

House File 1 - Introduced

HOUSE FILE 1

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A BILL FOR

1 An Act relating to local government funding by modifying school
2 district funding provisions, property assessment provisions,
3 and bond issuance requirements, and including effective date
4 and applicability provisions.

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

DIVISION I

SCHOOL FOUNDATION PROPERTY TAX

1
2
3 Section 1. Section 257.3, subsection 1, paragraph a, Code
4 2023, is amended to read as follows:

5 a. Except as provided in [subsections 2 and 3](#), a school
6 district shall cause to be levied each year, for the school
7 general fund, a foundation property tax equal to ~~five~~ four
8 dollars and ~~forty~~ ninety cents per thousand dollars of assessed
9 valuation on all taxable property in the district. The county
10 auditor shall spread the foundation levy over all taxable
11 property in the district.

12 Sec. 2. Section 257.3, subsection 2, paragraphs a and b,
13 Code 2023, are amended to read as follows:

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

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

32 Sec. 3. Section 425A.3, subsection 1, Code 2023, is amended
33 to read as follows:

34 1. The family farm tax credit fund shall be apportioned
35 each year in the manner provided in [this chapter](#) so as to give

1 a credit against the tax on each eligible tract of agricultural
2 land within the several school districts of the state in which
3 the levy for the general school fund exceeds ~~five dollars and~~
4 ~~forty cents per thousand dollars of assessed value~~ the levy
5 rate under section 257.1, subsection 1, paragraph "a". The
6 amount of the credit on each eligible tract of agricultural
7 land shall be the amount the tax levied for the general school
8 fund exceeds the amount of tax which would be levied on each
9 eligible tract of agricultural land were the levy for the
10 general school fund ~~five dollars and forty cents per thousand~~
11 ~~dollars of assessed value~~ the levy rate under section 257.1,
12 subsection 1, paragraph "a", for the previous year. However,
13 in the case of a deficiency in the family farm tax credit fund
14 to pay the credits in full, the credit on each eligible tract
15 of agricultural land in the state shall be proportionate and
16 applied as provided in [this chapter](#).

17 Sec. 4. Section 425A.5, Code 2023, is amended to read as
18 follows:

19 **425A.5 Computation by county auditor.**

20 The family farm tax credit allowed each year shall be
21 computed as follows: On or before April 1, the county auditor
22 shall list by school districts all tracts of agricultural
23 land which are entitled to credit, the taxable value for the
24 previous year, the budget from each school district for the
25 previous year, and the tax rate determined for the general
26 fund of the school district in the manner prescribed in
27 section 444.3 for the previous year, and if the tax rate is in
28 excess of ~~five dollars and forty cents per thousand dollars of~~
29 ~~assessed value~~ the levy rate under section 257.1, subsection
30 1, paragraph "a", the auditor shall multiply the tax levy which
31 is in excess of ~~five dollars and forty cents per thousand~~
32 ~~dollars of assessed value~~ the levy rate under section 257.1,
33 subsection 1, paragraph "a", by the total taxable value of the
34 agricultural land entitled to credit in the school district,
35 and on or before April 1, certify the total amount of credit

1 and the total number of acres entitled to the credit to the
2 department of revenue.

3 Sec. 5. Section 426.3, Code 2023, is amended to read as
4 follows:

5 **426.3 Where credit given.**

6 The agricultural land credit fund shall be apportioned each
7 year in the manner hereinafter provided so as to give a credit
8 against the tax on each tract of agricultural lands within the
9 several school districts of the state in which the levy for
10 the general school fund exceeds ~~five dollars and forty cents~~
11 ~~per thousand dollars of assessed value~~ the levy rate under
12 section 257.1, subsection 1, paragraph "a"; the amount of such
13 credit on each tract of such lands shall be the amount the tax
14 levied for the general school fund exceeds the amount of tax
15 which would be levied on said tract of such lands were the
16 levy for the general school fund ~~five dollars and forty cents~~
17 ~~per thousand dollars of assessed value~~ the levy rate under
18 section 257.1, subsection 1, paragraph "a", for the previous
19 year, except in the case of a deficiency in the agricultural
20 land credit fund to pay said credits in full, in which case the
21 credit on each eligible tract of such lands in the state shall
22 be proportionate and shall be applied as hereinafter provided.

