House Study Bill 328 - Introduced

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

A BILL FOR

An Act relating to local government property taxes, financial authority, and budgets, modifying appropriations, and including effective date, applicability, and retroactive applicability provisions.

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

DIVISION I

COUNTY PROPERTY TAXES AND BUDGETS

Section 1. Section 331.423, subsection 1, paragraph b, subparagraph (1), Code 2025, is amended to read as follows:

(1) For each fiscal year beginning on or after July 1, 2024, but before July 1, ~~2028~~ 2026, subject to subparagraph (3), the greater of three dollars and fifty cents per thousand dollars of assessed value used to calculate taxes for general county services for the budget year and the adjusted general county basic levy rate, as adjusted under subparagraph (2), if applicable.

Sec. 2. Section 331.423, subsection 1, paragraph c, Code 2025, is amended to read as follows:

c. ~~For each fiscal year beginning on or after July 1, 2028, three dollars and fifty cents per thousand dollars of assessed value.~~ For the fiscal year beginning July 1, 2026, the greater of:

(1) A levy rate per one thousand dollars of assessed value equal to one thousand multiplied by the quotient of one hundred two percent of the current fiscal year's actual property tax dollars certified for levy under this subsection 1 divided by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

(2) A levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy under this subsection 1 equal to one hundred and one-half percent of the actual property tax dollars certified for levy under this subsection 1 for the current fiscal year.

Sec. 3. Section 331.423, subsection 1, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *d.* (1) For each fiscal year beginning on or after July 1, 2027, the levy rate imposed under this subsection 1 for the current fiscal year, unless subject to subparagraph (2), and for the budget year beginning July 1, 2027, only, not less than a levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy under this subsection 1 equal to one hundred and one-half percent of the actual property tax dollars certified for levy under this subsection 1 for the current fiscal year.

(2) (a) If the total assessed value, excluding value attributable to new valuation, used to calculate taxes for general county services under this subsection 1 for the budget year is equal to or exceeds one hundred two percent of the total assessed value used to calculate taxes for general county services for the current fiscal year, the levy rate imposed under this subsection 1 shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for levy under this subsection 1 by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

(b) For purposes of this subparagraph, "*budget adjustment factor*" is equal to one of the following:

(i) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is less than four percent, one hundred two percent.

(ii) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than four percent but less than six percent, one hundred three percent.

(iii) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than six percent but less than eight percent, one hundred four percent.

(iv) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than eight percent, one hundred five percent.

Sec. 4. Section 331.423, subsection 2, paragraph b, subparagraph (1), Code 2025, is amended to read as follows:

(1) For each fiscal year beginning on or after July 1, 2024, but before July 1, ~~2028~~ 2026, subject to subparagraph (3), the greater of three dollars and ninety-five cents per thousand dollars of assessed value used to calculate taxes for rural county services for the budget year and the adjusted rural county basic levy rate, as adjusted under subparagraph (2), if applicable.

Sec. 5. Section 331.423, subsection 2, paragraph c, Code 2025, is amended to read as follows:

c. ~~For each fiscal year beginning on or after July 1, 2028, three dollars and ninety-five cents per thousand dollars of assessed value.~~ For the fiscal year beginning July 1, 2026, the greater of:

(1) A levy rate per one thousand dollars of assessed value equal to one thousand multiplied by the quotient of one hundred two percent of the current fiscal year's actual property tax dollars certified for levy under this subsection 2 divided by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

(2) A levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy under this subsection 2 equal to one hundred and one-half percent of the actual property tax dollars certified for levy under this subsection 2 for the current fiscal year.

Sec. 6. Section 331.423, subsection 2, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *d.* (1) For each fiscal year beginning on or after July 1, 2027, the levy rate imposed under this subsection 2 for the current fiscal year, unless subject to subparagraph (2), and for the budget year beginning July 1, 2027, only, not less than a levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy under this subsection 2 equal to one hundred and one-half percent of the actual property tax dollars certified for levy under this subsection 2 for the current fiscal year.

(2) (a) If the total assessed value, excluding value attributable to new valuation, used to calculate taxes for rural county services under this subsection 2 for the budget year is equal to or exceeds one hundred two percent of the total assessed value used to calculate taxes for rural county services for the current fiscal year, the levy rate imposed under this subsection 2 shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for levy under this subsection 2 by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

(b) For purposes of this subparagraph, "*budget adjustment factor*" is equal to one of the following:

(i) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is less than four percent, one hundred two percent.

(ii) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than four percent but less than six percent, one hundred three percent.

(iii) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than six percent but less than eight percent, one hundred four percent.

(iv) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than eight percent, one hundred five percent.

Sec. 7. Section 331.423, subsection 3, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *c. "New valuation"* means the increase from the current fiscal year to the budget year in taxable valuation due to the following, the amount of each as certified by the county auditor to the department of management:

(1) New construction.

(2) Additions or improvements to existing structures that are not normal and necessary repairs under section 441.21, subsection 8.

(3) Net boundary adjustments, including annexation, severance, incorporation, consolidation, or discontinuance as those terms are defined in section 368.1.

Sec. 8. EFFECTIVE DATE. This division of this Act takes effect January 1, 2026.

Sec. 9. APPLICABILITY. This division of this Act applies to property taxes and budgets for fiscal years beginning on or after July 1, 2026.

DIVISION II

CITY PROPERTY TAXES AND BUDGETS

Sec. 10. Section 384.1, subsection 3, paragraph c, subparagraph (1), Code 2025, is amended to read as follows:

(1) For each fiscal year beginning on or after July 1, 2024, but before July 1, ~~2028~~ 2026, subject to subparagraph (3), a city's tax levy for the general fund, except for levies authorized in section 384.12, shall not exceed in any tax year the greater of eight dollars and ten cents per thousand dollars of assessed value used to calculate taxes for the budget year and the adjusted city general fund levy rate, as adjusted under

subparagraph (2), if applicable.

Sec. 11. Section 384.1, subsection 3, paragraph d, Code 2025, is amended to read as follows:

d. (1) ~~For each fiscal year beginning on or after July 1, 2028, a city's tax levy rate for the general fund, except for levies authorized in section 384.12, shall not exceed eight dollars and ten cents per thousand dollars of assessed value used to calculate taxes in any fiscal year.~~ For the fiscal year beginning July 1, 2026, a city's tax levy rate for the general fund, except for levies authorized in section 384.12, shall not exceed the greater of:

(a) A levy rate per one thousand dollars of assessed value equal to one thousand multiplied by the quotient of one hundred two percent of the current fiscal year's actual property tax dollars certified for levy under this subsection divided by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

(b) A levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy under this subsection equal to one hundred and one-half percent of the actual property tax dollars certified for levy under this subsection for the current fiscal year.

(2) Notwithstanding other provisions of this paragraph, if a city's actual levy rate for the current fiscal year is zero dollars per one thousand dollars of assessed value, a levy rate per one thousand dollars of assessed value equal to one thousand multiplied by the quotient of one hundred two percent of the city's certified general fund budget for the current fiscal year divided by the remainder of the total assessed value used to calculate taxes for the budget year minus value attributable to new valuation.

Sec. 12. Section 384.1, subsection 3, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *e.* (1) For each fiscal year beginning on or after July 1, 2027, a city's tax levy rate for the general fund, except for levies authorized in section 384.12, shall not exceed the levy rate imposed under this subsection for the current fiscal year, unless subject to subparagraph (2), and for the budget year beginning July 1, 2027, only, not less than a levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy under this subsection equal to one hundred and one-half percent of the actual property tax dollars certified for levy under this subsection for the current fiscal year.

(2) (a) If the total assessed value, excluding value attributable to new valuation, used to calculate taxes under this subsection for the budget year is equal to or exceeds one hundred two percent of the total assessed value used to calculate taxes under this subsection for the current fiscal year, the city's levy rate under this subsection shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for levy under this subsection by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

(b) For purposes of this subparagraph, "*budget adjustment factor*" is equal to one of the following:

(i) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is less than four percent, one hundred two percent.

(ii) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than four percent but less than six percent, one hundred three percent.

(iii) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than six percent but less than eight percent, one hundred four percent.

(iv) If the change in the consumer price index for all urban consumers for the twelve-month period ending six months prior to the beginning of the applicable budget year is equal to or greater than eight percent, one hundred five percent.

(3) Notwithstanding other provisions of this paragraph, if a city's actual levy rate for the current fiscal year is zero dollars per one thousand dollars of assessed value, the city's levy rate under this subsection shall not exceed a levy rate per one thousand dollars of assessed value equal to one thousand multiplied by the quotient of one hundred two percent of the city's certified general fund budget for the current fiscal year divided by the remainder of the total assessed value used to calculate taxes for the budget year minus value attributable to new valuation.

Sec. 13. Section 384.1, subsection 4, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *c.* *"New valuation"* means the increase from the current fiscal year to the budget year in taxable valuation due to the following, the amount of each as certified by the county auditor to the department of management:

(1) New construction.

(2) Additions or improvements to existing structures that are not normal and necessary repairs under section 441.21, subsection 8.

(3) Net boundary adjustments, including annexation, severance, incorporation, consolidation, or discontinuance as those terms are defined in section 368.1.

Sec. 14. EFFECTIVE DATE. This division of this Act takes effect January 1, 2026.

Sec. 15. APPLICABILITY. This division of this Act applies to property taxes and budgets for fiscal years beginning on or after

July 1, 2026.

DIVISION III

SCHOOL TAXES AND BUDGETS

Sec. 16. Section 257.1, subsection 2, paragraph b, Code 2025, is amended to read as follows:

b. (1) (a) For the budget year commencing July 1, 1999, and for each succeeding budget year beginning before July 1, 2022, 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, 2022, and for each succeeding budget year beginning before July 1, 2026, the regular program foundation base per pupil is eighty-eight and four-tenths percent of the regular program state cost per pupil.

(c) For the budget year commencing July 1, 2026, and each succeeding budget year, the regular program foundation base per pupil is one hundred percent of the regular program state cost per pupil.

(2) (a) For the budget year commencing July 1, 1991, and for each succeeding budget year beginning before July 1, 2026, the special education support services foundation base is seventy-nine percent of the special education support services state cost per pupil.

(b) For the budget year commencing July 1, 2026, and each succeeding budget year, the special education support services foundation base is one hundred percent of the special education support services state cost per pupil.

(3) The combined foundation base is the sum of the regular program foundation base, the special education support services foundation base, the total teacher salary supplement district cost, the total professional development supplement district cost, the total early intervention supplement district cost, the total teacher leadership supplement district cost, ~~and~~ the total area education agency teacher salary supplement district cost, and the amounts added to the combined district cost of the school district for media services and educational services under

section 257.37.

Sec. 17. Section 257.3, subsection 1, paragraph a, Code 2025, is amended to read as follows:

a. (1) Except as provided in subsections 2 and 3, a school district shall cause to be levied each budget year beginning before July 1, 2026, for the school general fund, a foundation property tax equal to five dollars and forty cents per thousand dollars of assessed valuation on all taxable property in the district. The county auditor shall spread the foundation levy over all taxable property in the district.

(2) Except as provided in subsections 2 and 3, a school district shall cause to be levied for the budget year beginning July 1, 2026, and each succeeding budget year, for the school general fund, a foundation property tax equal to two dollars and ninety-seven cents per thousand dollars of assessed valuation on all taxable property in the district. The county auditor shall spread the foundation levy over all taxable property in the district.

Sec. 18. Section 257.3, subsection 2, paragraphs a and b, Code 2025, are amended to read as follows:

a. Notwithstanding subsection 1, a reorganized school district for which the reorganization takes effect on or after July 1, 2026, shall cause a foundation property tax of ~~four~~ two dollars and ~~forty~~ forty-two cents per thousand dollars of assessed valuation to be levied on all taxable property which, in the year preceding a reorganization, was within a school district affected by the reorganization as defined in section 275.1, or in the year preceding a dissolution was a part of a school district that dissolved if the dissolution proposal has been approved by the director of the department of education pursuant to section 275.55.

b. ~~In~~ For a reorganized school district for which the reorganization took effect on or after July 1, 2026, in succeeding school years, the foundation property tax levy on that portion shall be increased to the rate of ~~four~~ two dollars and ~~ninety~~ sixty-nine cents per thousand dollars of assessed valuation the first succeeding year, ~~five~~ two dollars and ~~fifteen~~ eighty-three cents per thousand dollars of assessed valuation the second succeeding year, and ~~five~~ two dollars and ~~forty~~ ninety-seven cents per thousand dollars of assessed valuation the third succeeding year and each year thereafter under subsection 1, paragraph *"a"*.

Sec. 19. Section 257.4, subsection 1, paragraph a, Code 2025, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (10) The amount added to the combined district cost of the school district for media services under section 257.37.

NEW SUBPARAGRAPH. (11) The amount added to the combined district cost of the school district for educational services under section 257.37.

Sec. 20. Section 257.4, subsection 2, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *c.* This subsection applies to budget years beginning before July 1, 2026.

