum of the regular program foundation  
4 base, the special education support services foundation base,  
5 the total teacher salary supplement district cost, the total  
6 professional development supplement district cost, the total  
7 early intervention supplement district cost, the total area  
8 education agency teacher salary supplement district cost,  
9 and the total area education agency professional development  
10 supplement district cost.

11 Sec. 2. Section 257.4, subsection 1, paragraph b, Code 2011,  
12 is amended to read as follows:

13 b. For the budget year beginning July 1, 2008, and  
14 succeeding budget years beginning before July 1, 2019, the  
15 department of management shall annually determine an adjusted  
16 additional property tax levy and a statewide maximum adjusted  
17 additional property tax levy rate, not to exceed the statewide  
18 average additional property tax levy rate, calculated by  
19 dividing the total adjusted additional property tax levy  
20 dollars statewide by the statewide total net taxable valuation.  
21 For purposes of this paragraph, the adjusted additional  
22 property tax levy shall be that portion of the additional  
23 property tax levy corresponding to the state cost per pupil  
24 multiplied by a school district's weighted enrollment, and then  
25 multiplied by one hundred percent less the regular program  
26 foundation base per pupil percentage pursuant to section  
27 257.1. The For budget years beginning before July 1, 2019, the  
28 district shall receive adjusted additional property tax levy  
29 aid in an amount equal to the difference between the adjusted  
30 additional property tax levy rate and the statewide maximum  
31 adjusted additional property tax levy rate, as applied per  
32 thousand dollars of assessed valuation on all taxable property  
33 in the district. ~~The statewide maximum adjusted additional~~  
34 ~~property tax levy rate shall be annually determined by the~~  
35 ~~department taking into account amounts allocated pursuant to~~

1 ~~section 257.15, subsection 4.~~ The For budget years beginning  
2 before July 1, 2019, the statewide maximum adjusted additional  
3 property tax levy rate shall be annually determined by the  
4 department taking into account amounts allocated pursuant to  
5 section 257.15, subsection 4, and the balance of the property  
6 tax equity and relief fund created in section 257.16A at the  
7 end of the calendar year.

8 Sec. 3. Section 257.15, subsection 4, Code 2011, is amended  
9 to read as follows:

10 4. a. *Allocations for maximum adjusted additional property*  
11 *tax levy rate calculation and adjusted additional property*  
12 *tax levy aid.* The For fiscal years beginning before July 1,  
13 2019, the department of management shall allocate from amounts  
14 appropriated pursuant to section 257.16, subsection 1, and from  
15 funds appropriated from the property tax equity and relief  
16 fund created in section 257.16A for the purpose of calculating  
17 the statewide maximum adjusted additional property tax levy  
18 rate and providing adjusted additional property tax levy aid  
19 as provided in section 257.4, subsection 1, paragraph "b",  
20 an amount equal to the sum of subparagraphs (1) and (2) as  
21 follows:

22 (1) From the amount appropriated from the general fund of  
23 the state pursuant to section 257.16, subsection 1, equal to  
24 the following:

25 (a) For the budget year beginning July 1, 2006, six million  
26 dollars.

27 (b) For the budget year beginning July 1, 2007, twelve  
28 million dollars.

29 (c) For the budget year beginning July 1, 2008, eighteen  
30 million dollars.

31 (d) For the budget year beginning July 1, 2009, and  
32 succeeding budget years beginning before July 1, 2019,  
33 twenty-four million dollars.

34 (2) From the amount appropriated from the property tax  
35 equity and relief fund created in section 257.16A.

1     *b.* After lowering all school district additional property  
2 tax levy rates to the statewide maximum adjusted additional  
3 property tax levy rate under paragraph "a", the department of  
4 management shall use any remaining funds at the end of the  
5 calendar year to further lower additional property taxes by  
6 increasing for the budget year beginning the following July  
7 1, the state foundation base percentage. If, however, the  
8 state foundation base percentage is one hundred percent, the  
9 department of management shall deposit those remaining funds  
10 in the taxpayers trust fund created in section 8.57E. Moneys  
11 used pursuant to this paragraph shall supplant an equal amount  
12 of the appropriation made from the general fund of the state  
13 pursuant to section 257.16 that represents the increase in  
14 state foundation aid.

15     Sec. 4. Section 257.16A, subsections 2 and 3, Code 2011, are  
16 amended to read as follows:

17     2. There For fiscal years beginning before July 1, 2019,  
18 there is appropriated annually all moneys in the fund to the  
19 department of management for purposes of section 257.15,  
20 subsection 4.

21     3. ~~Notwithstanding~~ Except as provided in subsection 4,  
22 and notwithstanding section 8.33, any moneys remaining in the  
23 property tax equity and relief fund at the end of a fiscal year  
24 shall not revert to any other fund but shall remain in the  
25 property tax equity and relief fund for use as provided in this  
26 section for the following fiscal year.

27     Sec. 5. Section 257.16A, Code 2011, is amended by adding the  
28 following new subsection:

29     NEW SUBSECTION. 4. Any moneys in the property tax equity  
30 and relief fund on June 30, 2019, shall be deposited by the  
31 department of management in the taxpayers trust fund created  
32 in section 8.57E.

33     Sec. 6. Section 423F.2, subsection 3, Code 2011, is amended  
34 to read as follows:

35     3. The moneys available in a fiscal year in the secure an

1 advanced vision for education fund shall be distributed by the  
2 department of revenue to each school district in an amount  
3 equal to the amount the school district would have received  
4 pursuant to the formula in section 423E.4 as if the local  
5 sales and services tax for school infrastructure purposes was  
6 imposed. Moneys collected in a fiscal year beginning before  
7 July 1, 2017, that are in excess of that needed to provide each  
8 school district with its formula amount shall be distributed  
9 and credited to the property tax equity and relief fund  
10 created in section 257.16A. Moneys collected in a fiscal year  
11 beginning on or after July 1, 2017, that are in excess of that  
12 amount needed to provide each school district with its formula  
13 amount shall be deposited in the taxpayers trust fund created  
14 in section 8.57E.