23 Sec. 6. Section 426.6, subsection 1, Code 2023, is amended
24 to read as follows:

25 1. The agricultural land tax credit allowed each year
26 shall be computed as follows: On or before April 1, the
27 county auditor shall list by school districts all tracts of
28 agricultural lands which are entitled to credit, together with
29 the taxable value for the previous year, together with the
30 budget from each school district for the previous year, and the
31 tax rate determined for the general fund of the district in
32 the manner prescribed in [section 444.3](#) for the previous year,
33 and if such tax rate is in excess of ~~five dollars and forty~~
34 ~~cents per thousand dollars of assessed value~~ the levy rate
35 under section 257.1, subsection 1, paragraph "a", the auditor

1 shall multiply the tax levy which is in excess of ~~five dollars~~
2 ~~and forty cents per thousand dollars of assessed value~~ the
3 levy rate under section 257.1, subsection 1, paragraph "a", by
4 the total taxable value of the agricultural lands entitled to
5 credit in the district, and on or before April 1, certify the
6 amount to the department of revenue.

7 Sec. 7. ADJUSTMENT OF CALCULATIONS. For property tax
8 credits under chapters 425A and 426 for property taxes due and
9 payable in the fiscal year beginning July 1, 2023, the tax rate
10 determined for the general fund of the school district in the
11 manner prescribed in section 444.3 for the previous year shall
12 be determined using the property tax levy rate under section
13 257.1, as amended in this division of this Act.

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

16 Sec. 9. APPLICABILITY. The following apply July 1, 2023,
17 for school budget years beginning on or after that date:

18 1. The section of this division of this Act amending section
19 257.3, subsection 1, paragraph "a".

20 2. The section of this division of this Act amending section
21 257.3, subsection 2, paragraphs "a" and "b".

22 DIVISION II

23 PROPERTY ACTUAL VALUATION LIMITATION

24 Sec. 10. Section 441.21, subsection 1, paragraph a, Code
25 2023, is amended to read as follows:

26 a. (1) All property subject to taxation shall be valued
27 at its actual value which shall be entered opposite each item,
28 and, except as otherwise provided in [this section](#), shall be
29 assessed at one hundred percent of its actual value, and the
30 value so assessed shall be taken and considered as the assessed
31 value and taxable value of the property upon which the levy
32 shall be made.

33 (2) For assessment years beginning on or after January
34 1, 2024, and notwithstanding any provision of law to the
35 contrary, the actual value of each individual property,

1 including after adjustments to actual values made as
2 the result of equalization, shall not exceed one hundred
3 three percent of the actual value of the property for the
4 immediately preceding assessment year unless the property was
5 not assessed in the immediately preceding assessment year,
6 the property's boundaries change, there is a change to the
7 property's classification, or new construction, additions,
8 or improvements have been made to the property other than
9 normal and necessary maintenance or repairs, not amounting to
10 structural replacements or modification.

11 Sec. 11. Section 441.21, subsection 1, paragraph b,
12 subparagraph (1), Code 2023, is amended to read as follows:

13 (1) The Subject to the limitation under paragraph "a",
14 subparagraph (2), the actual value of all property subject
15 to assessment and taxation shall be the fair and reasonable
16 market value of such property except as otherwise provided
17 in this section. "Market value" is defined as the fair and
18 reasonable exchange in the year in which the property is listed
19 and valued between a willing buyer and a willing seller,
20 neither being under any compulsion to buy or sell and each
21 being familiar with all the facts relating to the particular
22 property. Sale prices of the property or comparable property
23 in normal transactions reflecting market value, and the
24 probable availability or unavailability of persons interested
25 in purchasing the property, shall be taken into consideration
26 in arriving at its market value. In arriving at market value,
27 sale prices of property in abnormal transactions not reflecting
28 market value shall not be taken into account, or shall be
29 adjusted to eliminate the effect of factors which distort
30 market value, including but not limited to sales to immediate
31 family of the seller, foreclosure or other forced sales,
32 contract sales, discounted purchase transactions or purchase of
33 adjoining land or other land to be operated as a unit.

34 Sec. 12. Section 441.21, subsection 1, paragraph g, Code
35 2023, is amended to read as follows:

1 g. Notwithstanding any other provision of [this section](#),
2 the actual value of any property shall not exceed its fair and
3 reasonable market value, subject to paragraph "a", subparagraph
4 (2), except agricultural property which shall be valued
5 exclusively as provided in paragraph "e" and paragraph "a",
6 subparagraph (2), of [this subsection](#).