Sec. 21. Section 257.15, subsections 2 and 3, Code 2025, are amended to read as follows:

2. *Property tax adjustment aid for 1992-1993 and succeeding years beginning before 2026-2027.* For the budget year beginning July 1, 1992, and succeeding budget years beginning before July 1, 2026, the department of education shall pay property tax adjustment aid to a school district equal to the amount paid to the district for the base year less an amount equal to the product of the percent by which the taxable valuation in the district increased, if the taxable valuation increased, from January 1 of the year prior to the base year to January 1 of the base year and the property tax adjustment aid. The department of management shall adjust the rate of the additional property tax accordingly and notify the department of education of the amount of aid to be paid to each district from moneys appropriated for property tax adjustment aid.

3. *Property tax adjustment aid appropriation.* There is appropriated from the general fund of the state to the department of education, for each fiscal year beginning before July 1, 2026, an amount necessary to pay property tax adjustment aid to school districts under this section. Property tax adjustment aid shall be paid to school districts in the manner provided in section 257.16.

Sec. 22. Section 257.15, subsection 4, paragraph a, subparagraph (1), subparagraph division (d), Code 2025, is amended to read as follows:

(d) For the budget year beginning July 1, 2009, and succeeding budget years beginning before July 1, 2026, twenty-four million dollars.

Sec. 23. Section 257.15, subsection 4, paragraph b, Code 2025, is amended to read as follows:

b. ~~After~~ For fiscal years beginning before July 1, 2025, after lowering all school district adjusted additional property tax levy rates to the statewide maximum adjusted additional property tax levy rate under paragraph "*a*", the department of management shall use any remaining funds at the end of the calendar year to further lower additional property taxes by increasing for the budget year beginning the following July 1, the regular program foundation base per pupil percentage under section 257.1. Moneys used pursuant to this paragraph shall supplant an equal amount of the appropriation made from the general fund of the state pursuant to section 257.16 that represents the increase in state foundation aid. Any moneys remaining at the conclusion of the fiscal year beginning July 1, 2024, shall be transferred by the department of management for deposit in the general fund of the state.

Sec. 24. Section 257.16A, subsections 2 and 3, Code 2025, are amended to read as follows:

2. ~~There~~ For each fiscal year beginning before July 1, 2026, there is appropriated annually all moneys in the fund to the department of management for purposes of section 257.15,

subsection 4.

3. Notwithstanding section 8.33, any moneys remaining in the property tax equity and relief fund at the end of a fiscal year shall not revert to any other fund but shall remain in the property tax equity and relief fund for use as provided in this section for the following fiscal year. However, at the end of the fiscal year beginning July 1, 2025, any moneys remaining in the property tax equity and relief fund shall be transferred for deposit into either the secure an advanced vision for education fund or the general fund of the state based on the fund from which the moneys were received.

Sec. 25. Section 257.16B, subsection 1, Code 2025, is amended to read as follows:

1. For each fiscal year beginning on or after July 1, 2022, but before July 1, 2026, there is appropriated from the general fund of the state to the department of education an amount necessary to make all school district property tax replacement payments under this section, as calculated in subsection 2.

Sec. 26. Section 257.16D, subsection 2, paragraph a, Code 2025, is amended to read as follows:

a. ~~There~~ For fiscal years beginning before July 1, 2026, there is appropriated annually from the fund to the department of management an amount necessary to make all foundation base supplement payments under this section. The department of management shall calculate each school district's foundation base supplement payment based on the distribution methodology under paragraph "*b*".

Sec. 27. Section 257.16D, subsection 3, Code 2025, is amended to read as follows:

3. Notwithstanding section 8.33, any moneys remaining in the foundation base supplement fund at the end of a fiscal year shall not revert to any other fund but shall remain in the foundation base supplement fund for use as provided in this section for the following fiscal year. However, at the end of the fiscal year beginning July 1, 2025, any moneys remaining in the foundation

base supplement fund shall be transferred for deposit in the secure an advanced vision for education fund.

Sec. 28. Section 257.31, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 19. *a.* The board of directors of each school district with an unexpended fund balance in the district's management levy fund under section 298A.3 at the conclusion of the fiscal year beginning July 1, 2024, that exceeds an amount equal to the total expenditures from the district's management levy fund for the fiscal year beginning July 1, 2024, shall certify such unexpended fund balance and expenditure amounts, including any reserved or designated amounts in the fund and the purposes therefor, to the school budget review committee by November 15, 2025. The committee shall prescribe the form for such certifications.

b. The committee shall conduct a review of the unexpended fund balances and expenditures of school district management levy funds certified under paragraph "*a*". The committee shall consult with boards of directors of school districts and other relevant persons to determine the appropriateness of establishing district management levy fund unexpended fund balance limitations. By February 1, 2026, the committee shall make recommendations to the general assembly for establishing district management levy fund unexpended fund balance limitations for fiscal years beginning on or after July 1, 2027, including recommendations for limitations based on a percentage of the district's management levy fund expenditures and recommendations for management levy limitations and expenditure requirements for excess funds.

Sec. 29. Section 298.2, subsection 1, Code 2025, is amended to read as follows:

1. *a.* A physical plant and equipment levy of not exceeding ~~one dollar and sixty-seven~~ eighty-three and one-half cents per thousand dollars of assessed valuation in the district is established except as otherwise provided in this subsection. The physical plant and equipment levy consists of the regular

physical plant and equipment levy of not exceeding ~~thirty-three~~ sixteen and one-half cents per thousand dollars of assessed valuation in the district and a voter-approved physical plant and equipment levy of not exceeding ~~one dollar and thirty-four~~ sixty-seven cents per thousand dollars of assessed valuation in the district. However, the voter-approved physical plant and equipment levy may consist of a combination of a physical plant and equipment property tax levy and a physical plant and equipment income surtax as provided in subsection 4 with the maximum amount levied and imposed limited to an amount that could be raised by a ~~one dollar and thirty-four~~ sixty-seven cent property tax levy. A voter-approved physical plant and equipment levy approved prior to the effective date of this division of this Act are subject to the rate limitations of this paragraph.

b. For school budget years beginning on or after July 1, ~~2015~~ 2026, a school district may by resolution of the board of directors adopted prior to April 30 preceding the budget year impose a physical plant and equipment levy at a rate in excess of the levy rate limitations under paragraph "*a*" if the board has refunded or refinanced a loan agreement entered into under section 297.36 and such refunding or refinancing complies with the maturity period authorized under section 297.36, subsection 1, paragraph "*c*", and results in a lower amount of interest on the amount of the loan agreement. However, the rate imposed by a school district under this paragraph shall not exceed the rate imposed during the budget year in which the loan agreement was refunded or refinanced or fifty percent of such levy rate if the refunding or refinancing occurred in the budget year beginning July 1, 2025. Authorization to exceed the levy rate limitations of paragraph "*a*" shall terminate upon the maturity of the loan agreement after refunding or refinancing. Upon adoption of the resolution under this paragraph "*b*", the board shall comply with the requirements of section 297.36, subsection 1, paragraph "*b*".

Sec. 30. Section 298.2, subsection 2, Code 2025, is amended by striking the subsection.

Sec. 31. Section 298.4, subsection 1, unnumbered paragraph 1, Code 2025, is amended to read as follows:

~~The~~ Unless prohibited by subsection 1A, paragraph "*a*", the board of directors of a school district may certify for levy by April 30 of a school year, a tax on all taxable property in the school district for a district management levy, subject to the limitations in subsection 1A, paragraph "*b*". The revenue from the tax levied in this section shall be placed in the district management levy fund of the school district. The district management levy shall be expended only for the following purposes:

Sec. 32. Section 298.4, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. *a.* (1) For the fiscal year beginning July 1, 2027, if a school district's unexpended fund balance, as defined in section 257.2, of the district's management levy fund is equal to or exceeds one hundred eighty percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year, the board of directors shall not certify a levy under this section for the fiscal year.

(2) For the fiscal year beginning July 1, 2028, if a school district's unexpended fund balance, as defined in section 257.2, of the district's management levy fund is equal to or exceeds one hundred seventy-five percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year, the board of directors shall not certify a levy under this section for the fiscal year.

(3) For the fiscal year beginning July 1, 2029, if a school district's unexpended fund balance, as defined in section 257.2, of the district's management levy fund is equal to or exceeds one hundred seventy percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year, the board of

directors shall not certify a levy under this section for the fiscal year.

(4) For the fiscal year beginning July 1, 2030, if a school district's unexpended fund balance, as defined in section 257.2, of the district's management levy fund is equal to or exceeds one hundred sixty-five percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year, the board of directors shall not certify a levy under this section for the fiscal year.

(5) For the fiscal year beginning July 1, 2031, and each succeeding fiscal year, if a school district's unexpended fund balance, as defined in section 257.2, of the district's management levy fund is equal to or exceeds one hundred sixty percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year, the board of directors shall not certify a levy under this section for the fiscal year.

b. (1) For the fiscal year beginning July 1, 2027, if a school district is not prohibited from certifying a levy pursuant to paragraph "*a*", the maximum amount that the board of directors may certify for levy under this section shall be an amount equal to the remainder of one hundred eighty percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund unexpended fund balance for the fiscal year preceding the base year.

(2) For the fiscal year beginning July 1, 2028, if a school district is not prohibited from certifying a levy pursuant to paragraph "*a*", the maximum amount that the board of directors may certify for levy under this section shall be an amount equal to the remainder of one hundred seventy-five percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund unexpended fund

balance for the fiscal year preceding the base year.

(3) For the fiscal year beginning July 1, 2029, if a school district is not prohibited from certifying a levy pursuant to paragraph "*a*", the maximum amount that the board of directors may certify for levy under this section shall be an amount equal to the remainder of one hundred seventy percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund unexpended fund balance for the fiscal year preceding the base year.

(4) For the fiscal year beginning July 1, 2030, if a school district is not prohibited from certifying a levy pursuant to paragraph "*a*", the maximum amount that the board of directors may certify for levy under this section shall be an amount equal to the remainder of one hundred sixty-five percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund unexpended fund balance for the fiscal year preceding the base year.

(5) For the fiscal year beginning July 1, 2031, and each succeeding fiscal year, if a school district is not prohibited from certifying a levy pursuant to paragraph "*a*", the maximum amount that the board of directors may certify for levy under this section shall be an amount equal to the remainder of one hundred sixty percent of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund unexpended fund balance for the fiscal year preceding the base year.

Sec. 33. Section 298.18, subsection 1, paragraph d, Code 2025, is amended to read as follows:

d. The amount estimated and certified to apply on principal and interest for any one year may exceed ~~two dollars and seventy~~ one dollar and thirty-five cents per thousand dollars of assessed value by the amount approved by the voters of the school corporation, but not exceeding ~~four~~ two dollars and ~~five~~ two and one-half cents per thousand dollars of the assessed value of the taxable property within any school corporation, provided that the registered voters of such school corporation have first approved such increased amount at an election held on a date specified in section 39.2, subsection 4, paragraph *"c"*. Amounts approved at election before the effective date of this division of this Act are subject to the levy rate limitations of this paragraph.

Sec. 34. Section 423F.2, subsection 3, paragraph b, subparagraph (2), Code 2025, is amended to read as follows:

(2) For purposes of this subsection, the equity transfer amount for fiscal years beginning before July 1, 2026, is determined by multiplying the equity transfer percentage by the amount of moneys available in the secure an advanced vision for education fund in the fiscal year. For fiscal years beginning on or after July 1, 2026, the equity transfer amount is zero.

(a) For the fiscal year beginning July 1, 2018, the equity transfer percentage is two and one-tenth percent. For the fiscal year beginning July 1, 2019, the equity transfer percentage is three and one-tenth percent.

(b) For each fiscal year beginning on or after July 1, 2020, but before July 1, 2026, the equity transfer percentage is equal to the equity transfer percentage for the immediately preceding fiscal year, unless the amount of moneys available in the secure an advanced vision for education fund in the immediately preceding fiscal year equals or exceeds one hundred two percent of the amount of moneys available in the fund for the fiscal year prior to the immediately preceding fiscal year, in which case the equity transfer percentage shall be the equity transfer percentage for the immediately preceding fiscal year plus one percent subject to the limitation in subparagraph division (c).

(c) If the equity transfer percentage calculated under subparagraph division (b) exceeds thirty percent, the equity transfer percentage for that fiscal year shall be thirty percent.

Sec. 35. Section 423F.2, subsection 3, paragraph b, subparagraph (3), unnumbered paragraph 1, Code 2025, is amended to read as follows:

For purposes of this subsection, the foundation base transfer amount for the fiscal year beginning July 1, 2019, is zero, and for each fiscal year beginning on or after July 1, 2020, but before July 1, 2026, the foundation base transfer amount equals the equity transfer amount for the fiscal year under subparagraph (2) minus the sum of the following:

Sec. 36. Section 423F.2, subsection 3, paragraph b, Code 2025, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (04) For purposes of this subsection, the foundation base transfer amount for each fiscal year beginning on or after July 1, 2026, is zero.

