EIGHTY-FIFTH GENERAL ASSEMBLY
2014 REGULAR SESSION
DAILY

SENATE CLIP SHEET

MARCH 26, 2014

HOUSE FILE 2109

S-5088

Amend House File 2109, as amended, passed, and reprinted by the House, as follows:

1. Page 1, by striking lines 19 through 25 and inserting:

<NEW SUBSECTION. 26A. *"Vapor product"* means any noncombustible product, which may or may not contain nicotine, that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, that can be used to produce vapor from a solution or other substance. *"Vapor product"* includes an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any cartridge or other container of a solution or other substance, which may or may not contain nicotine, that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. *"Vapor product"*>

By WILLIAM A. DOTZLER, JR.

S-5088 FILED MARCH 25, 2014

HOUSE FILE 2192

S-5087

Amend House File 2192, as amended, passed, and reprinted by the House, as follows:

1. Page 3, line 18, by striking <The>
2. Page 3, by striking lines 19 and 20.
3. Page 4, line 32, by striking <not>
4. Page 4, line 35, by striking <service if such> and inserting <service.>
5. Page 5, by striking lines 1 and 2.

By DENNIS H. BLACK

S-5087 FILED MARCH 25, 2014

LEGISLATIVE SERVICES AGENCY
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Fiscal Note

Fiscal Services Division

SF 2138 – Military Property Tax Exemptions (LSB 5501SV)
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.iowa.gov)
Fiscal Note Version – New
Requested by Senator Daryl Beall

Description

Senate File 2138 expands the Disabled Veterans Homestead Tax Credit and modifies the military service property tax exemption and credit.

This Bill does the following to the Disabled Veterans Homestead Tax Credit:

- Eliminates the income limitation qualification for the Credit.
- Changes the eligibility for the Credit to include any eligible veteran, including former members of the National Guard of any state, with a permanent and total service-connected disability as certified by the U.S. Department of Veterans Affairs.

This Bill makes the following modifications to the military service property tax exemption and credit:

- Expands eligibility for the exemption and Credit to include Iowa residents that are current members of the armed services or former members of the National Guard of any state and their surviving relatives.
- Increases the exemption of property for eligible veterans from the current level of $1,852 to 10.0% of the taxable value of property or $15,000, whichever is less.
- Removes the tax credit limitation on the State's obligation of the $6.92/$1,000 of assessed exempted property for funding of the Credit and requires the State to fund the value of the credit based on the entire exemption. In any year the Credit for the exemption is not fully funded by the State, only the funded portion will be provided to the eligible property owners.

Background

The Disabled Veterans Homestead Tax Credit provides an exemption of property taxes for the eligible owner. In FY 2014, this Credit totaled $313,747.

The military service property tax exemption and Credit provides that each eligible military member have $1,852 of taxable valuation of property exempted for property tax purposes. Additionally, the State is required to fund the credit at $6.92/$1,000 of the exempted amount of property and apportion the amount to local jurisdictions. In FY 2014, the total exempted value of property was $313.3 million, with a State General Fund appropriation of approximately $2.4 million to fund the credit amount.

Assumptions

Assumptions for the Disabled Veterans Homestead Tax Credit include:

- A statewide average consolidated property tax rate of $33.4098/$1,000 of taxable valuation. Assumes the State will fully fund the Homestead Property Tax Credit (this includes the Disabled Veterans Homestead Tax Credit).
- The Department of Veteran Affairs (DVA) reported that there are 2,754 100.0% disabled Iowa veterans and that 60.0% of these veterans own their home.

- The average median home value is $133,000. Total value will increase annually based on the Department of Revenue property tax residential growth projections. Taxable valuations are based on LSA residential rollback estimates.
- All eligible disabled veterans will claim the Credit and is the number is assumed to remain static for this estimate.

Assumptions for the military service property tax exemption and Credit include:

- Currently, an estimated 168,411 veterans in Iowa receive the military serviced property tax exemption. Based on the U.S. Census 2012 American Community Survey, there were 179,687 current and former members of the military that owned homes in Iowa. This Bill expands the eligibility to all these individuals and it is assumed that all will claim the exemption.
- The estimate assumes the number of eligible individuals will remain static between 2014 and 2019.
- This estimate assumes that the average exempted value for eligible individuals will be $7,046 in assessment year (AY) 2014. Statewide residential growth applied to taxable valuations will be 3.0%, in (AY) 2015, 2.5% in AY 2016, and 5.0% in AY 2017.
- The average consolidated levy rate for the military service property tax credit is assumed to remain at $35.30/$1,000 of taxable valuation for all years noted in this estimate.
- Reductions in taxable valuations will increase the State General Fund appropriation for school aid due to a decrease in the uniform levy (levy rate of $5.40/$1,000 of taxable valuation to fund the base of the school foundation levy). This estimate adjusts the consolidated levy rate so that portion is not included in the State appropriation for the military property tax exemption credit.
- Because of timing issues relating to the procedures for the calculation and application of property tax credits and exemptions, this Bill is assumed to have an initial impact in FY 2016.