7 Sec. 13. Section 441.21, subsection 2, Code 2023, is amended
8 to read as follows:

9 2. In the event market value of the property being assessed
10 cannot be readily established in the foregoing manner, then
11 the assessor may, subject to the limitation under subsection
12 1, paragraph "a", subparagraph (2), determine the value of
13 the property using the other uniform and recognized appraisal
14 methods including its productive and earning capacity, if
15 any, industrial conditions, its cost, physical and functional
16 depreciation and obsolescence and replacement cost, and all
17 other factors which would assist in determining the fair and
18 reasonable market value of the property but the actual value
19 shall not be determined by use of only one such factor. The
20 following shall not be taken into consideration: Special value
21 or use value of the property to its present owner, and the
22 goodwill or value of a business which uses the property as
23 distinguished from the value of the property as property. In
24 addition, for assessment years beginning on or after January
25 1, 2018, and unless otherwise required for property valued
26 by the department of revenue pursuant to [chapters 428, 433,](#)
27 [437, and 438](#), the assessor shall not take into consideration
28 and shall not request from any person sales or receipts data,
29 expense data, balance sheets, bank account information, or
30 other data related to the financial condition of a business
31 operating in whole or in part on the property if the property
32 is both classified as commercial or industrial property and
33 owned and used by the owner of the business. However, in
34 assessing property that is rented or leased to low-income
35 individuals and families as authorized by section 42 of the

1 Internal Revenue Code, as amended, and which section limits
2 the amount that the individual or family pays for the rental
3 or lease of units in the property, the assessor shall, unless
4 the owner elects to withdraw the property from the assessment
5 procedures for section 42 property, use the productive and
6 earning capacity from the actual rents received as a method
7 of appraisal and shall take into account the extent to which
8 that use and limitation reduces the market value of the
9 property. The assessor shall not consider any tax credit
10 equity or other subsidized financing as income provided to
11 the property in determining the assessed value. The property
12 owner shall notify the assessor when property is withdrawn
13 from section 42 eligibility under the Internal Revenue Code
14 or if the owner elects to withdraw the property from the
15 assessment procedures for section 42 property under this
16 subsection. The property shall not be subject to section 42
17 assessment procedures for the assessment year for which section
18 42 eligibility is withdrawn or an election is made. This
19 notification must be provided to the assessor no later than
20 March 1 of the assessment year or the owner will be subject to a
21 penalty of five hundred dollars for that assessment year. The
22 penalty shall be collected at the same time and in the same
23 manner as regular property taxes. An election to withdraw
24 from the assessment procedures for section 42 property is
25 irrevocable. Property that is withdrawn from the assessment
26 procedures for section 42 property shall be classified and
27 assessed as residential property unless the property otherwise
28 fails to meet the requirements of [subsection 14](#). Upon
29 adoption of uniform rules by the department of revenue or
30 succeeding authority covering assessments and valuations of
31 such properties, the valuation on such properties shall be
32 determined in accordance with such rules and in accordance with
33 forms and guidelines contained in the real property appraisal
34 manual prepared by the department as updated from time to time
35 for assessment purposes to assure uniformity, but such rules,

1 forms, and guidelines shall not be inconsistent with or change
2 the foregoing means of determining the actual, market, taxable
3 and assessed values.

4 DIVISION III

5 LOCAL GOVERNMENT BONDING REQUIREMENTS

6 Sec. 14. Section 296.3, Code 2023, is amended to read as
7 follows:

8 **296.3 Election called — notice.**

9 1. Within ten days of receipt of a petition filed under
10 section 296.2, the president of the board of directors shall
11 call a meeting of the board. The meeting shall be held within
12 thirty days after the petition was received. At the meeting,
13 the board shall call the election, fixing the time of the
14 election, which may be at the time and place of holding the
15 regular school election, and approve publication of the notice
16 required under subsection 2. However, if

17 2. a. The board of directors shall publish notice of the
18 proposal to issue the bonds, including a statement of the
19 amount and purpose of the bonds, a statement of the estimated
20 cost of the project for which the bonds are to be issued, and
21 a statement of the amount of and repository for the school
22 district funds designated for the project to satisfy the
23 requirement of paragraph "b". The notice shall be published
24 at least once, not more than twenty days after the meeting
25 under subsection 1, in one or more newspapers having general
26 circulation within the district. In addition to the published
27 notice of the proposal to issue the bonds, an individual
28 notice shall be mailed to each property owner and contract
29 purchaser of record of property in the school district not less
30 than thirty but not more than forty-five days prior to the
31 election. Each individual notice shall include all information
32 in the published notice and shall also provide examples of the
33 estimated property tax amount that would be due and payable
34 each year on a property in each property classification with an
35 assessed value of one hundred thousand dollars or one hundred

1 acres of average agricultural property in the school district.

2 b. The school district shall, prior to publishing the notice
3 of the proposal under paragraph "a", designate and deposit in
4 one or more funds of the school district an amount equal to or
5 greater than ten percent of the total cost of the project or
6 purpose for which the bonds are proposed to be issued. The
7 amount so deposited and designated shall be used solely for
8 the project or purpose unless the proposition of issuing the
9 bonds fails at election or the proposal to issue the bonds is
10 abandoned by the board of directors.