15 DIVISION II

16 COMMERCIAL AND INDUSTRIAL

17 PROPERTY TAX EXEMPTION

18 Sec. 7. Section 331.512, Code 2011, is amended by adding the  
19 following new subsection:

20 NEW SUBSECTION. 13A. Carry out duties relating to the  
21 commercial and industrial property tax exemption as provided in  
22 section 427.1, subsection 38.

23 Sec. 8. Section 427.1, Code Supplement 2011, is amended by  
24 adding the following new subsection:

25 NEW SUBSECTION. 38. *Commercial and industrial property.*

26 *a.* Property that is improved with permanent construction  
27 and classified for property tax purposes as commercial property  
28 or industrial property. For assessment years beginning on  
29 or after January 1, 2013, but before January 1, 2020, the  
30 exemption provided under this subsection is limited to an  
31 amount of actual value of the permanent improvements to  
32 the property equal to twenty percent of the exemption base  
33 applicable under paragraph "b". For assessment years beginning  
34 on or after January 1, 2020, the exemption provided under this  
35 subsection is limited to an amount of actual value of the

1 permanent improvements to the property equal to forty percent  
2 of the exemption base applicable under paragraph "b".

3     *b.* (1) For the assessment year beginning January 1, 2013,  
4 the exemption base is one hundred thousand dollars or the  
5 actual value of the permanent improvements to the property,  
6 whichever is less.

7     (2) For the assessment year beginning January 1, 2014, the  
8 exemption base is one hundred fifty thousand dollars or the  
9 actual value of the permanent improvements to the property,  
10 whichever is less.

11     (3) For the assessment year beginning January 1, 2015, the  
12 exemption base is two hundred thousand dollars or the actual  
13 value of the permanent improvements to the property, whichever  
14 is less.

15     (4) For the assessment year beginning January 1, 2016, the  
16 exemption base is three hundred thousand dollars or the actual  
17 value of the permanent improvements to the property, whichever  
18 is less.

19     (5) For the assessment year beginning January 1, 2017, the  
20 exemption base is four hundred thousand dollars or the actual  
21 value of the permanent improvements to the property, whichever  
22 is less.

23     (6) For the assessment year beginning January 1, 2018, the  
24 exemption base is seven hundred thousand dollars or the actual  
25 value of the permanent improvements to the property, whichever  
26 is less.

27     (7) For the assessment year beginning January 1, 2019, the  
28 exemption base is one million dollars or the actual value of  
29 the permanent improvements to the property, whichever is less.

30     (8) For the assessment year beginning January 1, 2020, the  
31 exemption base is five hundred thousand dollars or the actual  
32 value of the permanent improvements to the property, whichever  
33 is less.

34     (9) For the assessment year beginning January 1, 2021, the  
35 exemption base is eight hundred thousand dollars or the actual

1 value of the permanent improvements to the property, whichever  
2 is less.

3 (10) For the assessment year beginning January 1, 2022, the  
4 exemption base is one million dollars or the actual value of  
5 the permanent improvements to the property, whichever is less.

6 (11) For the assessment year beginning January 1, 2023, the  
7 exemption base is two million dollars or the actual value of  
8 the permanent improvements to the property, whichever is less.

9 (12) For the assessment year beginning January 1, 2024, the  
10 exemption base is four million dollars or the actual value of  
11 the permanent improvements to the property, whichever is less.

12 (13) For the assessment year beginning January 1, 2025,  
13 the exemption base is seven million five hundred thousand  
14 dollars or the actual value of the permanent improvements to  
15 the property, whichever is less.

16 (14) For assessment years beginning on or after January 1,  
17 2026, the exemption base is the actual value of the permanent  
18 improvements to the property.

19 *c.* If property that is eligible for the exemption under this  
20 subsection also receives a property tax exemption under another  
21 provision of law for the same assessment year, the amount of  
22 the exemption determined under this subsection shall be reduced  
23 by all or a portion of the amount of the other exemption.  
24 The amount of the reduction shall be determined by prorating  
25 the other exemption amount in the proportion that the actual  
26 value of the permanent improvements to the property bears to  
27 the total actual value of the property, and such prorated  
28 amount attributable to the permanent improvements shall be the  
29 amount of the reduction. If, however, such exemption under  
30 another provision of law applies only to the actual value of  
31 the permanent improvements to the property, the amount of  
32 the exemption determined under this subsection shall instead  
33 be reduced by the amount of the exemption under the other  
34 provision of law for the same assessment year.

35 *d.* Wind energy conversion property as defined in section



1 427B.26 is not eligible for the exemption provided under this  
2 subsection.

3 e. Upon receiving the appropriate valuation information and  
4 data from the assessor, the county auditor shall calculate the  
5 amount of each exemption under this subsection and shall enter  
6 such exemption amounts in the county system.

7 Sec. 9. IMPLEMENTATION. Section 25B.7 shall not apply to  
8 this division of this Act.

9 Sec. 10. APPLICABILITY. This division of this Act applies  
10 to assessment years beginning on or after January 1, 2013.

11 DIVISION III

12 COUNTY AND CITY BUDGET LIMITATION

13 Sec. 11. Section 23A.2, subsection 10, paragraph h, Code  
14 2011, is amended to read as follows:

15 h. The performance of an activity listed in section 331.424,  
16 Code 2011, as a service for which a ~~supplemental levy~~ county  
17 may be certified include in its budget.

18 Sec. 12. Section 28M.5, subsection 2, Code 2011, is amended  
19 to read as follows:

20 2. If a regional transit district budget allocates  
21 revenue responsibilities to the board of supervisors of a  
22 participating county, the amount of the regional transit  
23 district levy that is the responsibility of the participating  
24 county shall be deducted from the maximum ~~rates~~ amount of taxes  
25 authorized to be levied by the county pursuant to section  
26 331.423, ~~subsections 1 and 2~~ subsection 3, paragraphs "b"  
27 and "c", as applicable, unless the county meets its revenue  
28 responsibilities as allocated in the budget from other  
29 available revenue sources. However, for a regional transit  
30 district that includes a county with a population of less than  
31 three hundred thousand, the amount of the regional transit  
32 district levy that is the responsibility of such participating  
33 county shall be deducted from the maximum ~~rate~~ amount of taxes  
34 authorized to be levied by the county pursuant to section  
35 331.423, ~~subsection 1~~ subsection 3, paragraph "b".