Sec. 37. Section 423F.3, subsection 1, paragraph a, Code 2025, is amended to read as follows:

a. Reduction of the bond ~~levies~~ levy under ~~sections~~ section 298.18 ~~and 298.18A~~ and all other debt levies.

Sec. 38. Section 425A.3, subsection 1, Code 2025, is amended to read as follows:

1. The family farm tax credit fund shall be apportioned each year in the manner provided in this chapter so as to give a credit against the tax on each eligible tract of agricultural land within the several school districts of the state in which the levy for the general school fund exceeds ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "*a*". The amount of the credit on each eligible tract of agricultural land shall be the amount the tax levied for the general school fund exceeds the amount of tax which would be levied on each eligible tract of agricultural land were the levy for the general school fund ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "*a*", for the previous year. However, in the case of a deficiency in the family farm tax credit fund to pay the credits in full, the credit on each eligible tract of agricultural land in the state

shall be proportionate and applied as provided in this chapter.

Sec. 39. Section 425A.5, Code 2025, is amended to read as follows:

425A.5 Computation by county auditor.

The family farm tax credit allowed each year shall be computed as follows: On or before April 1, the county auditor shall list by school districts all tracts of agricultural land which are entitled to credit, the taxable value for the previous year, the budget from each school district for the previous year, and the tax rate determined for the general fund of the school district in the manner prescribed in section 444.3 for the previous year, and if the tax rate is in excess of ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "*a*", the auditor shall multiply the tax levy which is in excess of ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "*a*", by the total taxable value of the agricultural land entitled to credit in the school district, and on or before April 1, certify the total amount of credit and the total number of acres entitled to the credit to the department of revenue.

Sec. 40. Section 426.3, Code 2025, is amended to read as follows:

426.3 Where credit given.

The agricultural land credit fund shall be apportioned each year in the manner hereinafter provided so as to give a credit against the tax on each tract of agricultural lands within the several school districts of the state in which the levy for the general school fund exceeds ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "*a*"; the amount of such credit on each tract of such lands shall be the amount the tax levied for the general school fund exceeds the amount of tax which would be levied on said tract of such lands were the levy for the general school fund ~~five dollars and forty cents per thousand dollars~~

~~of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "a", for the previous year, except in the case of a deficiency in the agricultural land credit fund to pay said credits in full, in which case the credit on each eligible tract of such lands in the state shall be proportionate and shall be applied as hereinafter provided.

Sec. 41. Section 426.6, subsection 1, Code 2025, is amended to read as follows:

1. The agricultural land tax credit allowed each year shall be computed as follows: On or before April 1, the county auditor shall list by school districts all tracts of agricultural lands which are entitled to credit, together with the taxable value for the previous year, together with the budget from each school district for the previous year, and the tax rate determined for the general fund of the district in the manner prescribed in section 444.3 for the previous year, and if such tax rate is in excess of ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "a", the auditor shall multiply the tax levy which is in excess of ~~five dollars and forty cents per thousand dollars of assessed value~~ the levy rate under section 257.3, subsection 1, paragraph "a", by the total taxable value of the agricultural lands entitled to credit in the district, and on or before April 1, certify the amount to the department of revenue.

Sec. 42. REPEAL. Section 298.18A, Code 2025, is repealed.

Sec. 43. ADJUSTMENT OF CALCULATIONS. For property tax credits under chapters 425A and 426 for property taxes due and payable in the fiscal year beginning July 1, 2026, the tax rate determined for the general fund of the school district in the manner prescribed in section 444.3 for the previous year shall be determined using the appropriate property tax levy rate under section 257.3, as amended in this division of this Act.

Sec. 44. EFFECTIVE DATE. Except for the section of this division of this Act amending section 257.31, this division of this Act takes effect January 1, 2026.

Sec. 45. APPLICABILITY. Except for the section of this division of this Act amending section 257.31, this division of this Act applies to fiscal years and school budget years beginning on or after July 1, 2026.

DIVISION IV

PROPERTY CLASSIFICATIONS, VALUATIONS, AND ASSESSMENT LIMITATIONS

Sec. 46. Section 386.8, Code 2025, is amended to read as follows:

386.8 Operation tax.

A city may establish a self-supported improvement district operation fund, and may certify taxes not to exceed the rate limitation as established in the ordinance creating the district, or any amendment thereto, each year to be levied for the fund against all of the property in the district, for the purpose of paying the administrative expenses of the district, which may include but are not limited to administrative personnel salaries, a separate administrative office, planning costs including consultation fees, engineering fees, architectural fees, and legal fees and all other expenses reasonably associated with the administration of the district and the fulfilling of the purposes of the district. The taxes levied for this fund may also be used for the purpose of paying maintenance expenses of improvements or self-liquidating improvements for a specified length of time with one or more options to renew if such is clearly stated in the petition which requests the council to authorize construction of the improvement or self-liquidating improvement, whether or not such petition is combined with the petition requesting creation of a district. Parcels of property which are assessed as residential property for property tax purposes are exempt from the tax levied under this section except residential properties within a duly designated historic district or property classified as ~~residential~~ multiresidential property under section 441.21, subsection ~~14~~ 13, paragraph "a", subparagraph ~~(6)~~ (5). A tax levied under this section is not subject to the levy limitation in section 384.1.

Sec. 47. Section 386.9, Code 2025, is amended to read as follows:

386.9 Capital improvement tax.

A city may establish a capital improvement fund for a district and may certify taxes, not to exceed the rate established by the ordinance creating the district, or any subsequent amendment thereto, each year to be levied for the fund against all of the property in the district, for the purpose of accumulating moneys for the financing or payment of a part or all of the costs of any improvement or self-liquidating improvement. However, parcels of property which are assessed as residential property for property tax purposes are exempt from the tax levied under this section except residential properties within a duly designated historic district or property classified as ~~residential~~ multiresidential property under section 441.21, subsection ~~14~~ 13, paragraph *"a"*, subparagraph ~~(6)~~ (5). A tax levied under this section is not subject to the levy limitations in section 384.1 or 384.7.

Sec. 48. Section 386.10, Code 2025, is amended to read as follows:

386.10 Debt service tax.

A city shall establish a self-supported municipal improvement district debt service fund whenever any self-supported municipal improvement district bonds are issued and outstanding, other than revenue bonds, and shall certify taxes to be levied against all of the property in the district for the debt service fund in the amount necessary to pay interest as it becomes due and the amount necessary to pay, or to create a sinking fund to pay, the principal at maturity of all self-supported municipal improvement district bonds as authorized in section 386.11, issued by the city. However, parcels of property which are assessed as residential property for property tax purposes at the time of the issuance of the bonds are exempt from the tax levied under this section until the parcels are no longer assessed as residential property or until the residential properties are designated as a part of a historic district or property classified as ~~residential~~

multiresidential property under section 441.21, subsection ~~14~~ 13, paragraph "*a*", subpararagraph ~~(6)~~ (5).

Sec. 49. Section 404.2, subsection 2, paragraph f, Code 2025, is amended to read as follows:

f. A statement specifying whether the revitalization is applicable to none, some, or all of the property assessed as residential, multiresidential, agricultural, commercial, or industrial property within the designated area or a combination thereof and whether the revitalization is for rehabilitation and additions to existing buildings or new construction or both. If revitalization is made applicable only to some property within an assessment classification, the definition of that subset of eligible property must be by uniform criteria which further some planning objective identified in the plan. The city shall state how long it is estimated that the area shall remain a designated revitalization area which time shall be longer than one year from the date of designation and shall state any plan by the city to issue revenue bonds for revitalization projects within the area. For a county, a revitalization area shall include only property which will be used as industrial property, commercial property, multiresidential property, or residential property. However, a county shall not provide a tax exemption under this chapter to commercial property, multiresidential property, or residential property which is located within the limits of a city.

Sec. 50. Section 404.3, subsection 4, paragraph a, Code 2025, is amended by striking the paragraph and inserting in lieu thereof the following:

a. All qualified real estate assessed as any of the following is eligible to receive a one hundred percent exemption from taxation on the actual value added by the improvements:

(1) Residential property.

(2) Commercial property if the commercial property consists of three or more separate living quarters with at least seventy-five percent of the space used for residential purposes.

(3) Multiresidential property if the multiresidential

property consists of three or more separate living quarters with at least seventy-five percent of the space used for residential purposes.

Sec. 51. Section 404.3A, Code 2025, is amended to read as follows:

404.3A Residential development area exemption.

Notwithstanding the schedules provided for in section 404.3, all qualified real estate assessed as residential property or multiresidential property, excluding property classified as ~~residential~~ multiresidential property under section 441.21, subsection ~~14~~ 13, paragraph *"a"*, subparagraph ~~(6)~~ (5), in an area designated under section 404.1, subsection 5, is eligible to receive an exemption from taxation on the first seventy-five thousand dollars of actual value added by the improvements. The exemption is for a period of five years.

Sec. 52. Section 404.3D, Code 2025, is amended to read as follows:

404.3D Exemptions for residential and multiresidential property.

For revitalization areas established under this chapter on or after July 1, 2024, and for first-year exemption applications for property located in a revitalization area in existence on July 1, 2024, filed on or after July 1, 2024, an exemption authorized under this chapter for property that is residential property or multiresidential property shall not apply to property tax levies imposed by a school district.

Sec. 53. Section 441.21, subsection 1, paragraph b, subparagraph (1), Code 2025, is amended to read as follows:

(1) The actual value of all property subject to assessment and taxation shall be the fair and reasonable market value of such property except as otherwise provided in this section. *"Market value"* is defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the

facts relating to the particular property. Sale prices of the property or comparable property in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration in arriving at its market value. In arriving at market value, sale prices of property in abnormal transactions not reflecting market value shall not be taken into account, or shall be adjusted to eliminate the effect of factors which distort market value, including but not limited to built-to-suit construction, sale-leaseback transactions, leased fee sales, sales ~~to immediate family of the seller~~ between related parties, foreclosure or other forced sales, contract sales, discounted purchase transactions or purchase of adjoining land or other land to be operated as a unit.

Sec. 54. Section 441.21, subsection 1, paragraph e, Code 2025, is amended to read as follows:

e. The actual value of agricultural property shall be determined on the basis of productivity and net earning capacity of the property determined on the basis of its use for agricultural purposes capitalized at a rate of seven percent and applied uniformly among counties and among classes of property. However, for assessment years beginning on or after January 1, 2026, structures on agricultural land constructed on or after January 1, 2026, that are not agricultural dwellings shall not be included in determination of productivity and net earning capacity of agricultural property and shall not be allocated any portion of the total county productivity value so determined. However, such structures shall be treated similarly to agricultural structures constructed before January 1, 2026, when applying any equalization order of the department. Such agricultural structures shall instead be valued according to the structure's replacement cost less depreciation and obsolescence and the structure's assessed value subject to taxation prior to application of any assessment limitation under subsection 4 shall be equal to the product of the structure's value multiplied by the agricultural factor, as determined in 701 IAC 102.3(2) or succeeding rule of the department. Any formula or method employed to determine productivity and net earning capacity of property shall be adopted in full by rule.

Sec. 55. Section 441.21, subsection 2, Code 2025, is amended to read as follows:

2. In the event market value of the property being assessed cannot be readily established in the foregoing manner, then the assessor may determine the value of the property using the other uniform and recognized appraisal methods including its productive and earning capacity, if any, industrial conditions, its cost, physical and functional depreciation and obsolescence and replacement cost, and all other factors which would assist in determining the fair and reasonable market value of the property but the actual value shall not be determined by use of only one such factor. The following shall not be taken into consideration: Special value or use value of the property to its present owner, and the goodwill or value of a business which uses the property as distinguished from the value of the property as property. In addition, for assessment years beginning on or after January 1, 2018, and unless otherwise required for property valued by the department of revenue pursuant to chapters 428, 437, and 438, the assessor shall not take into consideration and shall not request from any person sales or receipts data, expense data, balance sheets, bank account information, or other data related to the financial condition of a business operating in whole or in part on the property if the property is both classified as commercial or industrial property and owned and used by the owner of the business. However, in assessing property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, as amended, and which section limits the amount that the individual or family pays for the rental or lease of units in the property, the assessor shall, unless the owner elects to withdraw the property from the assessment procedures for

section 42 property, use the productive and earning capacity from the actual rents received as a method of appraisal and shall take into account the extent to which that use and limitation reduces the market value of the property. The assessor shall not consider any tax credit equity or other subsidized financing as income provided to the property in determining the assessed value. The property owner shall notify the assessor when property is withdrawn from section 42 eligibility under the Internal Revenue Code or if the owner elects to withdraw the property from the assessment procedures for section 42 property under this subsection. The property shall not be subject to section 42 assessment procedures for the assessment year for which section 42 eligibility is withdrawn or an election is made. This notification must be provided to the assessor no later than March 1 of the assessment year or the owner will be subject to a penalty of five hundred dollars for that assessment year. The penalty shall be collected at the same time and in the same manner as regular property taxes. An election to withdraw from the assessment procedures for section 42 property is irrevocable. Property that is withdrawn from the assessment procedures for section 42 property shall be classified and assessed as ~~residential~~ multiresidential property unless the property otherwise fails to meet the requirements of subsection ~~14~~ 13. Upon adoption of uniform rules by the department of revenue or succeeding authority covering assessments and valuations of such properties, the valuation on such properties shall be determined in accordance with such rules and in accordance with forms and guidelines contained in the real property appraisal manual prepared by the department as updated from time to time for assessment purposes to assure uniformity, but such rules, forms, and guidelines shall not be inconsistent with or change the foregoing means of determining the actual, market, taxable, and assessed values.