11 3. If the board determines by unanimous vote that the
12 proposition or propositions requested by a petition to be
13 submitted at an election are grossly unrealistic or contrary to
14 the needs of the school district, no election shall be called
15 and the notice under subsection 2 shall not be published.

16 If more than one petition has been received by the time the
17 board meets to consider the petition triggering the meeting,
18 the board shall act upon the petitions in the order they
19 were received at the meeting called to consider the initial
20 petition. The decision of the board may be appealed to the
21 state board of education as provided in [chapter 290](#). The
22 president shall notify the county commissioner of elections of
23 the time of the election.

24 Sec. 15. Section 298.2, subsection 4, paragraph a, Code
25 2023, is amended to read as follows:

26 a. The board may on its own motion, and upon the written
27 request of not less than one hundred eligible electors or
28 thirty percent of the number of eligible electors voting
29 at the last regular school election, whichever is greater,
30 shall, direct the county commissioner of elections to provide
31 for submitting the proposition of levying the voter-approved
32 physical plant and equipment levy for a period of time
33 authorized by the voters at the election, not to exceed ten
34 years. The election shall be held on a date specified in
35 section 39.2, subsection 4, paragraph "c". Individual notices

1 shall be mailed to each property owner and contract purchaser
2 of record of property in the school district not less than
3 thirty but not more than forty-five days prior to the election.
4 Each individual notice shall include all information in the
5 published election notice and shall also provide examples of
6 the estimated property tax amount that would be due and payable
7 each year on a property in each property classification with an
8 assessed value of one hundred thousand dollars or one hundred
9 acres of average agricultural property in the school district.

10 The proposition is adopted if a majority of those voting on the
11 proposition at the election approves it. The voter-approved
12 physical plant and equipment levy shall be funded either by a
13 physical plant and equipment property tax or by a combination
14 of a physical plant and equipment property tax and a physical
15 plant and equipment income surtax, as determined by the board.
16 However, if the board intends to enter into a rental or lease
17 arrangement under [section 279.26](#), or intends to enter into a
18 loan agreement under [section 297.36](#), only a property tax shall
19 be levied for those purposes. Subject to the limitations
20 of [section 298.14](#), if the board uses a combination of a
21 physical plant and equipment property tax and a physical plant
22 and equipment surtax, for each fiscal year the board shall
23 determine the percent of income surtax to be imposed expressed
24 as full percentage points, not to exceed twenty percent.

25 Sec. 16. Section 298.18, subsection 3, Code 2023, is amended
26 to read as follows:

27 3. Notice of the election shall be given by the county
28 commissioner of elections according to [section 49.53](#). In
29 addition to the notice of the election, an individual notice
30 of the proposition shall be mailed to each property owner
31 and contract purchaser of record of property in the school
32 district not less than thirty but not more than forty-five
33 days prior to the election. Each individual notice shall
34 include all information in the election notice and shall also
35 provide examples of the estimated property tax amount that

1 would be due and payable each year on a property in each
2 property classification with an assessed value of one hundred
3 thousand dollars or one hundred acres of average agricultural
4 property in the school district. The county commissioner of
5 elections shall conduct the election pursuant to the provisions
6 of chapters 39 through 53 and certify the results to the board
7 of directors. The proposition shall not be deemed carried
8 or adopted unless the vote in favor of such proposition is
9 equal to at least sixty percent of the total vote cast for
10 and against the proposition at the election. Whenever such
11 a proposition has been approved by the voters of a school
12 corporation as hereinbefore provided, no further approval of
13 the voters of such school corporation shall be required as
14 a result of any subsequent change in the boundaries of such
15 school corporation.

16 Sec. 17. Section 331.441, subsection 2, paragraph b,
17 subparagraph (10), Code 2023, is amended to read as follows:

18 (10) The establishment or funding of programs to provide
19 for or assist in providing for the acquisition, restoration, or
20 demolition of housing, as part of a municipal housing project
21 ~~under chapter 403 or otherwise, or for other~~ and purposes as
22 may be authorized under chapter 403A.

23 Sec. 18. Section 331.441, subsection 2, paragraph b,
24 subparagraphs (13) and (14), Code 2023, are amended by striking
25 the subparagraphs.

26 Sec. 19. Section 331.441, subsection 2, paragraph c, Code
27 2023, is amended by adding the following new subparagraphs:

28 NEW SUBPARAGRAPH. (12) The acquisition, pursuant to a
29 chapter 28E agreement, of a city convention center or veterans
30 memorial auditorium, including the renovation, remodeling,
31 reconstruction, expansion, improvement, or equipping of such a
32 center or auditorium, provided that debt service funds shall
33 not be derived from the division of taxes under section 403.19.

