

# House Study Bill 681 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
APPROPRIATIONS BILL BY  
CHAIRPERSON GRASSLEY)

## A BILL FOR

1 An Act relating to Iowa's urban renewal law by excluding  
2 certain school district property and county property  
3 taxes from certain divisions of tax revenue and including  
4 effective date and applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 331.403, subsection 3, paragraph b, Code  
2 2018, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (22) The amount and source of any  
4 voluntary transfer of property taxes under section 403.19,  
5 subsection 3A or 3B.

6 Sec. 2. Section 384.22, subsection 2, paragraph b, Code  
7 2018, is amended by adding the following new subparagraph:

8 NEW SUBPARAGRAPH. (22) The amount and source of any  
9 voluntary transfer of property taxes under section 403.19,  
10 subsection 3A or 3B.

11 Sec. 3. Section 403.19, subsection 2, paragraph a, Code  
12 2018, is amended to read as follows:

13 a. That portion of the taxes each year in excess of such  
14 amount shall be allocated to and when collected be paid into a  
15 special fund of the municipality to pay the principal of and  
16 interest on loans, moneys advanced to, or indebtedness, whether  
17 funded, refunded, assumed, or otherwise, including bonds  
18 issued under the authority of [section 403.9, subsection 1](#),  
19 incurred by the municipality to finance or refinance, in whole  
20 or in part, an urban renewal project within the area, and to  
21 provide assistance for low and moderate income family housing  
22 as provided in [section 403.22](#). However, except as provided  
23 in paragraph "b", taxes for the regular and voter-approved  
24 physical plant and equipment levy of a school district imposed  
25 pursuant to [section 298.2](#), and taxes for the instructional  
26 support program of a school district imposed pursuant to  
27 [section 257.19, foundation property taxes of a school district](#)  
28 [imposed under section 257.3, taxes for county basic levies](#)  
29 [under section 331.423](#), taxes for the payment of bonds and  
30 interest of each taxing district, and taxes imposed under  
31 [section 346.27, subsection 22](#), related to joint county-city  
32 buildings shall be collected against all taxable property  
33 within the taxing district without limitation by the provisions  
34 of [this subsection](#).

35 Sec. 4. Section 403.19, Code 2018, is amended by adding the

1 following new subsections:

2 NEW SUBSECTION. 3A. a. To further the purposes of an  
3 urban renewal area, a school district for which foundation  
4 property taxes imposed under section 257.3 are excluded from  
5 the division of taxes under subsection 2, paragraph "a", may  
6 voluntarily transfer to the municipality all or a portion of  
7 the foundation property taxes that would otherwise have been  
8 deposited into the municipality's special fund but for the  
9 exclusion. Such a transfer shall be at the sole discretion of  
10 the school district's board of directors.

11 b. Amounts voluntarily transferred by a school district  
12 under this subsection shall not be considered a reduction in  
13 the amount of foundation property tax received by the school  
14 district under section 257.3 and shall not result in an  
15 increase in the amount of school foundation aid received by the  
16 school district under section 257.1.

17 NEW SUBSECTION. 3B. To further the purposes of an urban  
18 renewal area, a county for which basic levy property taxes  
19 under section 331.423 are excluded from the division of taxes  
20 under subsection 2, paragraph "a", may voluntarily transfer to  
21 the municipality all or a portion of the basic levy property  
22 taxes that would otherwise have been deposited into the  
23 municipality's special fund but for the exclusion. Such a  
24 transfer shall be at the sole discretion of the county board  
25 of supervisors.

26 Sec. 5. EFFECTIVE UPON ENACTMENT. This Act, being deemed of  
27 immediate importance, takes effect upon enactment.

28 Sec. 6. APPLICABILITY. This Act applies to property taxes  
29 due and payable in fiscal years beginning on or after July 1,  
30 2019, that are levied against any of the following:

31 1. Property located in an urban renewal area for which the  
32 ordinance providing for a division of revenue takes effect on  
33 or after the effective date of this Act.

34 2. Property annexed or otherwise included in an urban  
35 renewal area after the effective date of the ordinance

1 providing for a division of revenue if the annexation or  
2 inclusion occurs on or after the effective date of this Act.

3 EXPLANATION

4 The inclusion of this explanation does not constitute agreement with  
5 the explanation's substance by the members of the general assembly.

6 This bill excludes the school district foundation property  
7 tax imposed under Code section 257.3 and taxes for county basic  
8 levies imposed under Code section 331.423 from the division of  
9 revenue under Code section 403.19 (tax increment financing).  
10 Under the bill, such taxes are not divided and paid into the  
11 municipality's special fund for the payment of urban renewal  
12 indebtedness but instead are required to be levied, collected,  
13 and paid to the school district or county in the same manner as  
14 all other property taxes.

15 The bill also authorizes a school district board of  
16 directors to voluntarily transfer to the municipality all or a  
17 portion of the foundation property taxes that would otherwise  
18 have been deposited into the municipality's urban renewal  
19 special fund but for the exclusion in the bill. However,  
20 amounts voluntarily transferred by a school district are not to  
21 be considered a reduction in the amount of foundation property  
22 tax received by the school district and do not result in an  
23 increase in the amount of school foundation aid received by the  
24 school district.

25 Similarly, the bill authorizes a county board of supervisors  
26 to voluntarily transfer to the municipality all or a portion of  
27 the basic levy property taxes that would otherwise have been  
28 deposited into the municipality's special fund but for the  
29 exclusion.

30 The bill requires a municipality to include the amounts of  
31 voluntary transfers of property taxes as authorized in the bill  
32 in the municipality's annual report required under Code section  
33 331.403 or Code section 384.22.

34 Under Iowa's urban renewal law, "municipality" includes  
35 cities and counties. In addition, by operation of law, the

1 bill applies to divisions of revenue adopted by a community  
2 college under Code section 260E.4 and rural improvement zones  
3 under Code section 357H.9.

4 The bill takes effect upon enactment. The bill applies  
5 to property taxes due and payable in fiscal years beginning  
6 on or after July 1, 2019, that are levied against any of the  
7 following: (1) property located in an urban renewal area  
8 for which the ordinance providing for a division of revenue  
9 takes effect on or after the effective date of the bill; or  
10 (2) property annexed or otherwise included in an urban renewal  
11 area after the effective date of the ordinance providing for a  
12 division of revenue if the annexation or inclusion occurs on or  
13 after the effective date of the bill.