Sec. 56. Section 441.21, subsections 4 and 5, Code 2025, are amended to read as follows:

4. For valuations established as of January 1, ~~1979~~ 2025, the percentage of actual value at which agricultural and residential property shall be assessed shall be ~~the quotient of the dividend and divisor as defined in this section~~ determined under this subsection.

a. ~~(1)~~ The percentage of actual value at which agricultural property shall be assessed shall be the quotient of the dividend and divisor as defined in this paragraph. The dividend ~~for each class of property~~ shall be the dividend as determined for ~~each class of~~ agricultural property for valuations established as of January 1, ~~1978~~ 2024, as determined under the applicable law for that assessment year, adjusted by the product obtained by multiplying the percentage determined for that year by the amount of any additions or deletions to actual value, excluding those resulting from the revaluation of existing properties, as reported by the assessors on the abstracts of assessment for ~~1978~~ 2024, plus ~~six~~ three percent of the amount so determined.

~~(2) However, if the difference between the dividend so determined for either class of property and the dividend for that class of property for valuations established as of January 1, 1978, adjusted by the product obtained by multiplying the percentage determined for that year by the amount of any additions or deletions to actual value, excluding those resulting from the revaluation of existing properties, as reported by the assessors on the abstracts of assessment for 1978, is less than six percent, the 1979 dividend for the other class of property shall be the dividend as determined for that class of property for valuations established as of January 1, 1978, adjusted by the product obtained by multiplying the percentage determined for that year by the amount of any additions or deletions to actual value, excluding those resulting from the revaluation of existing properties, as reported by the assessors on the abstracts of assessment for 1978, plus a percentage of the amount so determined which is equal to the percentage by which the dividend as determined for the other class of property~~

~~for valuations established as of January 1, 1978, adjusted by the product obtained by multiplying the percentage determined for that year by the amount of any additions or deletions to actual value, excluding those resulting from the revaluation of existing properties, as reported by the assessors on the abstracts of assessment for 1978, is increased in arriving at the 1979 dividend for the other class of property.~~

~~(3) For valuations established for assessment years beginning on or after January 1, 2022, the calculation of the dividend for residential property under this subsection shall exclude the value of all property described in subsection 14, paragraph "*a*", subparagraphs (2), (3), (4), (5), and (6), and the property described in subsection 14, paragraph "*a*", subparagraph (7), that contains three or more separate dwelling units.~~

~~*b.* (1)~~ The divisor ~~for each class of property~~ shall be the total actual value of all ~~such~~ agricultural property in the state in the preceding year, as reported by the assessors on the abstracts of assessment submitted for ~~1978~~ 2024, as determined under the applicable law for that assessment year, plus the amount of value added to said total actual value by the revaluation of existing properties in ~~1979~~ 2025 as equalized by the director of revenue pursuant to section 441.49. The director shall utilize information reported on abstracts of assessment submitted pursuant to section 441.45 in determining such percentage. For valuations established as of January 1, 2026, and each assessment year thereafter, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which agricultural property shall be assessed shall be calculated in accordance with the methods provided in this paragraph.

~~(2) For valuations established for assessment years beginning on or after January 1, 2022, the calculation of the divisor for residential property under this subsection shall exclude the value of all property described in subsection 14, paragraph "*a*", subparagraphs (2), (3), (4), (5), and (6), and the property~~

~~described in subsection 14, paragraph "a", subparagraph (7), that contains three or more separate dwelling units.~~

~~*c.* (1) For valuations established as of January 1, 1980, and each assessment year thereafter beginning before January 1, 2013, the percentage of actual value as equalized by the director of revenue as provided in section 441.49 at which agricultural and residential property shall be assessed shall be calculated in accordance with the methods provided in this subsection, including the limitation of increases in agricultural and residential assessed values to the percentage increase of the other class of property if the other class increases less than the allowable limit adjusted to include the applicable and current values as equalized by the director of revenue, except that any references to six percent in this subsection shall be four percent.~~

~~(2) For valuations established as of January 1, 2013, and each assessment year thereafter, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which agricultural and residential property shall be assessed shall be calculated in accordance with the methods provided in this subsection, including the limitation of increases in agricultural and residential assessed values to the percentage increase of the other class of property if the other class increases less than the allowable limit adjusted to include the applicable and current values as equalized by the department of revenue, except that any references to six percent in this subsection shall be three percent.~~

b. (1) For valuations established for the assessment year beginning January 1, 2024, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which residential property shall be assessed shall be forty-seven and four thousand three hundred sixteen ten-thousandths percent.

(2) For valuations established for the assessment year beginning January 1, 2025, and each assessment year thereafter,

the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which residential property shall be assessed shall be one hundred percent.

5. *a.* ~~(1) For valuations established as of January 1, 1979, property valued by the department of revenue pursuant to chapter 437 shall be considered as one class of property and shall be assessed as a percentage of its actual value. The percentage shall be determined by the director of revenue in accordance with the provisions of this section. For valuations established as of January 1, 1979, the percentage shall be the quotient of the dividend and divisor as defined in this section. The dividend shall be the total actual valuation established for 1978 by the department of revenue, plus ten percent of the amount so determined. The divisor for property valued by the department of revenue pursuant to chapter 437 shall be the valuation established for 1978, plus the amount of value added to the total actual value by the revaluation of the property by the department of revenue as of January 1, 1979. For valuations established as of January 1, 1980, property valued by the department of revenue pursuant to chapter 437 shall be assessed at a percentage of its actual value. The percentage shall be determined by the director of revenue in accordance with the provisions of this section. For valuations established as of January 1, 1980, the percentage shall be the quotient of the dividend and divisor as defined in this section. The dividend shall be the total actual valuation established for 1979 by the department of revenue, plus eight percent of the amount so determined. The divisor for property valued by the department of revenue pursuant to chapter 437 shall be the valuation established for 1979, plus the amount of value added to the total actual value by the revaluation of the property by the department of revenue as of January 1, 1980. For valuations established as of January 1, 1981, and each year thereafter, the percentage of actual value at which property valued by the department of revenue pursuant to chapter 437 shall be assessed shall be calculated in accordance with the methods~~

~~provided herein, except that any references to ten percent in this subsection shall be eight percent.~~

~~(2)~~ (1) For valuations established on or after January 1, 2013, property valued by the department of revenue pursuant to chapter 434 shall be assessed at a portion of its actual value determined in the same manner at which property assessed as commercial property is assessed under paragraph "*b*" for the same assessment year.

~~(3)~~ (2) For valuations established for the assessment year beginning January 1, 2025, and each assessment year thereafter, the percentage of actual value at which property valued by the department of revenue pursuant to chapters 428, 437, and 438 shall be assessed shall be ~~ninety-eight~~ one hundred percent.

~~(4) For valuations established for the assessment year beginning January 1, 2026, the percentage of actual value at which property valued by the department of revenue pursuant to chapters 428 and 438 shall be assessed shall be ninety-six percent.~~

~~(5) For valuations established for the assessment year beginning January 1, 2027, the percentage of actual value at which property valued by the department of revenue pursuant to chapters 428 and 438 shall be assessed shall be ninety-four percent.~~

~~(6) For valuations established for the assessment year beginning January 1, 2028, the percentage of actual value at which property valued by the department of revenue pursuant to chapters 428 and 438 shall be assessed shall be ninety-two percent.~~

~~(7) For valuations established on or after January 1, 2029, the percentage of actual value at which property valued by the department of revenue pursuant to chapters 428 and 438 shall be assessed shall be ninety percent.~~

b. ~~For valuations established on or after January 1, 2013, commercial~~ Commercial property, excluding properties referred to in section 427A.1, subsection 9, shall be assessed at a portion of its actual value, as determined in this paragraph "*b*".

~~(1) For valuations established for the assessment year beginning January 1, 2013, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which commercial property shall be assessed shall be ninety-five percent. For valuations established for the assessment year beginning January 1, 2014, and each assessment year thereafter beginning before January 1, 2022, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which commercial property shall be assessed shall be ninety percent.~~

~~(2)~~ (1) For valuations established for the assessment year beginning January 1, 2022, and each assessment year thereafter beginning before January 1, 2025, the portion of actual value at which each property unit of commercial property shall be assessed shall be the sum of the following:

(a) An amount equal to the product of the assessment limitation percentage applicable to residential property under subsection 4 for that assessment year multiplied by the actual value of the property that exceeds zero dollars but does not exceed one hundred fifty thousand dollars.

(b) An amount equal to ninety percent of the actual value of the property for that assessment year that exceeds one hundred fifty thousand dollars.

(2) For valuations established for the assessment year beginning January 1, 2025, and each assessment year thereafter, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which commercial property shall be assessed shall be one hundred percent.

c. ~~For valuations established on or after January 1, 2013, industrial~~ Industrial property, excluding properties referred to in section 427A.1, subsection 9, shall be assessed at a portion of its actual value, as determined in this paragraph "*c*".

~~(1) For valuations established for the assessment year beginning January 1, 2013, the percentage of actual value as~~

~~equalized by the department of revenue as provided in section 441.49 at which industrial property shall be assessed shall be ninety-five percent. For valuations established for the assessment year beginning January 1, 2014, and each assessment year thereafter beginning before January 1, 2022, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which industrial property shall be assessed shall be ninety percent.~~

~~(2)~~ (1) For valuations established for the assessment year beginning January 1, 2022, and each assessment year thereafter beginning before January 1, 2025, the portion of actual value at which each property unit of industrial property shall be assessed shall be the sum of the following:

(a) An amount equal to the product of the assessment limitation percentage applicable to residential property under subsection 4 for that assessment year multiplied by the actual value of the property that exceeds zero dollars but does not exceed one hundred fifty thousand dollars.

(b) An amount equal to ninety percent of the actual value of the property for that assessment year that exceeds one hundred fifty thousand dollars.

(2) For valuations established for the assessment year beginning January 1, 2025, and each assessment year thereafter, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which industrial property shall be assessed shall be one hundred percent.

d. For valuations established for the assessment year beginning January 1, 2019, and each assessment year thereafter beginning before January 1, 2025, the percentages or portions of actual value at which property is assessed, as determined under this subsection, shall not be applied to the value of wind energy conversion property valued under section 427B.26 the construction of which is approved by the Iowa utilities commission on or after July 1, 2018.

e. (1) ~~For the fiscal year beginning July 1, 2023, there is~~

~~appropriated from the general fund of the state to the department of revenue the sum of one hundred twenty-two million three hundred fifty thousand dollars to be used for payments under this paragraph calculated as a result of the assessment limitations imposed under paragraph "*b*", subparagraph (2), subparagraph division (a), and paragraph "*c*", subparagraph (2), subparagraph division (a).~~ For each fiscal year beginning on or after July 1, 2024, but before July 1, 2026, there is appropriated from the general fund of the state to the department of revenue the sum of one hundred twenty-five million dollars to be used for payments under this paragraph calculated as a result of the assessment limitations imposed under paragraph "*b*", subparagraph (2), subparagraph division (a), Code 2025, and paragraph "*c*", subparagraph (2), subparagraph division (a), Code 2025.

(2) For fiscal years beginning on or after July 1, 2023, but before July 1, 2026, each county treasurer shall be paid by the department of revenue an amount calculated under subparagraph (4) for the applicable fiscal year. If an amount appropriated for the fiscal year is insufficient to make all payments as calculated under subparagraph (4), the director of revenue shall prorate the payments to the county treasurers and shall notify the county auditors of the pro rata percentage on or before September 30.

(3) On or before July 1 of each applicable fiscal year, the assessor shall report to the county auditor that portion of the total actual value of all commercial property and industrial property in the county that is subject to the assessment limitations imposed under paragraph "*b*", subparagraph (2), subparagraph division (a), Code 2025, and paragraph "*c*", subparagraph (2), subparagraph division (a), Code 2025, for the assessment year used to calculate the taxes due and payable in that fiscal year.

(4) On or before September 1 of each applicable fiscal year, the county auditor shall prepare a statement, based on the report received in subparagraph (3) and information transmitted

to the county auditor under chapter 434, listing for each taxing district in the county:

(a) The product of the portion of the total actual value of all commercial property, industrial property, and property valued by the department under chapter 434 in the county that is subject to the assessment limitations imposed under paragraph *"b"*, subparagraph (2), subparagraph division (a), Code 2025, and paragraph *"c"*, subparagraph (2), subparagraph division (a), Code 2025, for the applicable assessment year used to calculate taxes which are due and payable in the applicable fiscal year multiplied by the difference, stated as a percentage, between ninety percent and the assessment limitation percentage applicable to residential property under subsection 4 for the applicable assessment year.