34 NEW SUBPARAGRAPH. (13) The aiding of the planning,
35 undertaking, and carrying out of urban renewal projects under

1 the authority of chapter 403 and for the purposes set out in
2 section 403.12. However, bonds issued for this purpose are
3 subject to the right of petition for an election as provided
4 in section 331.442, subsection 5, without limitation on the
5 amount of the bond issue or the population of the county, and
6 the board shall include notice of the right of petition in
7 the notice of proposed action required under section 331.443,
8 subsection 2.

9 Sec. 20. Section 331.442, subsection 2, paragraph a, Code
10 2023, is amended to read as follows:

11 a. The board shall publish notice of the proposal to issue
12 the bonds, including a statement of the amount and purpose
13 of the bonds, ~~and~~ a statement of the estimated cost of the
14 project for which the bonds are to be issued, and a statement
15 of the amount of and repository for the county funds designated
16 for the project to satisfy the requirement of paragraph "Ob".
17 The notice shall be published as provided in [section 331.305](#)
18 with the minutes of the meeting at which the board adopts a
19 resolution to call a county special election to vote upon
20 the question of issuing the bonds. The cost of the project,
21 as published in the notice pursuant to this paragraph, is an
22 estimate and is not intended to be binding on the board in
23 later proceedings related to the project. In addition to
24 the published notice of the proposal to issue the bonds, an
25 individual notice shall be mailed to each property owner and
26 contract purchaser of record of property in the county not less
27 than thirty but not more than forty-five days prior to the
28 election. Each individual notice shall include all information
29 in the published notice and shall also provide examples of the
30 estimated property tax amount that would be due and payable
31 each year on a property in each property classification with an
32 assessed value of one hundred thousand dollars or one hundred
33 acres of average agricultural property in the county.

34 Sec. 21. Section 331.442, subsection 2, Code 2023, is
35 amended by adding the following new paragraph:

1 NEW PARAGRAPH. *Ob.* A county which proposes to contract
2 indebtedness and issue general obligation bonds for a general
3 county purpose under this section shall, prior to publishing
4 the notice of the proposal under paragraph "a", designate and
5 deposit in one or more funds of the county an amount equal to
6 or greater than ten percent of the total cost of the project
7 or purpose for which the bonds are proposed to be issued. The
8 amount so deposited and designated shall be used solely for
9 the project or purpose unless the proposition of issuing the
10 bonds fails at election or the proposal to issue the bonds is
11 abandoned by the board.

12 Sec. 22. Section 331.442, subsection 5, paragraph a,
13 unnumbered paragraph 1, Code 2023, is amended to read as
14 follows:

15 Notwithstanding [subsection 2](#), a board, in lieu of calling
16 an election, may institute proceedings for the issuance of
17 bonds for a general county purpose by causing a notice of the
18 proposal to issue the bonds, including a statement of the
19 amount and purpose of the bonds, a statement of the amount of
20 and repository for the county funds designated for the project
21 to satisfy the requirement of subsection 2, paragraph "Ob",
22 and the right to petition for an election, to be published as
23 provided in [section 331.305](#) at least ten days prior to the
24 meeting at which it is proposed to take action for the issuance
25 of the bonds subject to the following limitations:

26 Sec. 23. Section 384.24, subsection 3, paragraph q, Code
27 2023, is amended by striking the paragraph.

28 Sec. 24. Section 384.24, subsection 3, paragraph u, Code
29 2023, is amended to read as follows:

30 u. The establishment or funding of programs to provide for
31 or assist in providing for the acquisition, restoration, or
32 demolition of housing, as part of a municipal housing project
33 ~~under [chapter 403](#) or otherwise, or for other~~ and purposes as
34 may be authorized under [chapter 403A](#).

35 Sec. 25. Section 384.24, subsection 4, Code 2023, is amended

1 by adding the following new paragraph:

2 NEW PARAGRAPH. *Oi.* The aiding in the planning, undertaking,
3 and carrying out of urban renewal projects under the authority
4 of chapter 403, and all of the purposes set out in section
5 403.12. However, bonds issued for this purpose are subject to
6 the right of petition for an election as provided in section
7 384.26, without limitation on the amount of the bond issue or
8 the size of the city, and the council shall include notice of
9 the right of petition in the notice required under section
10 384.25, subsection 2.

