

House Study Bill 303 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
KAUFMANN)

A BILL FOR

1 An Act creating the foundation property tax reduction fund, and
2 making appropriations and related transfers to the fund.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 8.55, subsection 4, Code 2025, is amended
2 to read as follows:

3 4. Notwithstanding section 12C.7, subsection 2, interest or
4 earnings on moneys deposited in the Iowa economic emergency
5 fund shall be credited to the ~~rebuild Iowa infrastructure fund~~
6 foundation property tax reduction fund created in section 257.3A.

7 Sec. 2. Section 8.56, subsection 1, Code 2025, is amended to
8 read as follows:

9 1. A cash reserve fund is created in the state treasury. The
10 cash reserve fund shall be separate from the general fund of the
11 state and shall not be considered part of the general fund of
12 the state. The moneys in the cash reserve fund are not subject
13 to section 8.33 and shall not be transferred, used, obligated,
14 appropriated, or otherwise encumbered except as provided in this
15 section. Notwithstanding section 12C.7, subsection 2, interest
16 or earnings on moneys deposited in the cash reserve fund shall
17 be credited to the ~~rebuild Iowa infrastructure fund created in~~
18 ~~section 8.57~~ foundation property tax reduction fund created in
19 section 257.3A. Moneys in the cash reserve fund may be used for
20 cash flow purposes during a fiscal year provided that any moneys
21 so allocated are returned to the cash reserve fund by the end of
22 that fiscal year.

23 Sec. 3. Section 8.57E, subsection 4, Code 2025, is amended to
24 read as follows:

25 4. Notwithstanding section 12C.7, subsection 2, interest or
26 earnings on moneys deposited in the taxpayer relief fund shall be
27 credited to the foundation property tax reduction fund created in
28 section 257.3A.

29 Sec. 4. Section 12C.7, Code 2025, is amended by adding the
30 following new subsection:

31 NEW SUBSECTION. 3. Commencing with the fiscal year beginning
32 July 1, 2025, and every fiscal year thereafter, the amount of
33 interest or earnings deposited into the general fund of the state
34 during the fiscal year shall be deposited into the foundation
35 property tax reduction fund created in section 257.3A.

1 Sec. 5. Section 257.3, subsection 1, Code 2025, is amended by
2 adding the following new paragraph:

3 NEW PARAGRAPH. e. The amount paid to each school district
4 from the foundation property tax reduction fund shall be regarded
5 as property taxes.

6 Sec. 6. NEW SECTION. **257.3A Foundation property tax**
7 **reduction fund.**

8 1. A foundation property tax reduction fund is created in
9 the state treasury under the authority of the department of
10 management. The fund shall be separate from the general fund of
11 the state and shall not be considered part of the general fund
12 of the state except in determining the cash position of the state
13 for payment of state obligations.

14 2. The fund shall consist of all moneys appropriated to the
15 fund, and moneys transferred from other funds including transfers
16 of interest or earnings from the Iowa economic emergency fund,
17 the cash reserve fund, the taxpayer relief fund, and the general
18 fund of the state.

19 3. Commencing with the fiscal year beginning July 1, 2026,
20 and each fiscal year thereafter, the balance of the fund on July
21 1 is appropriated to and shall be used by the department of
22 management to lower the foundation property tax levy rate under
23 section 257.3, subsection 1, paragraph "a", for the school budget
24 year beginning July 1 by making payments to each school district
25 to supplant funds that would have been collected under section
26 257.3, subsection 1, paragraph "a".

27 4. The moneys in the fund are not subject to the provisions
28 of section 8.33 and shall not be transferred, used, obligated,
29 appropriated, or otherwise encumbered except as provided in this
30 section. Notwithstanding section 12C.7, subsection 2, interest
31 or earnings on moneys deposited in the cash reserve fund shall be
32 credited to the fund.

33 5. Moneys in the fund may be used for cash flow purposes,
34 provided that any moneys so allocated are returned to the fund by
35 the end of each fiscal year.

1 Sec. 7. Section 425A.3, subsection 1, Code 2025, is amended
2 to read as follows:

3 1. The family farm tax credit fund shall be apportioned each
4 year in the manner provided in this chapter so as to give a
5 credit against the tax on each eligible tract of agricultural
6 land within the several school districts of the state in which
7 the levy for the general school fund exceeds ~~five dollars and~~
8 ~~forty cents per thousand dollars of assessed value~~ the levy rate
9 under section 257.3, subsection 1, paragraph "a". The amount of
10 the credit on each eligible tract of agricultural land shall be
11 the amount the tax levied for the general school fund exceeds the
12 amount of tax which would be levied on each eligible tract of
13 agricultural land were the levy for the general school fund ~~five~~
14 ~~dollars and forty cents per thousand dollars of assessed value~~
15 the levy rate under section 257.3, subsection 1, paragraph "a",
16 for the previous year. However, in the case of a deficiency in
17 the family farm tax credit fund to pay the credits in full, the
18 credit on each eligible tract of agricultural land in the state
19 shall be proportionate and applied as provided in this chapter.