1     Sec. 13. Section 123.38, subsection 2, Code 2011, is amended  
2 to read as follows:

3     2. Any licensee or permittee, or the licensee's or  
4 permittee's executor or administrator, or any person duly  
5 appointed by the court to take charge of and administer the  
6 property or assets of the licensee or permittee for the benefit  
7 of the licensee's or permittee's creditors, may voluntarily  
8 surrender a license or permit to the division. When a license  
9 or permit is surrendered the division shall notify the local  
10 authority, and the division or the local authority shall  
11 refund to the person surrendering the license or permit, a  
12 proportionate amount of the fee received by the division or  
13 the local authority for the license or permit as follows: if  
14 a license or permit is surrendered during the first three  
15 months of the period for which it was issued, the refund shall  
16 be three-fourths of the amount of the fee; if surrendered  
17 more than three months but not more than six months after  
18 issuance, the refund shall be one-half of the amount of the  
19 fee; if surrendered more than six months but not more than  
20 nine months after issuance, the refund shall be one-fourth of  
21 the amount of the fee. No refund shall be made, however, for  
22 any special liquor permit, nor for a liquor control license,  
23 wine permit, or beer permit surrendered more than nine months  
24 after issuance. For purposes of this subsection, any portion  
25 of license or permit fees used for the purposes authorized in  
26 section 331.424, subsection 1, paragraph "a", subparagraphs  
27 (1) and (2), Code 2011, and in section 331.424A, shall not be  
28 deemed received either by the division or by a local authority.  
29 No refund shall be made to any licensee or permittee, upon the  
30 surrender of the license or permit, if there is at the time  
31 of surrender, a complaint filed with the division or local  
32 authority, charging the licensee or permittee with a violation  
33 of this chapter. If upon a hearing on a complaint the license  
34 or permit is not revoked or suspended, then the licensee or  
35 permittee is eligible, upon surrender of the license or permit,

1 to receive a refund as provided in this section; but if the  
2 license or permit is revoked or suspended upon hearing the  
3 licensee or permittee is not eligible for the refund of any  
4 portion of the license or permit fee.

5 Sec. 14. Section 218.99, Code 2011, is amended to read as  
6 follows:

7 **218.99 Counties to be notified of patients' personal**  
8 **accounts.**

9 The administrator in control of a state institution shall  
10 direct the business manager of each institution under the  
11 administrator's jurisdiction ~~which is mentioned in section~~  
12 ~~331.424, subsection 1, paragraph "a", subparagraphs (1)~~  
13 ~~and (2), and~~ for which services are paid under section  
14 331.424A, to quarterly inform the county of legal settlement's  
15 entity designated to perform the county's central point of  
16 coordination process of any patient or resident who has an  
17 amount in excess of two hundred dollars on account in the  
18 patients' personal deposit fund and the amount on deposit. The  
19 administrators shall direct the business manager to further  
20 notify the entity designated to perform the county's central  
21 point of coordination process at least fifteen days before the  
22 release of funds in excess of two hundred dollars or upon the  
23 death of the patient or resident. If the patient or resident  
24 has no county of legal settlement, notice shall be made to the  
25 director of human services and the administrator in control of  
26 the institution involved.

27 Sec. 15. Section 331.263, subsection 2, Code 2011, is  
28 amended to read as follows:

29 2. The governing body of the community commonwealth  
30 shall have the authority to levy county taxes and shall  
31 have the authority to levy city taxes to the extent the  
32 city tax levy authority is transferred by the charter to  
33 the community commonwealth. A city participating in the  
34 community commonwealth shall transfer a portion of the  
35 city's tax levy authorized under section 384.1 or 384.12,

1 whichever is applicable, to the governing body of the community  
2 commonwealth. The maximum ~~rates~~ amount of taxes authorized to  
3 be levied under ~~sections~~ section 384.1 and the maximum amount  
4 of taxes authorized to be levied under section 384.12 by a city  
5 participating in the community commonwealth shall be reduced  
6 by an amount equal to the rates of the same or similar taxes  
7 levied in the city by the governing body of the community  
8 commonwealth.

9 Sec. 16. Section 331.301, subsection 12, Code Supplement  
10 2011, is amended to read as follows:

11 12. The board of supervisors may credit funds to a reserve  
12 for the purposes authorized by subsection 11 of this section;  
13 ~~section 331.424, subsection 1, paragraph "a", subparagraph~~  
14 ~~(6);~~ and section 331.441, subsection 2, paragraph "b". Moneys  
15 credited to the reserve, and interest earned on such moneys,  
16 shall remain in the reserve until expended for purposes  
17 authorized by subsection 11 of this section; ~~section 331.424,~~  
18 ~~subsection 1, paragraph "a", subparagraph (6);~~ or section  
19 331.441, subsection 2, paragraph "b".

20 Sec. 17. Section 331.421, subsections 1 and 10, Code 2011,  
21 are amended by striking the subsections.

22 Sec. 18. Section 331.421, Code 2011, is amended by adding  
23 the following new subsection:

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

27 Sec. 19. Section 331.423, Code 2011, is amended by striking  
28 the section and inserting in lieu thereof the following:

29 **331.423 Property tax dollars — maximums.**

30 1. Annually, the board shall determine separate property  
31 tax levy limits to pay for general county services and rural  
32 county services in accordance with this section. The property  
33 tax levies separately certified for general county services and  
34 rural county services under section 331.434 shall not raise  
35 property tax dollars that exceed the amount determined under

1 this section.

2 2. For purposes of this section and section 331.423B, unless  
3 the context otherwise requires:

4 a. "*Annual growth factor*" means an index, expressed as  
5 a percentage, determined by the department of management by  
6 January 1 of the calendar year in which the budget year begins.  
7 In determining the annual growth factor, the department shall  
8 calculate the average of the preceding twelve-month percentage  
9 change, which shall be computed on a monthly basis, in the  
10 midwest consumer price index, ending with the percentage change  
11 for the month of November. The department shall then add that  
12 average percentage change to one hundred percent. In no case,  
13 however, shall the annual growth factor exceed one hundred four  
14 percent.