11 Sec. 26. Section 384.26, subsection 2, Code 2023, is amended
12 to read as follows:

13 2. *a.* The council shall publish notice of the proposal
14 to issue the bonds, including a statement of the amount and
15 purpose of the bonds, a statement of the estimated cost of the
16 project for which the bonds are to be issued, and a statement
17 of the amount of and repository for the city funds designated
18 for the project to satisfy the requirement of paragraph "b".
19 The notice shall be published as provided in section 362.3
20 with the minutes of the meeting at which the council adopts
21 a resolution to call a city special election to vote upon
22 the question of issuing the bonds. The cost of the project,
23 as published in the notice pursuant to this paragraph, is an
24 estimate and is not binding on the council in later proceedings
25 related to the project. In addition to the published notice of
26 the proposal to issue the bonds, an individual notice shall be
27 mailed to each property owner and contract purchaser of record
28 of property in the city not less than thirty but not more than
29 forty-five days prior to the election. Each individual notice
30 shall include all information in the published notice and shall
31 also provide examples of the estimated property tax amount
32 that would be due and payable each year on a property in each
33 property classification with an assessed value of one hundred
34 thousand dollars or one hundred acres of average agricultural
35 property in the city.

1 b. A city which proposes to contract indebtedness and issue
2 general obligation bonds for a general corporate purpose under
3 this section shall, prior to publishing the notice of the
4 proposal under paragraph "a", designate and deposit in one or
5 more funds of the city an amount equal to or greater than ten
6 percent of the total cost of the project or purpose for which
7 the bonds are proposed to be issued. The amount so deposited
8 and designated shall be used solely for the project or purpose
9 unless the proposition of issuing the bonds fails at election
10 or the proposal to issue the bonds is abandoned by the council.

11 c. Before the council may institute proceedings for the
12 issuance of bonds for a general corporate purpose, it shall
13 call a special city election to vote upon the question of
14 issuing the bonds. At the election the proposition must be
15 submitted in the following form:

16 Shall the (insert the name of the city) issue
17 its bonds in an amount not exceeding the amount of \$.... for
18 the purpose of?

19 Sec. 27. Section 384.26, subsection 5, paragraph a,
20 unnumbered paragraph 1, Code 2023, is amended to read as
21 follows:

22 Notwithstanding the provisions of **subsection 2**, paragraph
23 "c", a council may, in lieu of calling an election, institute
24 proceedings for the issuance of bonds for a general corporate
25 purpose by causing a notice of the proposal to issue the bonds,
26 including a statement of the amount and purpose of the bonds, a
27 statement of the amount of and repository for the city funds
28 designated for the project to satisfy the requirement of
29 subsection 2, paragraph "b", together with the maximum rate of
30 interest which the bonds are to bear, and the right to petition
31 for an election, to be published at least once in a newspaper
32 of general circulation within the city at least ten days prior
33 to the meeting at which it is proposed to take action for the
34 issuance of the bonds subject to the following limitations:

35 Sec. 28. Section 403.2, subsection 3, Code 2023, is amended

1 to read as follows:

2 3. It is further found and declared that there exists in
3 this state the continuing need for programs to alleviate and
4 prevent conditions of unemployment and a shortage of housing;
5 and that it is accordingly necessary to assist and retain
6 local industries and commercial enterprises to strengthen and
7 revitalize the economy of this state and its municipalities;
8 that accordingly it is necessary to provide means and methods
9 for the encouragement and assistance of industrial and
10 commercial enterprises in locating, purchasing, constructing,
11 reconstructing, modernizing, improving, maintaining, repairing,
12 furnishing, equipping, and expanding in this state and its
13 municipalities, for the provision of public improvements
14 related to housing and residential development, and for the
15 construction of housing for low and moderate income families;
16 that accordingly it is necessary to authorize local governing
17 bodies to designate areas of a municipality as economic
18 development areas for commercial and industrial enterprises,
19 public improvements related to housing and residential
20 development, or construction of housing for low and moderate
21 income families; and that it is also necessary to encourage
22 the location and expansion of commercial enterprises to more
23 conveniently provide needed services and facilities of the
24 commercial enterprises to municipalities and the residents of
25 the municipalities. ~~Therefore, the powers granted in this~~
26 ~~chapter constitute the performance of essential public purposes~~
27 ~~for this state and its municipalities.~~

28 Sec. 29. Section 403.9, subsection 2, Code 2023, is amended
29 to read as follows:

30 2. Bonds issued under [this section](#) shall not constitute
31 an indebtedness within the meaning of any constitutional or
32 statutory debt limitation or restriction, and shall not be
33 subject to the provisions of any other law or charter relating
34 to the authorization, issuance or sale of bonds. Bonds issued
35 under the provisions of [this chapter](#) ~~are declared to be issued~~

1 ~~for an essential public and governmental purpose and~~, together
2 with interest thereon and income therefrom, shall be exempted
3 from all taxes.