Fiscal Impact

Senate File 2138 will increase annual General Fund expenditures beginning in FY 2016. The increase will include additional expenditures to fund the Disabled Veterans Tax Credit, the Military Service Tax Credit, and additional State school aid required to replace the uniform levy that will result due to a reduction in taxable valuation. The following table provides the impact based on incremental values resulting from the following provisions:

- The Disabled Veteran Tax Credit (labeled 1 in the table)
- The increased military tax credit amount resulting from the expanded eligibility (labeled 2a)
- The increased State school aid funding resulting from the expanded eligibility (labeled 2b)
- The increased military tax credit amount resulting from the increased level of exemption (labeled 2c)
- The increased State school aid funding resulting from the increased level of exemption (labeled 2d)
- The increased military tax credit amount resulting from the removal of the $6.92/$1,000 of valuation apportionment cap (labeled 2e)

General Fund Expenditure Estimated Increase Impact from SF 2138					
	FY 2015	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Disabled Veteran Tax Credit - 1	$ 0	$ 3,607,000	$ 3,715,000	$ 3,906,000	$ 4,062,000
Military Service Property Tax Exemption Provisions - 2					
Increased Credit Amount - 2a	$ 0	$ 145,000	$ 145,000	$ 145,000	$ 145,000
Additional State School Aid - 2b	0	113,000	113,000	113,000	113,000
Change in Military Tax Credit Amount - 2c	$ 0	$ 6,458,000	$ 6,674,000	$ 6,859,000	$ 7,239,000
Additional State School Aid - 2d	0	5,039,000	5,208,000	5,352,000	5,649,000
Change in Military Tax Credit Amount - 2e	$ 0	$ 21,925,000	$ 22,642,000	$ 23,257,000	$ 24,519,000
Total for Military Service Property Tax Exemption and Credit	**$ 0**	**$33,680,000**	**$34,782,000**	**$35,726,000**	**$37,665,000**
Total General Fund Expenditure Increase:	**$ 0**	**$37,287,000**	**$38,497,000**	**$39,632,000**	**$41,727,000**

The total fiscal impact will be an estimated increase in State General Fund expenditures of $37.3 million in FY 2016, $38.5 million in FY 2017, $39.6 million in FY 2018, and $41.7 million in FY 2019.

Sources

Iowa Department of Veteran Affairs
Iowa Department of Revenue
LSA analysis and calculations

/s/ Holly M. Lyons

March 25, 2014

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

LSA
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Fiscal Note

Fiscal Services Division

SF 2339 – Brownfield/Grayfield Tax Credit Restructure (LSB 5288SZ)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New (similar to SF 2256 fiscal note)

Description

Senate File 2339 modifies the existing Brownfield/Grayfield Tax Credit Program. This Bill includes two provisions with an identified potential fiscal impact:

- Section 4, allowing refundable tax credits for nonprofit organizations.
- Section 9, removing the automatic repeal date (June 30, 2021) for the Program.

Background

The Brownfield/Grayfield Tax Credit was created in **HF 2687** (Underutilized Property Redevelopment Tax Credit Act of 2008). The tax credit requirements are found in **Iowa Code section 15.293A**. The automatic repeal date was added in SF 514 (Brownfield/Grayfield Act of 2011).

The Program is included in the Economic Development Authority's annual aggregate tax credit limitation contained in **Iowa Code section 15.119**. The maximum credit a single project may receive is limited to 10.0% of the Brownfield/Grayfield credits available that year. Neither of those provisions is modified in this Bill.

Fiscal Impact

Making tax credits refundable for nonprofit applicants will impact the timing of tax credit redemptions, bringing forward credits that, if awarded as nonrefundable credits to for-profit entities, will be redeemed later, or perhaps never. This Bill will result in a negative impact to the General Fund in future years as follows:

- FY 2017 = $0.5 million
- FY 2018 = $0.3 million
- FY 2019 = $0.2 million
- FY 2020 = $0.2 million
- FY 2021 = $0.1 million
- FY 2022 = $0.1 million

In future fiscal years, the $1.4 million in negative fiscal impact cited above will be offset in whole, or in large part, by reduced tax credit redemptions, as the identified fiscal impact is simply a timing impact.

Since the Brownfield/Grayfield Tax Credit Program is part of the Economic Development Authority's annual aggregate tax credit limitation, removing the June 20, 2021, sunset does not change the annual amount of tax credits awarded by the Authority, it instead alters the amount of tax credits available for other programs under the aggregate cap.

Sources

Department of Revenue
Economic Development Authority

/s/ Holly M. Lyons

March 24, 2014

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.