15 b. "*Boundary adjustment*" means annexation, severance,  
16 incorporation, or discontinuance as those terms are defined in  
17 section 368.1.

18 c. "*Budget year*" is the fiscal year beginning during the  
19 calendar year in which a budget is certified.

20 d. "*Current fiscal year*" is the fiscal year ending during  
21 the calendar year in which a budget is certified.

22 e. "*Net new valuation taxes*" means the amount of property  
23 tax dollars equal to the current fiscal year's levy rate in  
24 the county for general county services or for rural county  
25 services, as applicable, multiplied by the increase from the  
26 current fiscal year to the budget year in taxable valuation due  
27 to the following:

28 (1) Net new construction, excluding all incremental  
29 valuation that is released in any one year from either a  
30 division of revenue under section 260E.4 or an urban renewal  
31 area for which taxes were being divided under section 403.19 if  
32 the property for the valuation being released remains subject  
33 to the division of revenue under section 260E.4 or remains part  
34 of the urban renewal area that is subject to a division of  
35 revenue under section 403.19.

1 (2) Additions or improvements to existing structures.

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

4 (4) Net boundary adjustment.

5 (5) A municipality no longer dividing tax revenues in an  
6 urban renewal area as provided in section 403.19 or a community  
7 college no longer dividing revenues as provided in section  
8 260E.4.

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

12 3. *a.* For the fiscal year beginning July 1, 2013, and  
13 subsequent fiscal years, the maximum amount of property tax  
14 dollars which may be certified for levy by a county for general  
15 county services and rural county services shall be the maximum  
16 property tax dollars calculated under paragraphs "*b*" and "*c*",  
17 respectively.

18 *b.* The maximum property tax dollars that may be levied for  
19 general county services is an amount equal to the sum of the  
20 following:

21 (1) The annual growth factor times the current fiscal year's  
22 maximum property tax dollars for general county services.

23 (2) The amount of net new valuation taxes in the county.

24 *c.* The maximum property tax dollars that may be levied for  
25 rural county services is an amount equal to the sum of the  
26 following:

27 (1) The annual growth factor times the current fiscal year's  
28 maximum property tax dollars for rural county services.

29 (2) The amount of net new valuation taxes in the  
30 unincorporated area of the county.

31 4. *a.* For purposes of calculating maximum property tax  
32 dollars for general county services for the fiscal year  
33 beginning July 1, 2013, only, the term "*current fiscal year's*  
34 *maximum property tax dollars*" shall mean the total amount of  
35 property tax dollars certified by the county for general county

1 services for the fiscal year beginning July 1, 2012.

2     **b.** For purposes of calculating maximum property tax dollars  
3 for rural county services for the fiscal year beginning July  
4 1, 2013, only, the term "*current fiscal year's maximum property*  
5 *tax dollars*" shall mean the total amount of property tax dollars  
6 certified by the county for rural county services for the  
7 fiscal year beginning July 1, 2012.

8     5. Property taxes certified for mental health, mental  
9 retardation, and developmental disabilities services, the  
10 emergency services fund in section 331.424C, the debt service  
11 fund in section 331.430, any capital projects fund established  
12 by the county for deposit of bond, loan, or note proceeds, and  
13 any temporary increase approved pursuant to section 331.424,  
14 are not included in the maximum amount of property tax dollars  
15 that may be certified for a budget year under subsection 3.

16     6. The department of management, in consultation with the  
17 county finance committee, shall adopt rules to administer this  
18 section. The department shall prescribe forms to be used by  
19 counties when making calculations required by this section.

20     Sec. 20. NEW SECTION. **331.423B Ending fund balance.**

21     1. **a.** Budgeted ending fund balances for a budget year  
22 in excess of twenty-five percent of budgeted expenditures in  
23 either the general fund or rural services fund for that budget  
24 year shall be explicitly reserved or designated for a specific  
25 purpose.

26     **b.** A county is encouraged, but not required, to reduce  
27 budgeted, unreserved, or undesignated ending fund balances for  
28 the budget year to an amount equal to approximately twenty-five  
29 percent of budgeted expenditures and transfers from the general  
30 fund and rural services fund for that budget year unless a  
31 decision is certified by the state appeal board ordering a  
32 reduction in the ending fund balance of any of those funds.

33     **c.** In a protest to the county budget under section 331.436,  
34 the county shall have the burden of proving that the budgeted  
35 balances in excess of twenty-five percent are reasonably likely

1 to be appropriated for the explicitly reserved or designated  
2 specific purpose. The excess budgeted balance for the specific  
3 purpose shall be considered an increase in an item in the  
4 budget for purposes of section 24.28.

5 2. *a.* For a county that has, as of June 30, 2012, reduced  
6 its actual ending fund balance to less than twenty-five  
7 percent of actual expenditures, additional property taxes may  
8 be computed and levied as provided in this subsection. The  
9 additional property tax levy amount is an amount not to exceed  
10 twenty-five percent of actual expenditures from the general  
11 fund and rural services fund for the fiscal year beginning July  
12 1, 2011, minus the combined ending fund balances for those  
13 funds for that year.

14 *b.* The amount of the additional property taxes shall be  
15 apportioned between the general fund and the rural services  
16 fund. However, the amount apportioned for general county  
17 services and for rural county services shall not exceed for  
18 each fund twenty-five percent of actual expenditures for the  
19 fiscal year beginning July 1, 2011.

20 *c.* All or a portion of additional property tax dollars  
21 may be levied for the purpose of increasing cash reserves  
22 for general county services and rural county services in the  
23 budget year. The additional property tax dollars authorized  
24 under this subsection but not levied may be carried forward as  
25 unused ending fund balance taxing authority until and for the  
26 fiscal year beginning July 1, 2018. The amount carried forward  
27 shall not exceed twenty-five percent of the maximum amount of  
28 property tax dollars available in the current fiscal year.  
29 Additionally, property taxes that are levied as unused ending  
30 fund balance taxing authority under this subsection may be the  
31 subject of a protest under section 331.436, and the amount  
32 will be considered an increase in an item in the budget for  
33 purposes of section 24.28. The amount of additional property  
34 taxes levied under this subsection shall not be included in the  
35 computation of the maximum amount of property tax dollars which



1 may be certified and levied under section 331.423.

