

House Study Bill 303 - Introduced

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

A BILL FOR

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

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

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

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

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

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

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

30 Sec. 4. Section [12C.7](#), Code 2025, is amended by adding the
31 following new subsection:

32 NEW SUBSECTION. 3. Commencing with the fiscal year
33 beginning July 1, 2025, and every fiscal year thereafter, the
34 amount of interest or earnings deposited into the general fund
35 of the state during the fiscal year shall be deposited into

1 the foundation property tax reduction fund created in section
2 257.3A.

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

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

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

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

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

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

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

35 5. Moneys in the fund may be used for cash flow purposes,

1 provided that any moneys so allocated are returned to the fund
2 by the end of each fiscal year.

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

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

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

25 **425A.5 Computation by county auditor.**

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

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

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

11 **426.3 Where credit given.**

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

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

31 1. The agricultural land tax credit allowed each year
32 shall be computed as follows: On or before April 1, the
33 county auditor shall list by school districts all tracts of
34 agricultural lands which are entitled to credit, together with
35 the taxable value for the previous year, together with the

1 budget from each school district for the previous year, and the
2 tax rate determined for the general fund of the district in
3 the manner prescribed in [section 444.3](#) for the previous year,
4 and if such tax rate is in excess of ~~five dollars and forty~~
5 ~~cents per thousand dollars of assessed value~~ the levy rate
6 under section 257.3, subsection 1, paragraph "a", the auditor
7 shall multiply the tax levy which is in excess of ~~five dollars~~
8 ~~and forty cents per thousand dollars of assessed value~~ the
9 levy rate under section 257.3, subsection 1, paragraph "a", by
10 the total taxable value of the agricultural lands entitled to
11 credit in the district, and on or before April 1, certify the
12 amount to the department of revenue.

13

EXPLANATION

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

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

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

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

35 The bill specifies the fund shall be separate from the

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1 general fund of the state and shall not be considered part of
2 the general fund of the state except in determining the cash
3 position of the state for payment of state obligations. The
4 moneys in the fund at the close of the fiscal year do not revert
5 and remain available for the purpose described in the bill.
6 Interest or earnings on investments in the fund also do not
7 revert to the general fund. Moneys in the fund may be used for
8 cash flow purposes, provided that any moneys are returned to
9 the fund by the end of each fiscal year.