

**Senate Study Bill 3138 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
LOCAL GOVERNMENT BILL BY  
CHAIRPERSON WEBSTER)

**A BILL FOR**

1 An Act relating to the division of revenue of school district  
2 foundation property taxes for urban renewal projects,  
3 authorizing voluntary payments by school districts, and  
4 including applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 403.19, subsection 2, paragraph a, Code  
2 2026, is amended to read as follows:

3 a. That portion of the taxes each year in excess of such  
4 amount shall be allocated to and when collected be paid into a  
5 special fund of the municipality to pay the principal of and  
6 interest on loans, moneys advanced to, or indebtedness, whether  
7 funded, refunded, assumed, or otherwise, including bonds issued  
8 under the authority of section 403.9, subsection 1, incurred by  
9 the municipality to finance or refinance, in whole or in part, an  
10 urban renewal project within the area, and to provide assistance  
11 for low and moderate income family housing as provided in section  
12 403.22. However, except as provided in paragraph "b", taxes  
13 for the regular and voter-approved physical plant and equipment  
14 levy of a school district imposed pursuant to section 298.2,  
15 foundation property taxes of a school district imposed under  
16 section 257.3, and taxes for the instructional support program  
17 of a school district imposed pursuant to section 257.19, taxes  
18 for the payment of bonds and interest of each taxing district,  
19 and taxes imposed under section 346.27, subsection 22, related  
20 to joint county-city buildings shall be collected against all  
21 taxable property within the taxing district without limitation by  
22 the provisions of this subsection.

23 Sec. 2. Section 403.19, Code 2026, is amended by adding the  
24 following new subsection:

25 NEW SUBSECTION. 12. For any fiscal year beginning on or  
26 after July 1, 2027, following written request filed with the  
27 county auditor and the board of directors of the school district,  
28 a school district may approve by resolution of the board of  
29 directors the payment from the school district's general fund  
30 to the municipality for deposit in the special fund under this  
31 section all or a portion of the school district's foundation  
32 property taxes under section 257.3 levied against property  
33 located in the urban renewal area for one or more applicable  
34 fiscal years. If approved, the board of directors shall file  
35 such resolution with the county auditor. Payments approved

1 under this subsection are voluntary and a school district is  
2 not required to pay over the revenue to the municipality unless  
3 approved by resolution. Amounts paid by a school district  
4 under this subsection shall continue to be considered foundation  
5 property taxes levied under section 257.3 and such payment shall  
6 not result in the adjustment of state foundation aid or other  
7 amounts under chapter 257.

8 Sec. 3. APPLICABILITY. This Act applies to property taxes  
9 due and payable in fiscal years beginning on or after July 1,  
10 2027.

11 EXPLANATION

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

14 This bill excludes the school district foundation property tax  
15 imposed under Code section 257.3 from the division of revenue  
16 under Code section 403.19 (tax increment financing). The bill  
17 prohibits the foundation property tax from being divided and paid  
18 into the municipality's special fund for the payment of urban  
19 renewal indebtedness and instead requires the tax to be levied,  
20 collected, and paid to the school district in the same manner as  
21 all other property taxes.

22 In lieu of a division of revenue, the bill authorizes school  
23 districts to voluntarily approve by resolution the payment from  
24 the school district's general fund to the municipality for  
25 deposit in the municipality's special fund all or a portion of  
26 the foundation property taxes under Code section 257.3 levied  
27 for fiscal years beginning on or after July 1, 2027, against  
28 property located in the urban renewal area. Amounts paid by a  
29 school district under the bill shall continue to be considered  
30 foundation property taxes levied under Code section 257.3 and  
31 such payment shall not result in the adjustment of state  
32 foundation aid or other amounts under Code chapter 257.

33 The bill applies to property taxes due and payable in fiscal  
34 years beginning on or after July 1, 2027.