2 Sec. 21. Section 331.424, Code 2011, is amended by striking  
3 the section and inserting in lieu thereof the following:

4 **331.424 Authority to levy beyond maximum property tax**  
5 **dollars.**

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

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

12 a. The board must give at least thirty-two days' notice to  
13 the county commissioner of elections that the special election  
14 is to be held. In no case, however, shall a notice be given to  
15 the county commissioner of elections after December 31 for an  
16 election on a proposition to exceed the statutory limits during  
17 the fiscal year beginning in the next calendar year.

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

20 c. The proposition to be submitted shall be substantially  
21 in the following form:

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

27 d. The canvass shall be held beginning at 1:00 p.m. on  
28 the second day which is not a holiday following the special  
29 election.

30 e. Notice of the special election shall be published at  
31 least once in a newspaper as specified in section 331.305 prior  
32 to the date of the special election. The notice shall appear  
33 as early as practicable after the board has voted to submit  
34 a proposition to the voters to levy additional property tax  
35 dollars.

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

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

11 Sec. 22. Section 331.424A, subsection 4, Code Supplement  
12 2011, is amended to read as follows:

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

28 Sec. 23. Section 331.427, subsection 3, paragraph 1, Code  
29 2011, is amended to read as follows:

30 1. Services listed in section 331.424, subsection 1, Code  
31 2011, and section 331.554.

32 Sec. 24. Section 331.428, subsection 2, paragraph d, Code  
33 2011, is amended to read as follows:

34 d. Services listed under section 331.424, subsection 2, Code  
35 2011.

1     Sec. 25. Section 331.434, subsection 1, Code 2011, is  
2 amended to read as follows:

3     1. The budget shall show the amount required for each class  
4 of proposed expenditures, a comparison of the amounts proposed  
5 to be expended with the amounts expended for like purposes for  
6 the two preceding years, the revenues from sources other than  
7 property taxation, and the amount to be raised by property  
8 taxation, in the detail and form prescribed by the director  
9 of the department of management. For each county that has  
10 established an urban renewal area, the budget shall include  
11 estimated and actual tax increment financing revenues and all  
12 estimated and actual expenditures of the revenues, proceeds  
13 from debt and all estimated and actual expenditures of the  
14 debt proceeds, and identification of any entity receiving a  
15 direct payment of taxes funded by tax increment financing  
16 revenues and shall include the total amount of loans, advances,  
17 indebtedness, or bonds outstanding at the close of the most  
18 recently ended fiscal year, which qualify for payment from the  
19 special fund created in section 403.19, including interest  
20 negotiated on such loans, advances, indebtedness, or bonds.  
21 For purposes of this subsection, "*indebtedness*" includes  
22 written agreements whereby the county agrees to suspend, abate,  
23 exempt, rebate, refund, or reimburse property taxes, provide  
24 a grant for property taxes paid, or make a direct payment  
25 of taxes, with moneys in the special fund. The amount of  
26 loans, advances, indebtedness, or bonds shall be listed in  
27 the aggregate for each county reporting. ~~The county finance  
28 committee, in consultation with the department of management  
29 and the legislative services agency, shall determine reporting  
30 criteria and shall prepare a form for reports filed with the  
31 department pursuant to this section. The department shall make  
32 the information available by electronic means.~~

33     Sec. 26. Section 373.10, Code 2011, is amended to read as  
34 follows:

35     **373.10 Taxing authority.**

1 The metropolitan council shall have the authority to  
2 levy city taxes to the extent the city tax levy authority  
3 is transferred by the charter to the metropolitan council.  
4 A member city shall transfer a portion of the city's tax  
5 levy authorized under section 384.1 or 384.12, whichever is  
6 applicable, to the metropolitan council. The maximum rates  
7 amount of taxes authorized to be levied under sections section  
8 384.1 and the taxes authorized to be levied under section  
9 384.12 by a member city shall be reduced by an amount equal to  
10 the rates of the same or similar taxes levied in the city by the  
11 metropolitan council.

12 Sec. 27. Section 384.1, Code 2011, is amended by striking  
13 the section and inserting in lieu thereof the following:

14 **384.1 Property tax dollars — maximums.**

15 1. A city shall certify taxes to be levied by the city  
16 on all taxable property within the city limits, for all city  
17 government purposes. Annually, the city council may certify  
18 basic levies for city government purposes, subject to the  
19 limitation on property tax dollars provided in this section.

20 2. For purposes of this section and section 384.1B, unless  
21 the context otherwise requires:

22 *a. "Annual growth factor" means an index, expressed as*  
23 *a percentage, determined by the department of management by*  
24 *January 1 of the calendar year in which the budget year begins.*  
25 *In determining the annual growth factor, the department shall*  
26 *calculate the average of the preceding twelve-month percentage*  
27 *change, which shall be computed on a monthly basis, in the*  
28 *midwest consumer price index, ending with the percentage change*  
29 *for the month of November. The department shall then add that*  
30 *average percentage change to one hundred percent. In no case,*  
31 *however, shall the annual growth factor exceed one hundred four*  
32 *percent.*

33 *b. "Boundary adjustment" means annexation, severance,*  
34 *incorporation, or discontinuance as those terms are defined in*  
35 *section 368.1.*

1     *c.* "Budget year" is the fiscal year beginning during the  
2 calendar year in which a budget is certified.

3     *d.* "Current fiscal year" is the fiscal year ending during  
4 the calendar year in which a budget is certified.

5     *e.* "Net new valuation taxes" means the amount of property  
6 tax dollars equal to the current fiscal year's levy rate in the  
7 city for the general fund multiplied by the increase from the  
8 current fiscal year to the budget year in taxable valuation due  
9 to the following:

10     (1) Net new construction, excluding all incremental  
11 valuation that is released in any one year from either a  
12 division of revenue under section 260E.4 or an urban renewal  
13 area for which taxes were being divided under section 403.19 if  
14 the property for the valuation being released remains subject  
15 to the division of revenue under section 260E.4 or remains part  
16 of the urban renewal area that is subject to a division of  
17 revenue under section 403.19.