(b) The tax levy rate per one thousand dollars of assessed value for each taxing district for the applicable fiscal year.

(c) The amount of the payment for each county is equal to the amount determined pursuant to subparagraph division (a), multiplied by the tax rate specified in subparagraph division (b), and then divided by one thousand dollars.

(5) The county auditor shall certify and forward one copy of the statement described in subparagraph (4) to the department of revenue not later than September 1 of each fiscal year.

(6) The amounts determined under this paragraph shall be paid by the department to the county treasurers in equal installments in September and March of each year. The county treasurer shall apportion the payments among the eligible taxing districts in the county and the amounts received by each taxing authority shall be treated the same as property taxes paid.

f. For the purposes of this subsection, unless the context otherwise requires:

(1) *"Contiguous parcels"* means any of the following:

(a) Parcels that share a common boundary.

(b) Parcels within the same building or structure regardless of whether the parcels share a common boundary.

(c) Permanent improvements to the land that are situated on one or more parcels of land that are assessed and taxed separately from the permanent improvements if the parcels of land upon which the permanent improvements are situated share a common boundary.

(2) *"Parcel"* means the same as defined in section 445.1. *"Parcel"* also means that portion of a parcel assigned a classification of commercial property or industrial property pursuant to ~~section 441.21,~~ subsection ~~14~~ 13, paragraph *"b"*.

(3) *"Property unit"* means a parcel or contiguous parcels all of which are located within the same county, with the same property tax classification, are owned by the same person, and are operated by that person for a common use and purpose.

Sec. 57. Section 441.21, subsection 8, paragraph b, Code 2025, is amended to read as follows:

b. Notwithstanding paragraph *"a"*, any construction or installation of a solar energy system on property classified as agricultural, residential, multiresidential, commercial, or industrial property shall not increase the actual, assessed, and taxable values of the property for five full assessment years.

Sec. 58. Section 441.21, subsections 9 and 10, Code 2025, are amended to read as follows:

9. Not later than November 1, ~~1979~~ 2025, and November 1 of each subsequent year, the director shall certify to the county auditor of each county the ~~percentages~~ percentage of actual value at which ~~residential property,~~ agricultural property~~, commercial property, industrial property, property valued by the department of revenue pursuant to chapters 428 and 438, property valued by the department of revenue pursuant to chapter 434, and property valued by the department of revenue pursuant to chapter 437 in each assessing jurisdiction in the county~~ shall be assessed for taxation~~, including for assessment years beginning on or after January 1, 2022, the percentages used to apply the assessment limitations under subsection 5, paragraphs "b" and "c"~~ as determined under subsection 4. The county auditor

shall proceed to determine the assessed values of agricultural property~~, residential property, commercial property, industrial property, property valued by the department of revenue pursuant to chapters 428 and 438, property valued by the department of revenue pursuant to chapter 434, and property valued by the department of revenue pursuant to chapter 437~~ by applying ~~such percentages~~ the percentage to the current actual value of such property, as reported to the county auditor by the assessor, and the assessed values so determined shall be the taxable values of such properties upon which the levy shall be made.

10. The ~~percentages~~ percentage of actual value computed by the department of revenue under subsection 4 for agricultural property~~, residential property, commercial property, industrial property, property valued by the department of revenue pursuant to chapters 428 and 438, property valued by the department of revenue pursuant to chapter 434, and property valued by the department of revenue pursuant to chapter 437, including for assessment years beginning on or after January 1, 2022, the percentages used to apply the assessment limitations under subsection 5, paragraphs "b" and "c", and~~ used to determine assessed values of ~~those classes of~~ agricultural property ~~do~~ does not constitute a rule as defined in section 17A.2, subsection 11.

Sec. 59. Section 441.21, subsections 13 and 14, Code 2025, are amended to read as follows:

13. *a.* Beginning with valuations established on or after January 1, ~~2016~~ 2025, ~~but before January 1, 2022,~~ all of the following shall be valued as a separate class of property known as multiresidential property and, excluding properties referred to in section 427A.1, subsection 9, ~~shall be assessed at a percentage of its actual value, as determined in this subsection~~ the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be one hundred percent:

(1) Mobile home parks.

(2) Manufactured home communities.

(3) Land-leased communities.

(4) Assisted living facilities.

(5) A parcel primarily used or intended for human habitation containing three or more separate dwelling units. If a portion of such a parcel is used or intended for a purpose that, if the primary use, would be classified as commercial property or industrial property, each such portion, including a proportionate share of the land included in the parcel, if applicable, shall be assigned the appropriate classification pursuant to paragraph ~~*"c"*~~ *"b"*.

(6) For a parcel that is primarily used or intended for use as commercial property or industrial property, that portion of the parcel that is used or intended for human habitation, regardless of the number of dwelling units contained on the parcel, including a proportionate share of the land included in the parcel, if applicable. The portion of such a parcel used or intended for use as commercial property or industrial property, including a proportionate share of the land included in the parcel, if applicable, shall be assigned the appropriate classification pursuant to paragraph ~~*"c"*~~ *"b"*.

~~*b.* For valuations established for the assessment year beginning January 1, 2015, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be the greater of eighty-six and twenty-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under subsection 4. For valuations established for the assessment year beginning January 1, 2016, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be the greater of eighty-two and five-tenths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for~~

~~the same assessment year under subsection 4. For valuations established for the assessment year beginning January 1, 2017, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be the greater of seventy-eight and seventy-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under subsection 4. For valuations established for the assessment year beginning January 1, 2018, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be the greater of seventy-five percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under subsection 4. For valuations established for the assessment year beginning January 1, 2019, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be the greater of seventy-one and twenty-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under subsection 4. For valuations established for the assessment year beginning January 1, 2020, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential property shall be assessed shall be the greater of sixty-seven and five-tenths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under subsection 4. For valuations established for the assessment year beginning January 1, 2021, the percentage of actual value as equalized by the department of revenue as provided in section 441.49 at which multiresidential~~

~~property shall be assessed shall be the greater of sixty-three and seventy-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under subsection 4.~~

~~*c.*~~ *b.* Beginning with valuations established on or after January 1, ~~2016~~ 2025, ~~but before January 1, 2022,~~ for parcels for which a portion of the parcel satisfies the requirements for classification as multiresidential property pursuant to paragraph "*a*", subparagraph (5) or (6), the assessor shall assign to that portion of the parcel the classification of multiresidential property and to such other portions of the parcel the property classification for which such other portions qualify.

~~*d.*~~ *c.* Property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, and that has not been withdrawn from section 42 assessment procedures under subsection 2 of this section, or a hotel, motel, inn, or other building where rooms or dwelling units are usually rented for less than one month shall not be classified as multiresidential property under this subsection.

~~*e.*~~ *d.* As used in this subsection:

(1) "*Assisted living facility*" means property for providing assisted living as defined in section 231C.2. "*Assisted living facility*" also includes a health care facility, as defined in section 135C.1, an elder group home, as defined in section 231B.1, a child foster care facility under chapter 237, or property used for a hospice program as defined in section 135J.1.

(2) "*Dwelling unit*" means an apartment, group of rooms, or single room which is occupied as separate living quarters or, if vacant, is intended for occupancy as separate living quarters, in which a tenant can live and sleep separately from any other persons in the building.

(3) "*Land-leased community*" means the same as defined in sections 335.30A and 414.28A.

(4) *"Manufactured home community"* means the same as a land-leased community.

(5) *"Mobile home park"* means the same as defined in section 435.1.

e. For purposes of equalization under sections 441.47 through 441.49, multiresidential property shall be considered residential property.

14. ~~*a.*~~ Beginning with valuations established on or after January 1, ~~2022~~ 2025, ~~all of the following~~ property primarily used or intended for human habitation containing two or fewer dwelling units shall be classified and valued as residential property~~:~~.

~~(1) Property primarily used or intended for human habitation containing two or fewer dwelling units.~~

~~(2) Mobile home parks.~~

~~(3) Manufactured home communities.~~

~~(4) Land-leased communities.~~

~~(5) Assisted living facilities.~~

~~(6) A parcel primarily used or intended for human habitation containing three or more separate dwelling units. If a portion of such a parcel is used or intended for a purpose that, if the primary use, would be classified as commercial property or industrial property, each such portion, including a proportionate share of the land included in the parcel, if applicable, shall be assigned the appropriate classification pursuant to paragraph "*b*".~~

~~(7) For a parcel that is primarily used or intended for use as commercial property or industrial property, that portion of the parcel that is used or intended for human habitation, regardless of the number of dwelling units contained on the parcel, including a proportionate share of the land included in the parcel, if applicable. The portion of such a parcel used or intended for use as commercial property or industrial property, including a proportionate share of the land included in the parcel, if applicable, shall be assigned the appropriate~~

~~classification pursuant to paragraph "*b*".~~

~~*b.* Beginning with valuations established on or after January 1, 2022, for parcels for which a portion of the parcel satisfies the requirements for classification as residential property pursuant to paragraph "*a*", subparagraph (6) or (7), the assessor shall assign to that portion of the parcel the classification of residential property and to such other portions of the parcel the property classification for which such other portions qualify.~~

~~*c.* Property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, and that has not been withdrawn from section 42 assessment procedures under subsection 2 of this section, or a hotel, motel, inn, or other building where rooms or dwelling units are usually rented for less than one month shall not be classified as residential property under this subsection.~~

~~*d.* As used in this subsection:~~

~~(1) "*Assisted living facility*" means property for providing assisted living as defined in section 231C.2. "*Assisted living facility*" also includes a health care facility, as defined in section 135C.1, an elder group home, as defined in section 231B.1, a child foster care facility under chapter 237, or property used for a hospice program as defined in section 135J.1.~~

~~(2) "*Dwelling unit*" means an apartment, group of rooms, or single room which is occupied as separate living quarters or, if vacant, is intended for occupancy as separate living quarters, in which a tenant can live and sleep separately from any other persons in the building.~~

~~(3) "*Land-leased community*" means the same as defined in sections 335.30A and 414.28A.~~

~~(4) "*Manufactured home community*" means the same as a land-leased community.~~

~~(5) "*Mobile home park*" means the same as defined in section 435.1.~~

Sec. 60. Section 558.46, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 4A. For the purposes of this section, *"residential property"* includes commercial or multiresidential property.

Sec. 61. SAVINGS PROVISION. This division of this Act, pursuant to section 4.13, does not affect the operation of, or prohibit the application of, prior provisions of section 441.21, or rules adopted under chapter 17A to administer prior provisions of section 441.21, for assessment years beginning before January 1, 2025, or for duties, powers, protests, appeals, proceedings, actions, or remedies attributable to an assessment year beginning before January 1, 2025, including property taxes due and payable in a fiscal year as the result of an assessment year beginning before January 1, 2025.

Sec. 62. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to assessment years beginning on or after January 1, 2025.

DIVISION V

DISABLED VETERAN AND HOMESTEAD CREDITS AND EXEMPTIONS

Sec. 63. Section 25B.7, subsection 2, paragraph a, Code 2025, is amended to read as follows:

a. Homestead tax credit pursuant to section 425.1~~,~~ and sections 425.2 through 425.13~~, and section 425.15~~.

Sec. 64. Section 425.1, subsection 2, Code 2025, is amended by striking the subsection and inserting in lieu thereof the following:

2. *a.* The homestead credit fund shall be apportioned each year so as to give a credit against the tax on each eligible homestead in the state equal to the amounts specified pursuant to paragraph *"b"* or *"c"*, as applicable.

b. (1) If the owner of a homestead allowed a credit under this subchapter is any of the following, the homestead credit allowed on the homestead shall be the entire amount of tax levied on the homestead:

(a) A veteran of any of the military forces of the United States who acquired the homestead under 38 U.S.C. §21.801, 21.802

prior to August 6, 1991, or under 38 U.S.C. §2101, 2102.

(b) A veteran as defined in section 35.1 with a permanent service-connected disability rating of one hundred percent, as certified by the United States department of veterans affairs, or a permanent and total disability rating based on individual unemployability that is compensated at the one hundred percent disability rate, as certified by the United States department of veterans affairs.

(c) A former member of the national guard of any state who otherwise meets the service requirements of section 35.1, subsection 2, paragraph *"b"*, subparagraph (2) or (7), with a permanent service-connected disability rating of one hundred percent, as certified by the United States department of veterans affairs, or a permanent and total disability rating based on individual unemployability that is compensated at the one hundred percent disability rate, as certified by the United States department of veterans affairs.

(d) An individual who is a surviving spouse or a child and who is receiving dependency and indemnity compensation pursuant to 38 U.S.C. §1301 et seq., as certified by the United States department of veterans affairs.

(2) (a) For an owner described in subparagraph (1), subparagraph division (a), (b), or (c), the credit allowed shall be continued to the estate of an owner who is deceased or the surviving spouse and any child, as defined in section 234.1, who are the beneficiaries of a deceased owner, so long as the surviving spouse remains unmarried.

(b) An individual described in subparagraph (1), subparagraph division (d), is no longer eligible for the credit upon termination of dependency and indemnity compensation under 38 U.S.C. §1301 et seq.