20 Sec. 8. Section 425A.5, Code 2025, is amended to read as
21 follows:

22 **425A.5 Computation by county auditor.**

23 The family farm tax credit allowed each year shall be computed
24 as follows: On or before April 1, the county auditor shall list
25 by school districts all tracts of agricultural land which are
26 entitled to credit, the taxable value for the previous year, the
27 budget from each school district for the previous year, and the
28 tax rate determined for the general fund of the school district
29 in the manner prescribed in section 444.3 for the previous year,
30 and if the tax rate is in excess of ~~five dollars and forty~~
31 ~~cents per thousand dollars of assessed value~~ the levy rate under
32 section 257.3, subsection 1, paragraph "a", the auditor shall
33 multiply the tax levy which is in excess of ~~five dollars and~~
34 ~~forty cents per thousand dollars of assessed value~~ the levy rate
35 under section 257.3, subsection 1, paragraph "a", by the total

1 taxable value of the agricultural land entitled to credit in the
2 school district, and on or before April 1, certify the total
3 amount of credit and the total number of acres entitled to the
4 credit to the department of revenue.

5 Sec. 9. Section 426.3, Code 2025, is amended to read as
6 follows:

7 **426.3 Where credit given.**

8 The agricultural land credit fund shall be apportioned each
9 year in the manner hereinafter provided so as to give a credit
10 against the tax on each tract of agricultural lands within the
11 several school districts of the state in which the levy for the
12 general school fund exceeds ~~five dollars and forty cents per~~
13 ~~thousand dollars of assessed value~~ the levy rate under section
14 257.3, subsection 1, paragraph "a"; the amount of such credit on
15 each tract of such lands shall be the amount the tax levied for
16 the general school fund exceeds the amount of tax which would be
17 levied on said tract of such lands were the levy for the general
18 school fund ~~five dollars and forty cents per thousand dollars~~
19 ~~of assessed value~~ the levy rate under section 257.3, subsection
20 1, paragraph "a", for the previous year, except in the case of
21 a deficiency in the agricultural land credit fund to pay said
22 credits in full, in which case the credit on each eligible tract
23 of such lands in the state shall be proportionate and shall be
24 applied as hereinafter provided.

25 Sec. 10. Section 426.6, subsection 1, Code 2025, is amended
26 to read as follows:

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

1 ~~assessed value~~ the levy rate under section 257.3, subsection 1,
2 paragraph "a", the auditor shall multiply the tax levy which is
3 in excess of ~~five dollars and forty cents per thousand dollars~~
4 ~~of assessed value~~ the levy rate under section 257.3, subsection
5 1, paragraph "a", by the total taxable value of the agricultural
6 lands entitled to credit in the district, and on or before April
7 1, certify the amount to the department of revenue.

8 EXPLANATION

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

11 This bill creates a foundation property tax reduction fund
12 (fund) in the state treasury under the authority of the
13 department of management (DOM). The fund shall consist of any
14 appropriations made to the fund, and moneys transferred from
15 other funds including transfers of interest or earnings from the
16 Iowa economic emergency fund, the cash reserve fund, the taxpayer
17 relief fund, and the general fund of the state.

18 Commencing with the fiscal year beginning July 1, 2026, and
19 each fiscal year thereafter, the balance of the fund on July 1
20 shall be appropriated to DOM to lower the foundation property tax
21 levy rate under Code section 257.3(1)(a) for the school budget
22 year beginning July 1 through payments to each school district to
23 supplant funds that would have been collected as property taxes
24 under Code section 257.3(1)(a).

25 In Code chapters 425A (family farm tax credit) and 426
26 (agricultural land tax credit), the bill replaces references
27 to the school foundation property tax levy rate (\$5.40) with
28 citations to the appropriate provision of the Code section
29 establishing the foundation property tax rate.

30 The bill specifies the fund shall be separate from the general
31 fund of the state and shall not be considered part of the general
32 fund of the state except in determining the cash position of
33 the state for payment of state obligations. The moneys in the
34 fund at the close of the fiscal year do not revert and remain
35 available for the purpose described in the bill. Interest or

H.F. _____

1 earnings on investments in the fund also do not revert to the
2 general fund. Moneys in the fund may be used for cash flow
3 purposes, provided that any moneys are returned to the fund by
4 the end of each fiscal year.

unofficial