18     (2) Additions or improvements to existing structures.

19     (3) Remodeling of existing structures for which a building  
20 permit is required.

21     (4) Net boundary adjustment.

22     (5) A municipality no longer dividing tax revenues in an  
23 urban renewal area as provided in section 403.19 or a community  
24 college no longer dividing revenues as provided in section  
25 260E.4.

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

29     3. *a.* For the fiscal year beginning July 1, 2013, and  
30 subsequent fiscal years, the maximum amount of property  
31 tax dollars which may be certified for levy by a city for  
32 the general fund shall be the maximum property tax dollars  
33 calculated under paragraph "b".

34     *b.* The maximum property tax dollars that may be levied for  
35 deposit in the general fund is an amount equal to the sum of the

1 following:

2 (1) The annual growth factor times the current fiscal year's  
3 maximum property tax dollars for the general fund.

4 (2) The amount of net new valuation taxes in the city.

5 4. For purposes of calculating maximum property tax dollars  
6 for the city general fund for the fiscal year beginning July  
7 1, 2013, only, the term "*current fiscal year's maximum property*  
8 *tax dollars*" shall mean the total amount of property tax dollars  
9 certified by the city for the city's general fund for the  
10 fiscal year beginning July 1, 2012.

11 5. Property taxes certified for deposit in the debt service  
12 fund in section 384.4, trust and agency funds in section  
13 384.6, capital improvements reserve fund in section 384.7,  
14 the emergency fund in section 384.8, any capital projects  
15 fund established by the city for deposit of bond, loan, or  
16 note proceeds, any temporary increase approved pursuant to  
17 section 384.12A, property taxes collected from a voted levy in  
18 section 384.12, and property taxes levied under section 384.12,  
19 subsection 18, are not counted against the maximum amount of  
20 property tax dollars that may be certified for a fiscal year  
21 under subsection 3.

22 6. Notwithstanding the maximum amount of taxes a city  
23 may certify for levy, the tax levied by a city on tracts of  
24 land and improvements on the tracts of land used and assessed  
25 for agricultural or horticultural purposes shall not exceed  
26 three dollars and three-eighths cents per thousand dollars  
27 of assessed value in any year. Improvements located on such  
28 tracts of land and not used for agricultural or horticultural  
29 purposes and all residential dwellings are subject to the same  
30 rate of tax levied by the city on all other taxable property  
31 within the city.

32 7. The department of management, in consultation with the  
33 city finance committee, shall adopt rules to administer this  
34 section. The department shall prescribe forms to be used by  
35 cities when making calculations required by this section.

1     Sec. 28. NEW SECTION.   **384.1B Ending fund balance.**

2     1. *a.* Budgeted ending fund balances for a budget year in  
3 excess of twenty-five percent of budgeted expenditures from the  
4 general fund for that budget year shall be explicitly reserved  
5 or designated for a specific purpose.

6     *b.* A city is encouraged, but not required, to reduce  
7 budgeted, unreserved, or undesignated ending fund balances for  
8 the budget year to an amount equal to approximately twenty-five  
9 percent of budgeted expenditures and transfers from the general  
10 fund for that budget year unless a decision is certified by  
11 the state appeal board ordering a reduction in the ending fund  
12 balance of the fund.

13    *c.* In a protest to the city budget under section 384.19,  
14 the city shall have the burden of proving that the budgeted  
15 balances in excess of twenty-five percent are reasonably likely  
16 to be appropriated for the explicitly reserved or designated  
17 specific purpose. The excess budgeted balance for the specific  
18 purpose shall be considered an increase in an item in the  
19 budget for purposes of section 24.28.

20    2. *a.* For a city that has, as of June 30, 2012, reduced its  
21 ending fund balance to less than twenty-five percent of actual  
22 expenditures, additional property taxes may be computed and  
23 levied as provided in this subsection. The additional property  
24 tax levy amount is an amount not to exceed the difference  
25 between twenty-five percent of actual expenditures for city  
26 government purposes for the fiscal year beginning July 1, 2011,  
27 minus the ending fund balance for that year.

28    *b.* All or a portion of additional property tax dollars  
29 may be levied for the purpose of increasing cash reserves for  
30 city government purposes in the budget year. The additional  
31 property tax dollars authorized under this subsection but not  
32 levied may be carried forward as unused ending fund balance  
33 taxing authority until and for the fiscal year beginning  
34 July 1, 2018. The amount carried forward shall not exceed  
35 twenty-five percent of the maximum amount of property tax

1 dollars available in the current fiscal year. Additionally,  
2 property taxes that are levied as unused ending fund balance  
3 taxing authority under this subsection may be the subject of a  
4 protest under section 384.19, and the amount will be considered  
5 an increase in an item in the budget for purposes of section  
6 24.28. The amount of additional property tax dollars levied  
7 under this subsection shall not be included in the computation  
8 of the maximum amount of property tax dollars which may be  
9 certified and levied under section 384.1.

10 Sec. 29. Section 384.12, subsection 20, Code 2011, is  
11 amended by striking the subsection.

12 Sec. 30. NEW SECTION. **384.12A Authority to levy beyond**  
13 **maximum property tax dollars.**

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

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

20 a. The city council must give at least thirty-two days'  
21 notice to the county commissioner of elections that the special  
22 election is to be held. In no case, however, shall a notice be  
23 given to the county commissioner of elections after December 31  
24 for an election on a proposition to exceed the statutory limits  
25 during the fiscal year beginning in the next calendar year.

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

28 c. The proposition to be submitted shall be substantially  
29 in the following form:

30 Vote "yes" or "no" on the following: Shall the city of  
31 \_\_\_\_\_ levy for an additional \$ \_\_\_\_\_ each year for \_\_\_ years  
32 beginning next July 1, \_\_\_\_, in excess of the statutory limits  
33 otherwise applicable for the city general fund?

34 d. The canvass shall be held beginning at 1:00 p.m. on  
35 the second day which is not a holiday following the special



1 election.

2 e. Notice of the special election shall be published at  
3 least once in a newspaper as specified in section 362.3 prior  
4 to the date of the special election. The notice shall appear  
5 as early as practicable after the city council has voted to  
6 submit a proposition to the voters to levy additional property  
7 tax dollars.