(3) An owner or a beneficiary of an owner who elects to secure the credit provided in this paragraph is not eligible for the credit provided in paragraph *"c"* or any other real property tax credit or exemption provided by law for veterans of military

service.

(4) If an owner acquires a different homestead, the credit allowed under this paragraph may be claimed on the new homestead unless the owner fails to meet the other requirements of this paragraph.

(5) (a) Except as provided in subparagraph division (b), the list of the names and addresses of individuals allowed a credit under this paragraph and maintained by the county recorder, county treasurer, county assessor, city assessor, or other government body is confidential information and shall not be disseminated to any person unless otherwise ordered by a court or released by the lawful custodian of the records pursuant to state or federal law. The county recorder, county treasurer, county assessor, city assessor, or other government body responsible for maintaining the names and addresses of individuals allowed a credit under this paragraph may display such credit on individual paper records and individual electronic records, including display on an internet site.

(b) Upon request, a county recorder, county assessor, city assessor, or other entity may share information as described in subparagraph division (a) to a county veterans service officer for purposes of providing information on benefits and services available to veterans and their families.

(6) (a) For an owner who makes an application to secure the credit provided in this paragraph before July 1, 2025, and for the beneficiary of such an owner, "*homestead*" shall mean the same as defined in section 425.11 for each succeeding assessment year.

(b) For an owner who makes an application to secure the credit provided in this paragraph on or after July 1, 2025, and for the beneficiary of such an owner, "*homestead*" shall mean the same as provided in section 425.11, except the homestead shall not include appurtenances and shall not exceed one-half acre.

(7) For purposes of this paragraph, "*permanent and total disability rating based on individual unemployability*" means a condition under which a person has either a permanent

service-connected disability rating of sixty percent or two or more permanent service-connected disability conditions in which one of the conditions has at least a forty percent rating and the combined rating for all the conditions is at least seventy percent, and the person has an administrative adjustment added to the service-connected disability rating, due to individual unemployability, such that the United States department of veterans affairs rates the veteran permanently and totally disabled for purposes of disability compensation.

c. (1) For assessment years beginning prior to January 1, 2025, unless eligible under section 425.15, Code 2025, an amount equal to the actual levy on the first four thousand eight hundred fifty dollars of actual value for each homestead.

(2) For the assessment year beginning January 1, 2025, and each assessment year thereafter, unless eligible under paragraph "*b*", zero.

Sec. 65. Section 425.1A, subsection 1, Code 2025, is amended to read as follows:

1. The following exemptions from taxation shall be allowed in addition to the ~~homestead credit~~ exemption under subsection 1A for an owner that has attained the age of sixty-five years by January 1 of the assessment year:

a. For the assessment year beginning January 1, 2023, the eligible homestead, not to exceed three thousand two hundred fifty dollars in taxable value.

b. For ~~the~~ assessment ~~year~~ years beginning on or after January 1, 2024, ~~and each succeeding assessment year,~~ the eligible homestead, not to exceed six thousand five hundred dollars in taxable value.

Sec. 66. Section 425.1A, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. For each assessment year beginning on or after January 1, 2025, an exemption from taxation of fifty thousand dollars in taxable value shall be allowed on each eligible homestead in addition to the exemption under subsection

1, if applicable.

Sec. 67. Section 425.2, subsections 1 and 2, Code 2025, are amended to read as follows:

1. A person who wishes to qualify for the homestead credit or exemption allowed under this subchapter shall obtain the appropriate forms for filing ~~for the credit~~ from the assessor. The forms shall include the ability to claim the credit under section 425.1 and the exemptions under section 425.1A. However, a separate form shall be required for claiming a credit under section 425.1, subsection 2, paragraph *"b"*. The person claiming the credit or exemption shall file a verified statement and designation of homestead with the assessor for the year for which the person is first claiming the credit or exemption. The claim shall be filed not later than July 1 of the year for which the person is claiming the credit or exemption. A claim filed after July 1 of the year for which the person is claiming the credit or exemption shall be considered as a claim filed for the following year.

2. Upon the filing and allowance of the claim, the claim shall be allowed on that homestead for successive years without further filing as long as the property is legally or equitably owned and used as a homestead by that person or that person's spouse on July 1 of each of those successive years, and the owner of the property being claimed as a homestead declares residency in Iowa for purposes of income taxation, and the property is occupied by that person or that person's spouse for at least six months in each of those calendar years in which the fiscal year begins. When the property is sold or transferred, the buyer or transferee who wishes to qualify shall refile for the credit or exemption. However, when the property is transferred as part of a distribution made pursuant to chapter 598, the transferee who is the spouse retaining ownership of the property is not required to refile for the credit or exemption. Property divided pursuant to chapter 598 shall not be modified following the division of the property. An owner who ceases to use a

property for a homestead or intends not to use it as a homestead for at least six months in a calendar year shall provide written notice to the assessor by July 1 following the date on which the use is changed. A person who sells or transfers a homestead or the personal representative of a deceased person who had a homestead at the time of death, shall provide written notice to the assessor that the property is no longer the homestead of the former claimant.

Sec. 68. Section 425.2, subsection 4, Code 2025, is amended by striking the subsection.

Sec. 69. Section 425.2, subsections 5 and 6, Code 2025, are amended to read as follows:

5. Any person sixty-five years of age or older or any person who is disabled may request, in writing, from the appropriate assessor forms for filing ~~for homestead tax credit~~. Any person sixty-five years of age or older or who is disabled may complete the form, which shall include a statement of homestead, and mail or return it to the appropriate assessor. The signature of the claimant on the statement shall be considered the claimant's acknowledgment that all statements and facts entered on the form are correct to the best of the claimant's knowledge.

6. Upon adoption of a resolution by the county board of supervisors, any person may request, in writing, from the appropriate assessor forms for the filing ~~for homestead tax credit~~. The person may complete the form, which shall include a statement of homestead, and mail or return it to the appropriate assessor. The signature of the claimant on the statement of homestead shall be considered the claimant's acknowledgment that all statements and facts entered on the form are correct to the best of the claimant's knowledge.

Sec. 70. Section 425.8, subsection 1, Code 2025, is amended to read as follows:

1. The director of revenue shall prescribe the form for the making of a verified statement and designation of homestead, the form for the supporting affidavits required herein, and such

other forms as may be necessary for the proper administration of this subchapter. Whenever necessary, the department of revenue shall forward to the county auditors of the several counties in the state the prescribed sample forms, and the county auditors shall furnish blank forms prepared in accordance therewith with the assessment rolls, books, and supplies delivered to the assessors. The department of revenue shall prescribe and the county auditors shall provide on the forms ~~for claiming the homestead credit~~ a statement to the effect that the owner realizes that the owner must give written notice to the assessor when the owner changes the use of the property.

Sec. 71. Section 425.11, subsection 1, paragraph d, subparagraph (1), unnumbered paragraph 1, Code 2025, is amended to read as follows:

The homestead includes the dwelling house which the owner, in good faith, is occupying as a home on July 1 of the year for which the credit or exemption is claimed and occupies as a home for at least six months during the calendar year in which the fiscal year begins, except as otherwise provided.

Sec. 72. Section 425.11, subsection 1, paragraph d, subparagraph (3), Code 2025, is amended to read as follows:

(3) It must not embrace more than one dwelling house, but where a homestead has more than one dwelling house situated thereon, the exemption ~~and~~ or credit provided for in this subchapter shall apply to the home and buildings used by the owner, but shall not apply to any other dwelling house and buildings appurtenant.

Sec. 73. Section 425.11, subsection 1, paragraph e, subparagraph (2), Code 2025, is amended to read as follows:

(2) For the purpose of this subchapter, the word *"owner"* shall be construed to mean a bona fide owner and not one for the purpose only of availing the person of the benefits of this subchapter. In order to qualify for the homestead tax credit ~~and~~ or exemption, evidence of ownership shall be on file in the office of the clerk of the district court or recorded in the

office of the county recorder at the time the owner files with the assessor a verified statement of the homestead claimed by the owner as provided in section 425.2.

Sec. 74. Section 483A.24, subsection 19, Code 2025, is amended to read as follows:

19. Upon payment of a fee established by rules adopted pursuant to section 483A.1 for a lifetime trout fishing license, the department shall issue a lifetime trout fishing license to a person who is at least sixty-five years of age or to a person who qualifies for the disabled veteran homestead credit under section ~~425.15~~ 425.1, subsection 2, paragraph *"b"*. The department shall prepare an application to be used by a person requesting a lifetime trout fishing license under this subsection.

Sec. 75. REPEAL. Section 425.15, Code 2025, is repealed.

Sec. 76. IMPLEMENTATION. Homestead owners who have filed for or that are receiving homestead credits or exemptions under chapter 425, subchapter I, before the effective date of this division of this Act shall continue to receive such credits and exemptions for which the owner is eligible for assessment years beginning on or after January 1, 2025, without refiling, and, if the owner is eligible, shall receive the exemption under section 425.1A, subsection 1A, as enacted in this division of this Act, without filing for such exemption.

Sec. 77. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to assessment years beginning on or after January 1, 2025.

DIVISION VI

MILITARY SERVICE PROPERTY TAX EXEMPTION

Sec. 78. Section 426A.11, subsection 2, Code 2025, is amended to read as follows:

2. *a.* The property, not to exceed one thousand eight hundred fifty-two dollars in taxable value for assessment years beginning before January 1, 2023, of an honorably separated, retired, furloughed to a reserve, placed on inactive status, or discharged veteran, as defined in section 35.1, subsection 2, paragraph *"a"*

or "*b*".

b. The property, not to exceed four thousand dollars in taxable value for the assessment years beginning on or after January 1, 2023, but before January 1, 2025, of an honorably separated, retired, furloughed to a reserve, placed on inactive status, or discharged veteran, as defined in section 35.1, subsection 2, paragraph "*a*" or "*b*".

c. The property, not to exceed the following amounts in taxable value, of an honorably separated, retired, furloughed to a reserve, placed on inactive status, or discharged veteran, as defined in section 35.1, subsection 2, paragraph "*a*" or "*b*":

(1) Five thousand dollars in taxable value for the assessment year beginning January 1, 2025.

(2) Six thousand dollars in taxable value for the assessment year beginning January 1, 2026.

(3) Seven thousand dollars in taxable value for assessment years beginning on or after January 1, 2027.

Sec. 79. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2025, for assessment years beginning on or after that date.

DIVISION VII

HOSPITAL AND EMERGENCY MEDICAL SERVICES PROPERTY TAX LEVIES

Sec. 80. Section 347.7, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. *a.* For fiscal years beginning on or after July 1, 2026, any property tax levy imposed for a county hospital under this chapter that is limited by law to a specific property tax levy rate per one thousand dollars of assessed value shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for such levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

b. For purposes of this subsection, "*budget adjustment factor*", "*budget year*", and "*current fiscal year*" mean the same as defined in section 331.423.

Sec. 81. Section 347A.3, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 3. *a.* For fiscal years beginning on or after July 1, 2026, any property tax levy imposed for a county hospital under this chapter that is limited by law to a specific property tax levy rate per one thousand dollars of assessed value shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for such levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

b. For purposes of this subsection, "*budget adjustment factor*", "*budget year*", and "*current fiscal year*" mean the same as defined in section 331.423.

Sec. 82. Section 357F.8, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 3. *a.* For fiscal years beginning on or after July 1, 2026, any property tax levy imposed for the district under this chapter that is limited by law to a specific property tax levy rate per one thousand dollars of assessed value shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for such levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

b. For purposes of this subsection, "*budget adjustment factor*", "*budget year*", and "*current fiscal year*" mean the same as defined in section 331.423.

Sec. 83. Section 357G.8, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 3. *a.* For fiscal years beginning on or after July 1, 2026, any property tax levy imposed for the district under this chapter that is limited by law to a specific property tax levy rate per one thousand dollars of assessed value shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for such levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

b. For purposes of this subsection, "*budget adjustment factor*", "*budget year*", and "*current fiscal year*" mean the same as defined in section 384.1.

Sec. 84. NEW SECTION. **422D.5A Levy limitation.**

1. For fiscal years beginning on or after July 1, 2026, any property tax levy imposed under this chapter that is limited by law to a specific property tax levy rate per one thousand dollars of assessed value shall not exceed a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for such levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

2. For purposes of this section, "*budget adjustment factor*", "*budget year*", and "*current fiscal year*" mean the same as defined in section 331.423.