4 Sec. 30. Section 403.9, subsection 3, Code 2023, is amended
5 by adding the following new paragraph:

6 NEW PARAGRAPH. c. Beginning July 1, 2023, bonds issued
7 under this chapter shall only be issued, in the case of a city,
8 in the manner and within the limitations for general corporate
9 purpose bonds as prescribed by chapter 384, subchapter III,
10 or in the case of a county, in the manner and within the
11 limitations for general county purpose bonds prescribed by
12 chapter 331, subchapter IV, part 3.

13 Sec. 31. Section 403.12, subsection 5, Code 2023, is amended
14 to read as follows:

15 5. For the purposes of [this section](#), or for the purpose
16 of aiding in the planning, undertaking, or carrying out of an
17 urban renewal project of a municipality, a municipality may, in
18 addition to any authority to issue bonds pursuant to section
19 403.9, issue and sell its general obligation bonds. Any bonds
20 issued by a municipality pursuant to [this section](#) must be
21 issued, in the case of a city, by resolution of the council in
22 the manner and within the limitations prescribed for general
23 corporate purpose bonds by [chapter 384, subchapter III](#), or in
24 the case of a county, by resolution of the board of supervisors
25 in the manner and within the limitations prescribed for general
26 county purpose bonds by [chapter 331, subchapter IV, part 3](#).
27 Bonds issued pursuant to the provisions of [this subsection](#) must
28 be sold in the manner prescribed by [chapter 75](#). The additional
29 power granted in [this subsection](#) for the financing of public
30 undertakings and activities by municipalities within an urban
31 renewal area shall not be construed as a limitation of the
32 existing powers of municipalities.

33

EXPLANATION

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

1 This bill relates to local government funding by modifying
2 school district funding provisions, property assessment
3 provisions, and bond issuance requirements.

4 DIVISION I — SCHOOL FOUNDATION PROPERTY TAX. As part
5 of Iowa's system for funding school districts, Code section
6 257.3 requires each school district to levy each year, for
7 the school general fund, a foundation property tax equal to
8 \$5.40 per \$1,000 of assessed valuation on all taxable property
9 in the district. An exception to the \$5.40 levy rate is for
10 recently reorganized and dissolved school districts. For such
11 districts, the first succeeding year requires a rate of \$4.40,
12 the second succeeding year requires a rate of \$4.90, and for
13 the third succeeding year and thereafter a rate of \$5.40. The
14 bill reduces all of the applicable foundation property tax
15 rates by \$0.50.

16 The bill provides for an adjustment of property tax credit
17 calculations under Code chapters 425A (family farm tax credit)
18 and 426 (agricultural land tax credit) for property taxes due
19 and payable in the fiscal year beginning July 1, 2023, to
20 account for the change to the property tax levy rate under Code
21 section 257.3 in the bill.

22 Division I takes effect upon enactment.

23 The sections of division I that amend Code section 257.3
24 apply July 1, 2023, for school budget years beginning on or
25 after that date.

26 DIVISION II — PROPERTY ACTUAL VALUATION LIMITATION. Under
27 Code section 441.21, all property subject to taxation shall be
28 valued at its actual value and, except as otherwise provided
29 by law, shall be assessed at 100 percent of its actual value,
30 and the value so assessed shall be taken and considered as the
31 assessed value and taxable value of the property upon which
32 the levy shall be made. Actual value is generally required
33 to be the fair and reasonable market value. "Market value"
34 is defined as the fair and reasonable exchange in the year in
35 which the property is listed and valued between a willing buyer

1 and a willing seller, neither being under any compulsion to buy
2 or sell and each being familiar with all the facts relating to
3 the particular property, but excluding certain abnormal sales.

4 The bill provides that for assessment years beginning
5 on or after January 1, 2024, the actual value of each
6 individual property, including after adjustments to actual
7 values made as the result of equalization, shall not exceed
8 103 percent of the actual value of the property for the
9 immediately preceding assessment year unless the property was
10 not assessed in the immediately preceding assessment year,
11 the property's boundaries change, there is a change to the
12 property's classification, or new construction, additions,
13 or improvements have been made to the property other than
14 normal and necessary maintenance or repairs, not amounting to
15 structural replacements or modification.

16 The bill also makes conforming changes to other provisions
17 of law relating to the assessment of property, including
18 provisions governing the valuation of agricultural property and
19 properties for which alternative valuation methods are used
20 and by operation of Code section 441.21(3). The provisions
21 of the bill apply to other special methods or formulas for
22 valuing specified property to the extent consistent with such
23 provisions.

24 DIVISION III — LOCAL GOVERNMENT BONDING REQUIREMENTS. As
25 a condition of and prior to seeking voter approval for the
26 issuance of bonds under Code chapter 296, the bill requires the
27 school district to designate and deposit in one or more funds
28 of the school district an amount equal to or greater than 10
29 percent of the total cost of the project or purpose for which
30 the bonds are proposed to be issued. The amount so deposited
31 and designated shall be used solely for the project or purpose
32 unless the proposition of issuing the bonds fails at election
33 or the proposal to issue the bonds is abandoned by the school
34 board.