8 3. The amount of additional property tax dollars certified  
9 under this section shall not be included in the computation  
10 of the maximum amount of property tax dollars which may be  
11 certified and levied under section 384.1.

12 Sec. 31. Section 384.16, subsection 1, paragraph b, Code  
13 2011, is amended to read as follows:

14 b. A budget must show comparisons between the estimated  
15 expenditures in each program in the following year, the latest  
16 estimated expenditures in each program in the current year,  
17 and the actual expenditures in each program from the annual  
18 report as provided in section 384.22, or as corrected by a  
19 subsequent audit report. Wherever practicable, as provided in  
20 rules of the committee, a budget must show comparisons between  
21 the levels of service provided by each program as estimated for  
22 the following year, and actual levels of service provided by  
23 each program during the two preceding years. For each city  
24 that has established an urban renewal area, the budget shall  
25 include estimated and actual tax increment financing revenues  
26 and all estimated and actual expenditures of the revenues,  
27 proceeds from debt and all estimated and actual expenditures of  
28 the debt proceeds, and identification of any entity receiving  
29 a direct payment of taxes funded by tax increment financing  
30 revenues and shall include the total amount of loans, advances,  
31 indebtedness, or bonds outstanding at the close of the most  
32 recently ended fiscal year, which qualify for payment from the  
33 special fund created in section 403.19, including interest  
34 negotiated on such loans, advances, indebtedness, or bonds.  
35 The amount of loans, advances, indebtedness, or bonds shall

1 be listed in the aggregate for each city reporting. ~~The city~~  
2 ~~finance committee, in consultation with the department of~~  
3 ~~management and the legislative services agency, shall determine~~  
4 ~~reporting criteria and shall prepare a form for reports filed~~  
5 ~~with the department pursuant to this section. The department~~  
6 ~~shall make the information available by electronic means.~~

7 Sec. 32. Section 384.19, Code 2011, is amended by adding the  
8 following new unnumbered paragraph:

9 NEW UNNUMBERED PARAGRAPH. For purposes of a tax protest  
10 filed under this section, "item" means a budgeted expenditure,  
11 appropriation, or cash reserve from a fund for a service area,  
12 program, program element, or purpose.

13 Sec. 33. Section 386.8, Code 2011, is amended to read as  
14 follows:

15 **386.8 Operation tax.**

16 A city may establish a self-supported improvement district  
17 operation fund, and may certify taxes not to exceed the  
18 rate limitation as established in the ordinance creating the  
19 district, or any amendment thereto, each year to be levied  
20 for the fund against all of the property in the district,  
21 for the purpose of paying the administrative expenses of  
22 the district, which may include but are not limited to  
23 administrative personnel salaries, a separate administrative  
24 office, planning costs including consultation fees, engineering  
25 fees, architectural fees, and legal fees and all other expenses  
26 reasonably associated with the administration of the district  
27 and the fulfilling of the purposes of the district. The taxes  
28 levied for this fund may also be used for the purpose of paying  
29 maintenance expenses of improvements or self-liquidating  
30 improvements for a specified length of time with one or more  
31 options to renew if such is clearly stated in the petition  
32 which requests the council to authorize construction of the  
33 improvement or self-liquidating improvement, whether or not  
34 such petition is combined with the petition requesting creation  
35 of a district. Parcels of property which are assessed as

1 residential property for property tax purposes are exempt from  
2 the tax levied under this section except residential properties  
3 within a duly designated historic district. A tax levied under  
4 this section is not subject to the ~~levy~~ limitation in section  
5 384.1.

6 Sec. 34. Section 386.9, Code 2011, is amended to read as  
7 follows:

8 **386.9 Capital improvement tax.**

9 A city may establish a capital improvement fund for a  
10 district and may certify taxes, not to exceed the rate  
11 established by the ordinance creating the district, or any  
12 subsequent amendment thereto, each year to be levied for  
13 the fund against all of the property in the district, for  
14 the purpose of accumulating moneys for the financing or  
15 payment of a part or all of the costs of any improvement or  
16 self-liquidating improvement. However, parcels of property  
17 which are assessed as residential property for property tax  
18 purposes are exempt from the tax levied under this section  
19 except residential properties within a duly designated historic  
20 district. A tax levied under this section is not subject to  
21 the ~~levy~~ limitations in section 384.1 or 384.7.

22 Sec. 35. REPEAL. Sections 331.425 and 331.426, Code 2011,  
23 are repealed.

24 Sec. 36. APPLICABILITY. This division of this Act applies  
25 to fiscal years beginning on or after July 1, 2013.

26 EXPLANATION

27 This bill relates to state and local government finances  
28 by increasing the regular program foundation base percentage,  
29 establishing a property tax exemption for commercial and  
30 industrial property, and establishing property tax levy limits  
31 for cities and counties.

32 Division I of the bill provides for an increase in the  
33 regular program foundation base under the state school  
34 foundation program. The foundation base is the specified  
35 percentage of the state cost per pupil calculation which is

1 paid as state aid to school districts, above and beyond the  
2 uniform property tax levy imposed in Code section 257.3.  
3 Beginning with the budget year commencing July 1, 2013, the  
4 increase is phased in over a seven-year period in annual  
5 increments, from the current foundation base level of 87.5  
6 percent to the level of 100 percent in the seventh year.

7 Division I of the bill provides that the department of  
8 management's determination of an adjusted additional property  
9 tax levy and a statewide maximum adjusted additional property  
10 tax levy rate only applies to budget years beginning before  
11 July 1, 2019. The bill also provides that adjusted additional  
12 property tax levy aid to school districts is only provided for  
13 budget years beginning before July 1, 2019. The elimination  
14 of adjusted additional property tax levy aid is the result of  
15 the regular program foundation base percentage reaching 100  
16 percent.

17 Division I of the bill sunsets the annual appropriation of  
18 \$24 million for adjusted additional property tax levy aid under  
19 Code section 257.15(4) for the fiscal year beginning July 1,  
20 2019, and thereafter, and provides that if the state foundation  
21 base percentage is 100 percent, the department of management  
22 shall deposit those remaining funds allocated for adjusted  
23 additional property tax levy aid in the taxpayers trust fund.