DIVISION VIII

PROPERTY TAX LEVY RATES

Sec. 85. Section 176A.10, subsection 1, paragraphs a, b, c, d, and e, Code 2025, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. For an extension district having a population of less than thirty thousand, an annual levy of fifteen cents per thousand dollars of the assessed valuation of the taxable property in the district up to a maximum of two hundred ninety-one thousand dollars payable during the fiscal year commencing July 1, 2026, and an increase of six thousand dollars in the amount payable during each subsequent fiscal year.

b. For an extension district having a population of thirty thousand or more but less than fifty thousand, an annual levy of ten and one-eighth cents per thousand dollars of the assessed valuation of the taxable property in the district up to a maximum of three hundred forty-two thousand dollars payable during the fiscal year commencing July 1, 2026, and an increase of seven thousand dollars in the amount payable during each subsequent fiscal year.

c. For an extension district having a population of fifty thousand or more but less than ninety thousand, an annual levy of six and three-fourths cents per thousand dollars of the assessed valuation of the taxable property in the district up to a maximum of four hundred thirty-six thousand five hundred dollars payable during the fiscal year commencing July 1, 2026, and an increase of nine thousand dollars in the amount payable during each subsequent fiscal year.

d. For an extension district having a population of ninety thousand or more but less than two hundred thousand, an annual levy of six and three-fourths cents per thousand dollars of the assessed valuation of the taxable property in the district up to a maximum of six hundred ninety thousand dollars payable during the fiscal year commencing July 1, 2026, and an increase of fifteen thousand dollars in the amount payable during each subsequent fiscal year.

e. For an extension district having a population of two hundred thousand or more, an annual levy of two and one-half cents per thousand dollars of the assessed valuation of the taxable property in the district up to a maximum of one million fifty thousand dollars payable during the fiscal year commencing July 1, 2026, and an increase of twenty-five thousand dollars in the amount payable during each subsequent fiscal year.

Sec. 86. Section 176A.10, subsection 2, Code 2025, is amended by striking the subsection.

Sec. 87. Section 312.2, subsection 5, paragraph a, Code 2025, is amended to read as follows:

a. The treasurer of state, before making any allotments to counties under this section, shall reduce the allotment to a county for the secondary road fund by the amount by which the total funds that the county transferred or provided during the prior fiscal year under section 331.429, subsection 1, paragraphs "*a*", "*b*", "*d*", and "*e*", are less than ~~seventy-five~~ <u>fifty-one</u> percent of the sum of the following:

(1) From the general fund of the county, the dollar equivalent of a tax of ~~sixteen and seven-eighths~~ <u>eight and seven-sixteenths</u> cents per thousand dollars of assessed value on all taxable property in the county.

(2) From the rural services fund of the county, the dollar equivalent of a tax of ~~three dollars~~ <u>one dollar</u> and ~~three-eighths~~ <u>fifty and three-sixteenths</u> of a cent per thousand dollars of assessed value on all taxable property not located within the corporate limits of a city in the county.

Sec. 88. <u>NEW SECTION</u>. **444.25 Maximum property tax levy rates —— adjustments.**

1. For purposes of this section:

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

b. "*Current fiscal year*" is the fiscal year ending during the calendar year in which a budget for the budget year is certified.

c. "*Rate-limited property tax levy*" includes any ad valorem property tax levy limited by law to a specific property tax levy rate per one thousand dollars of assessed value used to calculate taxes, but does not include the school district foundation levy under section 257.3, the county general services levy under section 331.423, subsection 1, the county rural services levy under section 331.423, subsection 2, the city general fund levy under section 384.1, subsection 3, the physical plant and equipment levies under section 298.2, the school district bond tax under section 298.18, any levy under chapter 347 or 347A, and any levy under chapter 357F, 357G, or 422D. In addition, "*rate-limited property tax levy*" does not include levy rates used in the calculations under section 312.2, subsection 5, paragraph "*a*".

2. For the fiscal year beginning July 1, 2026, each rate-limited property tax levy may only be imposed if the governmental entity imposed such levy for the fiscal year beginning July 1, 2025, and shall, by operation of this section, be limited to a levy rate per one thousand dollars of assessed value that is equal to one thousand multiplied by the quotient of one hundred two percent of the current fiscal year's actual property tax dollars certified for such levy divided by the total assessed value used to calculate such taxes for the budget year, but not less than a levy rate per one thousand dollars of assessed value that results in an amount of actual property tax dollars certified for levy for such levy equal to one hundred and one-half percent of the actual property tax dollars certified for such levy for the fiscal year beginning July 1, 2025.

3. For the fiscal year beginning July 1, 2027, and each fiscal year thereafter, rate-limited property tax levies may be imposed by any governmental entity otherwise authorized by law, regardless of whether the governmental entity imposed the levy for the fiscal year beginning July 1, 2025, at rates not to exceed those established by the general assembly by statute following receipt and consideration of the report submitted by the legislative interim committee requested to be established by the legislative council in this division of this Act.

Sec. 89. NEW SECTION. **444.26 Use of bonds and indebtedness for general operations —— prohibition.**

1. For purposes of this section, "*general operations*" means services or activities generally funded from the governmental entity's general fund, which are necessary for the operation of the governmental entity, including salaries and benefits, or which are for the health and welfare of the governmental entity's citizens or primarily intended to benefit all residents of the governmental entity, but excluding services financed by statutory funds other than a debt service fund.

2. On or after July 1, 2025, a city or county shall not issue bonds or other indebtedness payable from an ad valorem property tax levy for the purpose of funding the general operations of the city or general operations of the county, as applicable, or otherwise use proceeds from the sale of bonds or issuance of other indebtedness to fund general operations.

3. The city finance committee shall adopt rules under chapter 17A for cities to implement this section. The county finance committee shall adopt rules under chapter 17A for counties to implement this section.

Sec. 90. PROPERTY TAXATION RATES —— STUDY COMMITTEE.

1. a. The legislative council is requested to establish a legislative study committee during the 2025 legislative interim to examine appropriate rates of property taxation imposed by governmental entities following the adjustments to assessment limitations and levy rate limitations made in this Act.

b. The study committee shall consist of the following voting members of the general assembly:

(1) Two members of the senate appointed by the majority leader of the senate.

(2) One member of the senate appointed by the minority leader of the senate.

(3) Two members of the house of representatives appointed by the speaker of the house of representatives.

(4) One member of the house of representatives appointed by the minority leader of the house of representatives.

2. The committee shall make recommendations to and file a

report with the general assembly relating to the appropriate rates of property taxation imposed by governmental entities following enactment of this Act, no later than January 15, 2026.

Sec. 91. EFFECTIVE DATE. The following take effect January 1, 2026:

1. The sections of this division of this Act amending section 176A.10.

2. The section of this division of this Act amending section 312.2.

Sec. 92. APPLICABILITY. The following apply to fiscal years beginning on or after July 1, 2026:

1. The sections of this division of this Act amending section 176A.10.

2. The section of this division of this Act amending section 312.2.

DIVISION IX

ELDERLY PROPERTY TAXES —— LOW INCOME

Sec. 93. Section 425.17, subsection 2, paragraph a, subparagraph (3), Code 2025, is amended to read as follows:

(3) A person filing a claim for credit under this subchapter who has attained the age of seventy years on or before December 31 of the base year, who has a household income of less than ~~two~~ <u>three</u> hundred fifty percent of the federal poverty level, as defined by the most recently revised poverty income guidelines published by the United States department of health and human services, and is domiciled in this state at the time the claim is filed or at the time of the person's death in the case of a claim filed by the executor or administrator of the claimant's estate.

Sec. 94. APPLICABILITY. This division of this Act applies to assessment years beginning on or after January 1, 2026.

DIVISION X

BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND —— LEVY

Sec. 95. Section 165.18, subsections 2 and 3, Code 2025, are amended by striking the subsections.

Sec. 96. Section 331.512, subsection 1, paragraph e, Code

2025, is amended by striking the paragraph.

Sec. 97. Section 331.559, subsection 2, Code 2025, is amended by striking the subsection.

Sec. 98. EFFECTIVE DATE. This division of this Act takes effect upon enactment.

Sec. 99. APPLICABILITY. This division of this Act applies to property taxes due and payable in fiscal years beginning on or after July 1, 2025.

EXPLANATION

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

This bill relates to local government property taxes, financial authority, and budgets.

DIVISION I —— COUNTY PROPERTY TAXES AND BUDGETS. Code section 331.423 establishes a levy rate limitation for the general county services levy and a limitation for the rural county services levy. The bill modifies the general county services levy rate limitation for the fiscal year beginning July 1, 2026, to be a levy rate not to exceed the greater of: (1) a levy rate per $1,000 of assessed value equal to 1,000 multiplied by the quotient of 102 percent of the current fiscal year's (immediately preceding fiscal year) actual property tax dollars certified for levy for general county services divided by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation, as defined in the bill; and (2) a levy rate per $1,000 of assessed value that results in an amount of actual property tax dollars certified for levy for general county services equal to 100.5 percent of the actual property tax dollars certified for such levy for the current fiscal year.

For each fiscal year beginning on or after July 1, 2027, the maximum levy rate is the levy rate imposed by the county for the current fiscal year unless the total assessed value, excluding new valuation, used to calculate taxes for general county services for the budget year is equal to or exceeds 102 percent of the total assessed value used to calculate taxes for general county services for the current fiscal year, and for the budget year beginning July 1, 2027, only, not less than a levy rate per $1,000 of assessed value that results in an amount of actual property tax dollars certified for levy equal to 100.5 percent of the actual property tax dollars certified for levy for the current fiscal year.

If the total assessed value, excluding value attributable to new valuation, used to calculate taxes for general county services for the budget year is equal to or exceeds 102 percent of the total assessed value used to calculate taxes for general county services for the current fiscal year, the levy rate imposed shall not exceed a levy rate per $1,000 of assessed value that is equal to 1,000 multiplied by the quotient obtained by dividing the product of the budget adjustment factor, as defined in the bill and which ranges from 102 percent to 105 percent depending upon the amount of annual increase in the consumer price index, multiplied by the current fiscal year's actual property tax dollars certified for levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

The bill similarly modifies the maximum levy rate for rural county services for fiscal years beginning on or after July 1, 2026.

The division takes effect January 1, 2026, and applies to county taxes and budgets for fiscal years beginning on or after July 1, 2026.

DIVISION II —— CITY PROPERTY TAXES AND BUDGETS. Code section 384.1 establishes the city general fund levy and limits on the levy rate. The bill modifies the general fund levy rate limitation for the fiscal year beginning July 1, 2026, to be a levy rate not to exceed the greater of: (1) a levy rate per $1,000 of assessed value equal to 1,000 multiplied by the quotient of 102 percent of the current fiscal year's (immediately preceding fiscal year) actual property tax dollars certified for levy divided by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation, as defined in the bill; and (2) a levy rate per $1,000 of assessed value that results in an amount of actual property tax dollars certified for levy equal to 100.5 percent of the actual property tax dollars certified for such levy for the current fiscal year.

For each fiscal year beginning on or after July 1, 2027, the maximum levy rate is the levy rate imposed by the city for the current fiscal year unless the total assessed value, excluding new valuation, used to calculate taxes for the budget year is equal to or exceeds 102 percent of the total assessed value used to calculate taxes for the current fiscal year, and for the budget year beginning July 1, 2027, only, not less than a levy rate per $1,000 of assessed value that results in an amount of actual property tax dollars certified for levy equal to 100.5 percent of the actual property tax dollars certified for levy for the current fiscal year.

If the total assessed value, excluding value attributable to new valuation, used to calculate taxes for the city general fund for the budget year is equal to or exceeds 102 percent of the total assessed value used to calculate taxes for the current fiscal year, the levy rate imposed shall not exceed a levy rate per $1,000 of assessed value that is equal to 1,000 multiplied by the quotient obtained by dividing the product of the budget adjustment factor, as defined in the bill and which ranges from 102 percent to 105 percent depending upon the amount of annual increase in the consumer price index, multiplied by the current fiscal year’s actual property tax dollars certified for levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation.

The bill also establishes a methodology to determine a maximum levy rate for a city that is not imposing a general fund levy in the current fiscal year.

The division takes effect January 1, 2026, and applies to property taxes and budgets for fiscal years beginning on or after July 1, 2026.

DIVISION III —— SCHOOL TAXES AND BUDGETS. As part of the state school foundation program, for school budget years beginning on or after July 1, 2022, Code section 257.1 establishes the regular program foundation base to be 88.4 percent of the regular program state cost per pupil. Beginning with the budget year beginning July 1, 2026, the bill increases that percentage to 100 percent. Similarly, the bill increases the special education support services foundation base percentage from 79 percent to 100 percent.

Code section 257.3 requires school districts to levy a foundation property tax of $5.40 per $1,000 of assessed value on all taxable property in the school district. The bill reduces the foundation property tax levy rate to $2.97 per $1,000 of assessed value for budget years beginning on or after July 1, 2026.

Code section 257.3 provides an exception to the foundation property tax levy rate of $5.40 for those school districts that have recently been reorganized. Such districts are provided reduced foundation property tax levy rates for three years following the reorganization. The bill adjusts those reduced rates for reorganizations that take effect on or after July 1, 2026, to reflect the reduction made in the bill to the foundation property tax levy imposed by school districts that are not subject to a reorganization and eliminates certain supplemental aid related to such reorganized school district rates for budget years beginning on or after July 1, 2026.

The bill eliminates certain property tax adjustment aid under Code section 257.15(2) and (3) for fiscal years beginning on or after July 1, 2026.

The bill eliminates the $24 million general fund appropriation for adjusted additional property tax levy aid under Code section 257.15(4) for fiscal years beginning on or after July 1, 2026.