35 The bill also, as part of the bond approval process under

1 Code chapter 296, requires the school board to publish a notice
2 of the proposal to issue bonds that includes a statement
3 of the amount and purpose of the bonds, a statement of the
4 estimated cost of the project for which the bonds are to be
5 issued, and a statement of the amount of and repository for the
6 school district funds designated for the project to satisfy
7 the requirement of the bill. In addition to the published
8 notice of the proposal to issue the bonds, the bill requires
9 an individual notice, containing certain information, to be
10 mailed to each property owner and contract purchaser of record
11 of property in the school district not less than 30 but not
12 more than 45 days prior to the election.

13 The bill also amends Code section 298.2 relating to the
14 voter-approved school district physical plant and equipment
15 levy and the provisions of Code section 298.18 authorizing the
16 imposition of a school district bonded indebtedness property
17 tax levy in excess of \$2.70 per \$1,000 of assessed value if
18 approved at election. The bill requires, in addition to the
19 notice of the election under each section, an individual notice
20 to be mailed to each property owner and contract purchaser of
21 record of property in the school district. Each individual
22 notice shall include all information in the election notice
23 and shall also provide examples of the estimated property tax
24 amount that would be due and payable each year on a property in
25 each property classification with an assessed value of \$100,000
26 or 100 acres of average agricultural property in the school
27 district.

28 As a condition of and prior to seeking voter approval for
29 the issuance of bonds for general county purposes under Code
30 section 331.442, including those general county purpose bonds
31 for which an election is not called, the bill requires a county
32 to designate and deposit in one or more funds of the county an
33 amount equal to or greater than 10 percent of the total cost of
34 the project or purpose for which the bonds are proposed to be
35 issued. The amount so deposited and designated shall be used

1 solely for the project or purpose unless the proposition of
2 issuing the bonds fails at election or the proposal to issue
3 the bonds is abandoned.

4 The bill also requires the published notice of the proposal
5 to issue such bonds to include a statement of the amount of
6 and repository for the county funds designated for the project
7 to satisfy the requirement in the bill. In addition to the
8 published notice of the proposal to issue the bonds, the bill
9 requires an individual notice, containing certain information
10 to be mailed to each property owner and contract purchaser of
11 record of property in the county not less than 30 but not more
12 than 45 days prior to the election.

13 As a condition of and prior to seeking voter approval for
14 the issuance of bonds for general corporate purposes under Code
15 section 384.26, including those general corporate purpose bonds
16 for which an election is not called, the bill requires a city
17 to designate and deposit in one or more funds of the city an
18 amount equal to or greater than 10 percent of the total cost of
19 the project or purpose for which the bonds are proposed to be
20 issued. The amount so deposited and designated shall be used
21 solely for the project or purpose unless the proposition of
22 issuing the bonds fails at election or the proposal to issue
23 the bonds is abandoned.

24 The bill also, as part of the general corporate purpose bond
25 approval process under Code section 384.26, requires the city
26 council to publish a notice of the proposal to issue bonds that
27 includes a statement of the amount and purpose of the bonds,
28 a statement of the estimated cost of the project for which
29 the bonds are to be issued, and a statement of the amount of
30 and repository for the city funds designated for the project
31 to satisfy the requirement of the bill. In addition to the
32 published notice of the proposal to issue the bonds, the bill
33 requires an individual notice, containing certain information,
34 to be mailed to each property owner and contract purchaser of
35 record of property in the city not less than 30 but not more

1 than 45 days prior to the election.

2 Counties and cities may generally contract indebtedness
3 and approve the issuance of general obligation bonds to
4 carry out an essential county purpose or essential corporate
5 purpose without voter approval, while the issuance of general
6 obligation bonds to carry out a general county purpose or
7 general corporate purpose generally requires voter approval.
8 The bill modifies the definition of "essential county purpose"
9 by striking certain purposes under Code chapter 403 (Iowa's
10 urban renewal law) and certain joint governmental purposes
11 under a Code chapter 28E agreement. The bill adds those
12 purposes to the definition of "general county purpose". The
13 bill makes similar changes to the definitions of "essential
14 corporate purpose" and "general corporate purpose" under Code
15 section 384.24 and provides that beginning July 1, 2023, bonds
16 issued under Code chapter 403 shall only be issued, in the case
17 of a city, in the manner and within the limitations for general
18 corporate purpose bonds, or in the case of a county, in the
19 manner and within the limitations for general county purpose
20 bonds.