24 Division I of the bill specifies that any moneys in the  
25 property tax equity and relief fund established under Code  
26 section 257.16A on June 30, 2019, shall be deposited by the  
27 department of management in the taxpayers trust fund.

28 Division I of the bill provides that moneys collected in a  
29 fiscal year beginning before July 1, 2017, in the secure an  
30 advanced vision for education fund (SAVE) that are in excess of  
31 that needed to provide each school district with its formula  
32 amount continue, as under current law, to be distributed and  
33 credited to the property tax equity and relief fund created  
34 in Code section 257.16A. The bill provides that such excess  
35 moneys collected in a fiscal year beginning on or after July 1,

1 2017, shall be deposited in the taxpayers trust fund.

2 Division II of the bill establishes a property tax exemption  
3 for property that is improved with permanent construction and  
4 classified for property tax purposes as commercial property  
5 or industrial property. For assessment years beginning on  
6 or after January 1, 2013, but before January 1, 2020, the  
7 exemption is limited to an amount of actual value of the  
8 permanent improvements to the property equal to 20 percent of  
9 the exemption base as defined in the bill. For assessment  
10 years beginning on or after January 1, 2020, the exemption  
11 is limited to an amount of actual value of the permanent  
12 improvements to the property equal to 40 percent of the  
13 exemption base as defined in the bill. The exemption base  
14 used to determine the amount of the exemption is an amount  
15 specified in the bill for the applicable assessment year or the  
16 actual value of the permanent improvements to the property,  
17 whichever is less. The amount specified for determining the  
18 exemption base for the assessment year beginning January 1,  
19 2013, is \$100,000, and the amount specified for determining the  
20 exemption base is increased each assessment year thereafter  
21 by varying amounts until the amount specified for determining  
22 the exemption base is equal to \$1 million for the assessment  
23 year beginning January 1, 2019. The amount specified for  
24 determining the exemption base for the assessment year  
25 beginning January 1, 2020, is \$500,000, and the amount  
26 specified for determining the exemption base is increased  
27 each assessment year thereafter by varying amounts until the  
28 amount specified for determining the exemption base is equal to  
29 \$7,500,000 for the assessment year beginning January 1, 2025.  
30 For assessment years beginning on or after January 1, 2026, the  
31 exemption base is equal to the actual value of the permanent  
32 improvements to the property.

33 Division II provides for certain reductions in the amount of  
34 the exemption if the eligible property also receives a property  
35 tax exemption under another provision of law for the same

1 assessment year. The exemption provided under division II of  
2 the bill does not apply to wind energy conversion property as  
3 defined in Code section 427B.26.

4 Division II of the bill directs the county auditor to  
5 calculate the amount of the exemption for each eligible  
6 property.

7 Division II of the bill provides that the provisions in  
8 Code section 25B.7, relating to the obligation of the state  
9 to reimburse local jurisdictions for property tax credits and  
10 exemptions, does not apply to the exemption in division II of  
11 the bill.

12 Division II of the bill applies to assessment years  
13 beginning on or after January 1, 2013.

14 Division III of the bill removes the property tax levy rate  
15 limitations on the general and rural funds for counties and on  
16 the general fund for cities and substitutes a limitation on the  
17 maximum amount of property tax dollars that may be certified  
18 for expenditure by a county or city for fiscal years beginning  
19 on or after July 1, 2013. For the fiscal year beginning July  
20 1, 2013, and subsequent fiscal years, the maximum amount of  
21 property tax dollars which may be certified for levy shall be  
22 an amount equal to the sum of the current fiscal year's total  
23 property tax dollars certified by the county multiplied by the  
24 annual growth factor, as defined in the bill, and the amount of  
25 net new valuation taxes, as defined in the bill.

26 Division III also allows counties and cities to certify  
27 additions to the maximum amount of property tax dollars to be  
28 levied for a period of time not to exceed two years if the  
29 proposition has been approved at a special election. The bill  
30 specifies the notice and election requirements for such a  
31 proposition. The bill specifies that such amounts approved at  
32 special election are not to be included in the computation of  
33 the maximum amount of property tax dollars for future budget  
34 years.

35 Division III of the bill specifies certain requirements

1 for ending fund balances for counties and cities. The bill  
2 provides that budgeted ending fund balances in certain  
3 specified funds for a budget year in excess of 25 percent  
4 of budgeted expenditures shall be explicitly reserved or  
5 designated for a specific purpose.

6 Under the bill, counties and cities are encouraged, but  
7 not required, to reduce budgeted, unreserved, or undesignated  
8 ending fund balances for the budget year to an amount equal to  
9 approximately 25 percent of budgeted expenditures and certain  
10 transfers for that budget year unless a decision is certified  
11 by the state appeal board ordering a reduction in the ending  
12 fund balance of any of those funds. The county or city,  
13 as applicable, has the burden of proving that the budgeted  
14 balances in excess of 25 percent are reasonably likely to be  
15 appropriated for the explicitly reserved or designated specific  
16 purpose.

17 Division III of the bill also allows for additional property  
18 taxes to be levied in certain fiscal years for those counties  
19 or cities that have, as of June 30, 2012, reduced their  
20 actual ending fund balance to less than 25 percent of actual  
21 expenditures. Such additional property tax dollars authorized  
22 but not levied may be carried forward as unused ending  
23 fund balance taxing authority until and for the fiscal year  
24 beginning July 1, 2018. However, the amount carried forward  
25 shall not exceed 25 percent of the maximum amount of property  
26 tax dollars available in the current fiscal year. The amount  
27 of such additional property taxes levied shall not, however, be  
28 included in the computation of the maximum amount of property  
29 tax dollars which may be certified and levied in future budget  
30 years.

31 Division III also makes conforming amendments to other  
32 provisions of the Code.

33 Division III strikes language relating to the duties of the  
34 county finance committee and the city finance committee to  
35 determine criteria for reporting of certain indebtedness and

H.F. \_\_\_\_\_

1 strikes language requiring the department of management to make  
2 such information available by electronic means.

3 Division III applies to fiscal years beginning on or after  
4 July 1, 2013.