The bill also eliminates the annual appropriation of the balance of the property tax equity and relief fund under Code section 257.16A for purposes designated under Code section 257.15(4) and requires remaining moneys at the end of a specified fiscal year to be transferred back to the funds from which they were received.

The bill eliminates the payment of school district property tax replacement payments for fiscal years beginning on or after July 1, 2026.

The bill eliminates the annual appropriation of moneys in the foundation base supplement fund for fiscal years beginning on or after July 1, 2026, and requires the remaining moneys at the end of a specified fiscal year to be transferred for deposit in the secure an advanced vision for education fund.

The bill eliminates transfers from the secure an advanced vision for education fund to the property tax equity and relief fund and the foundation base supplement fund for fiscal years beginning on or after July 1, 2026.

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

The bill requires each school district with an unexpended fund balance in the district's management levy fund under Code section 298A.3 at the conclusion of the fiscal year beginning July 1, 2024, that exceeds an amount equal to the total expenditures from the district's management fund for the fiscal year beginning July 1, 2024, to certify such unexpended fund balance and expenditure amounts, including any reserved or designated amounts in the fund and the purposes therefor, to the school budget review committee by November 15, 2025. The committee is then required to conduct a review of the unexpended fund balances and expenditures of school district management levy funds certified under the bill. By February 1, 2026, the committee shall make recommendations to the general assembly for establishing district management levy fund unexpended fund balance limitations for fiscal years beginning on or after July 1, 2027, including recommendations for limitations based on a percentage of the district's management levy fund expenditures and recommendations for management levy limitations and expenditure requirements for excess funds.

The bill amends several provisions relating to the state school foundation program funding formula to include funding for the media services funding and educational services funding under Code section 257.37 to be included and funded as part of foundation aid paid by the state instead of funding through a school district's additional property tax under Code section 257.4 for school budget years beginning on or after July 1, 2026.

The bill reduces by 50 percent the maximum levy rates for the regular and voter-approved physical plant and equipment levy under Code section 298.2 and the school district bond tax under Code section 298.18. The bill also repeals an obsolete provision relating to levy adjustments authorized to occur before June 30, 2007, in Code section 298.18A.

The bill also amends Code section 298.4 by providing that for fiscal years beginning on or after July 1, 2027, if a school district's unexpended fund balance of the district's management levy fund is equal to or exceeds a specified percentage of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year, the board of directors may not certify a district management levy for the fiscal year. Additionally, if a school district is not prohibited from certifying a levy under the bill, the maximum amount that the board of directors may certify for levy under the district management levy shall be an amount equal to the remainder of a specified percentage of the average annual expenditures from the district's management levy fund for the three consecutive fiscal years immediately preceding the base year minus the district's management levy fund unexpended fund balance for the fiscal year preceding the base year.

Except for the section of the division amending Code section 257.31, which relates to the school budget review committee, this division of the bill takes effect January 1, 2026, and applies to fiscal years and school budget years beginning on or after July 1, 2026.

DIVISION IV —— PROPERTY VALUATIONS AND ASSESSMENT LIMITATIONS. Code section 441.21 provides that the actual value of agricultural property shall be determined on the basis of productivity and net earning capacity and that any formula or method employed to determine productivity and net earning capacity of property shall be adopted in full by rule of the department of revenue. The bill amends that provision by specifying that for assessment years beginning on or after January 1, 2026, structures on agricultural land constructed on or after January 1, 2026, that are not agricultural dwellings shall not be included in determination of productivity and net earning capacity of agricultural property and shall not be allocated any portion of the total county productivity value so determined. Such agricultural structures shall instead be valued according to the structure's replacement cost less depreciation and obsolescence and the structure's assessed value subject to taxation prior to application of any assessment limitation shall be equal to the product of the structure's value multiplied by the agricultural factor, as determined in 701 IAC 102.3(2) or succeeding rule of the department. The bill also provides that such structures shall be treated similarly to agricultural structures constructed before January 1, 2026, when applying any equalization order of the department of revenue.

The bill modifies the list of examples of abnormal property transactions that are to be excluded from consideration or adjusted to eliminate distortions of market value when valuing property to include built-to-suit construction, sale-leaseback transactions, leased fee sales, and instead of sales to immediate family, sales between related parties.

Code section 441.21(4) establishes the calculation for assessment limitations (rollback) for residential property and agricultural property. The bill strikes the calculation of the residential property assessment limitation for assessment years beginning on or after January 1, 2025, and strikes the provision within the agricultural property assessment limitation calculation that limits growth of residential or agricultural property to the growth in the other classification (ag-residential tie). The bill provides that residential property is assessed at 100 percent of the property's actual value for assessment years beginning on or after January 1, 2025. By operation of law and through changes in the bill, all other classifications of property, except for agricultural property, are assessed at 100 percent of actual value for assessment years beginning on or after January 1, 2025.

The bill modifies provisions governing the calculation of payments made to local governments under Code section 441.21(5)(e) that are made to replace property taxes due to the application of the residential property assessment limitation to certain portions of commercial and industrial property valuations and eliminates the appropriation for such payments for fiscal years beginning on or after July 1, 2026, due to elimination of the assessment limitations.

The bill also reestablishes a multiresidential property classification for assessment years beginning on or after January 1, 2025, that includes types of property that were classified as multiresidential property for assessment years beginning before January 1, 2022. Such property is included within the residential property classification under current law. Under the bill, for purposes of equalization under Code sections 441.47 through 441.49, multiresidential property shall be considered residential property.

This division of the bill applies retroactively to assessment years beginning on or after January 1, 2025.

DIVISION V —— DISABLED VETERAN AND HOMESTEAD CREDITS AND EXEMPTIONS. Starting with the assessment year beginning January

1, 2025, the bill replaces the homestead property tax credit, other than the portion of the credit provided to certain disabled veterans, with a homestead property tax exemption. For assessment years beginning on or after January 1, 2025, the exemption amount is $50,000 in taxable value. The bill specifies that the elderly homestead exemption of $6,500 in taxable value applies in addition to the $50,000 homestead exemption established in the bill.

The bill moves the disabled veteran homestead credit from Code section 425.15 to Code section 425.1, and makes changes to the scope of the disabled veteran homestead credit for new applicants. Currently, a disabled veteran with a 100 percent permanent and total disability rating receives a homestead credit on the entire amount of tax levied on the homestead. The bill specifies that a separate application form is required to claim the disabled veteran homestead credit. The bill does not change the homestead credit for an eligible disabled veteran who makes an application for the homestead credit before July 1, 2025. For a disabled veteran who makes an application for the homestead credit on or after July 1, 2025, the bill changes the definition of "homestead" to exclude appurtenances and limits the size of the homestead credit to property on one-half acre.

The state continues to reimburse local governments for the homestead credit, which for assessment years beginning on or after January 1, 2025, includes only the disabled veterans homestead credit, but does not reimburse local governments for the homestead exemption under current law and in the bill.

The bill provides that homestead owners who have filed for or who are receiving homestead credits or exemptions before the effective date of this division of the bill shall continue to receive such credits and exemptions for which the owner is eligible for assessment years beginning on or after January 1, 2025, without refiling, and, if the owner is eligible, shall receive the exemption under Code section 425.1A(1A), as enacted in this division of the bill, without filing for such exemption.

This division of the bill applies retroactively to assessment years beginning on or after January 1, 2025.

DIVISION VI —— MILITARY SERVICE PROPERTY TAX EXEMPTION. Under current law, a veteran receives a property tax exemption of $4,000 in taxable value on property owned by the veteran. The bill increases the veterans property tax exemption from $4,000 to the following exemption amounts: for the assessment year beginning January 1, 2025, $5,000; for the assessment year beginning January 1, 2026, $6,000; and for assessment years beginning on or after January 1, 2027, $7,000.

The division applies retroactively to assessment years beginning on or after January 1, 2025.

DIVISION VII —— HOSPITAL AND EMERGENCY MEDICAL SERVICES PROPERTY TAX LEVIES. The bill provides that for fiscal years beginning on or after July 1, 2026, any property tax levy imposed for a county hospital under Code chapter 347 that is limited by law to a specific property tax levy rate per $1,000 of assessed value shall not exceed a levy rate per $1,000 of assessed value that is equal to 1,000 multiplied by the quotient obtained by dividing the product of the budget adjustment factor multiplied by the current fiscal year's actual property tax dollars certified for such levy by the remainder of the total assessed value used to calculate such taxes for the budget year minus value attributable to new valuation. The bill defines "budget adjustment factor", "budget year", and "current fiscal year" to mean the same as defined in Code section 331.423, as amended in the bill.

The bill establishes similar limitations for levies imposed under Code chapters 347A (county hospitals payable from revenue), 357F (emergency medical services districts), 357G (city emergency medical services districts), and 422D (optional taxes for emergency medical services) that are limited by law to a specific property tax levy rate per $1,000 of assessed value.

DIVISION VIII —— PROPERTY TAX LEVY RATES. The bill establishes a reduction for rate-limited property tax levies.

The bill defines "rate-limited property tax levy" to be any ad valorem property tax levy limited by law to a specific property tax levy rate per $1,000 of assessed value used to calculate taxes, but does not include the school district foundation levy under Code section 257.3, the county general services levy under Code section 331.423(1), the county rural services levy under Code section 331.423(2), the city general fund levy under Code section 384.1(3), the physical plant and equipment levies under Code section 298.2, the school district bond tax under Code section 298.18, any levy under Code chapter 347 or 347A, and any levy under Code chapter 357F, 357G, or 422D. In addition, "rate-limited property tax levy" does not include levy rates used in the calculations under Code section 312.2(5)(a).

For the fiscal year beginning July 1, 2026, each rate-limited property tax levy may only be imposed if the governmental entity imposed such levy for the fiscal year beginning July 1, 2025, and shall, by operation of the bill, be limited to a levy rate that is equal to 1,000 multiplied by the quotient of 102 percent of the current fiscal year's actual property tax dollars certified for such levy divided by the total assessed value used to calculate such taxes for the budget year, but not less than a levy rate per $1,000 of assessed value that results in an amount of actual property tax dollars certified for levy for such levy equal to 100.5 percent of the actual property tax dollars certified for such levy for the fiscal year beginning July 1, 2025.

For the fiscal year beginning July 1, 2027, and each fiscal year thereafter, rate-limited property tax levies may be imposed by any governmental entity otherwise authorized by law, regardless of whether the governmental entity imposed the levy for the fiscal year beginning July 1, 2025, at rates not to exceed those established by the general assembly by statute following receipt and consideration of the report submitted by the legislative interim committee requested to be established by the legislative council in this division of the bill.

The bill also provides that, on or after July 1, 2025, a city or county shall not issue bonds or other indebtedness payable from an ad valorem property tax levy for the purpose of funding the general operations of the city or general operations of the county, as applicable, or otherwise use proceeds from the sale of bonds or issuance of other indebtedness to fund general operations. The bill defines "general operations" to mean services or activities generally funded from the governmental entity's general fund, which are necessary for the operation of the governmental entity, including salaries and benefits, or which are for the health and welfare of the governmental entity's citizens or primarily intended to benefit all residents of the governmental entity, but excluding services financed by statutory funds other than a debt service fund.

The city finance committee is required to adopt rules under Code chapter 17A for cities to implement the new Code section governing funding of general operations. The county finance committee is required to adopt rules under Code chapter 17A for counties to implement the new Code section governing funding of general operations.

The bill updates the calculation methodologies for agricultural extension levies under Code section 176A.10 and reduces levy rates used to make certain calculations related to the secondary road fund allocations under Code section 312.2.

The bill requests the legislative council to establish a legislative study committee during the 2025 legislative interim to examine appropriate rates of property taxation imposed by governmental entities following enactment of the bill. The study committee shall consist of six voting members of the general assembly. Two members shall be appointed by the majority leader of the senate, one member appointed by the minority member of the senate, two members appointed by the speaker of the house of representatives, and one member appointed by the minority leader of the house of representatives. The study committee is required to make recommendations to the general assembly by January 15, 2026.

DIVISION IX —— ELDERLY PROPERTY TAXES —— LOW INCOME. The bill modifies the eligibility for the property tax credit for persons ages 70 and older under Code chapter 425, subchapter II. Currently, a person filing a claim for the property tax credit who is at least 70 years of age and who has a household income of less than 250 percent of the federal poverty level is eligible to receive a specified credit amount against property taxes due on the claimant's homestead. The bill increases the household income threshold for eligibility from less than 250 percent of the federal poverty level to less than 350 percent of the federal poverty level.

The division applies to assessment years beginning on or after January 1, 2026.

DIVISION X —— BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND —— LEVY. Code section 165.18 authorizes the secretary of agriculture to direct the board of supervisors of each county to levy an amount sufficient to pay the expenses estimated to be incurred from the brucellosis and tuberculosis eradication fund for the following fiscal year, subject to a maximum levy of 33.75 cents per $1,000. The bill strikes the authority to levy such a tax beginning with property taxes due and payable in fiscal years beginning July 1, 2025. The division takes effect upon enactment.