SENATE FILE 634
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1260)

(As Amended and Passed by the Senate April 24, 2019)
_____ and [= New Language by the Senate

A BILL FOR

An Act relating to local government budgets and property taxation by modifying provisions governing the establishment and approval of county and city budgets, modifying provisions relating to the state appraisal manual, and including applicability provisions.

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

DIVISION I

COUNTY AND CITY PROPERTY TAX PUBLIC HEARING AND RESOLUTION

Section 1. Section 24.17, unnumbered paragraph 1, Code 2019, is amended to read as follows:

The local budgets of the various political subdivisions shall be certified by the chairperson of the certifying board or levying board, as the case may be, in duplicate to the county auditor not later than March 15 of each year on forms, and pursuant to instructions, prescribed by the department of management. However, if the political subdivision is a county or a city, its budget shall be certified not later than March 31 of each year, and if the political subdivision is a school district, as defined in section 257.2, its budget shall be certified not later than April 15 of each year.

Sec. 2. Section 24.27, Code 2019, is amended to read as follows:

24.27 Protest to budget.

Not later than March 25, or April 10 for a county or a city, or April 25 if the municipality is a school district, a number of persons in any municipality equal to one-fourth of one percent of those voting for the office of governor, at the last general election in the municipality, but the number shall not be less than ten, and the number need not be more than one hundred persons, who are affected by any proposed budget, expenditure or tax levy, or by any item thereof, may appeal from any decision of the certifying board or the levying board by filing with the county auditor of the county in which the municipal corporation is located, a written protest setting forth their objections to the budget, expenditure or tax levy, or to one or more items thereof, and the grounds for their objections. If a budget is certified after March 15, or March 31 in the case of a county or a city, or April 15 in the case of a school district, all appeal time limits shall be extended to correspond to allowances for a timely filing. Upon the filing of a protest, the county auditor shall immediately prepare

a true and complete copy of the written protest, together with the budget, proposed tax levy or expenditure to which objections are made, and shall transmit them forthwith to the state board, and shall also send a copy of the protest to the certifying board or to the levying board, as the case may be.

Sec. 3. Section 24.48, subsection 4, Code 2019, is amended to read as follows:

4. ~~*a.*~~ The city finance committee shall have officially notified any city of its approval, modification or rejection of the city's appeal of the decision of the director of the department of management regarding a city's request for a suspension of the statutory property tax levy limitation prior to thirty-five days before March ~~15~~ 31.

~~*b. The state appeals board shall have officially notified any county of its approval, modification or rejection of the county's request for a suspension of the statutory property tax levy limitation prior to thirty-five days before March 15.*~~

Sec. 4. Section 76.2, subsection 1, paragraph b, Code 2019, is amended to read as follows:

b. If the resolution is filed prior to April 1, or April 15, if the political subdivision is a county or a city, or May 1, if the political subdivision is a school district, the annual levy shall begin with the tax levy for collection commencing July 1 of that year. If the resolution is filed on or after April 1, or April 15, in the case of a county or a city, or May 1, in the case of a school district, the annual levy shall begin with the tax levy for collection in the next succeeding fiscal year. However, the governing authority of a political subdivision may adjust a levy of taxes made under this section for the purpose of adjusting the annual levies and collections for property severed from the political subdivision, subject to the approval of the director of the department of management.

Sec. 5. NEW SECTION. **331.433A Resolution establishing maximum property tax dollars — notice — hearing.**

1. For purposes of this section, unless the context

otherwise requires:

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. "*Effective property tax rate*" means the property tax rate per one thousand dollars of assessed value and is equal to one thousand multiplied by the quotient of the current fiscal year's actual property tax dollars certified for levy under the levies specified in subsection 2, paragraph "*a*" or "*b*", as applicable, divided by the total assessed value used to calculate taxes for the budget year.

2. For budget years beginning on or after July 1, 2020, prior to filing the proposed budget with the auditor under section 331.434, subsection 2, the board shall adopt a resolution establishing the total maximum property tax dollars that may be certified for levy for general county services and the total maximum property tax dollars that may be certified for levy for rural county services that includes the following, as applicable:

a. For general county services, the sum of the property tax dollars levied under section 331.423, subsection 1, section 331.424, subsection 1, and those amounts for general county services under section 331.426, but excluding additions approved at election under section 331.425.

b. For rural county services, the sum of the property tax dollars levied under section 331.423, subsection 2, section 331.424, subsection 2, and those amounts for rural county services under section 331.426, but excluding additions approved at election under section 331.425.

3. The maximum property tax dollars calculated and approved by resolution under this section includes those amounts received by the county as replacement taxes under chapter 437A or 437B.

4. *a.* The board shall set a time and place for a public hearing on the resolution before the date for adoption of the resolution and shall publish notice of the hearing not less than ten nor more than twenty days prior to the hearing in the county newspapers selected under chapter 349. If the county has an internet site, the notice shall also be posted and clearly identified on the county's internet site for public viewing beginning on the date of the newspaper publication. Additionally, if the county maintains a social media account on one or more social media applications, the public hearing notice or an electronic link to the public hearing notice shall be posted on each such account on the same day as the publication of the notice. All of the following shall be included in the notice:

(1) The sum of the current fiscal year's actual property taxes certified for levy for general county services and the sum of the current fiscal year's actual property taxes for rural county services under the levies specified in subsection 2, paragraphs *"a"* and *"b"*, and the current fiscal year's combined property tax levy rate for each such amount.

(2) The effective tax rate for general county services and the effective tax rate for rural county services calculated using the sum of the current fiscal year's actual property taxes certified for levy for general county services and the sum of the current fiscal year's actual property taxes certified for levy for rural county services under the levies specified in subsection 2, paragraphs *"a"* and *"b"*, as applicable.

(3) The proposed maximum property tax dollars that may be certified for levy for general county services and certified for levy for rural county services under the levies specified in subsection 2, paragraphs *"a"* and *"b"*, as applicable, for the budget year and the proposed corresponding combined property tax levy rate for each such amount.

(4) If the proposed maximum property tax dollars specified

under subparagraph (3) for either general county services or rural county services exceeds the current fiscal year's actual property tax dollars certified for levy for general county services or for rural county services as specified in subparagraph (1), a statement of the major reasons for the increase.

b. Proof of publication shall be filed with and preserved by the auditor. The department of management shall prescribe the form for the public hearing notice for use by counties and the form for the resolution to be adopted by the board under subsection 5.

5. *a.* At the public hearing, the board shall receive oral or written objections from any resident or property owner of the county. After all objections have been received and considered, the board may decrease, but not increase, the proposed maximum property tax dollar amounts for inclusion in the resolution and shall adopt the resolution and file the resolution with the auditor as required under section 331.434, subsection 3.

b. If the sum of the maximum property tax dollars for the budget year specified in the resolution for either general county services or for rural county services under the levies specified in subsection 2, paragraphs "*a*" and "*b*", as applicable, exceeds one hundred two percent of the sum of the current fiscal year's actual property taxes certified for levy for general county services or rural county services under the levies specified in subsection 2, paragraphs "*a*" and "*b*", as applicable, the board shall be required to adopt the resolution by a two-thirds majority of the membership of the board.

c. If the county has an internet site, in addition to filing the resolution with the auditor under section 331.434, subsection 3, the adopted resolution shall be posted and clearly identified on the county's internet site for public viewing within ten days of approval by the board. The posted resolution for a budget year shall continue to be accessible

for public viewing on the internet site along with resolutions posted for all subsequent budget years.

Sec. 6. Section 331.434, unnumbered paragraph 1, Code 2019, is amended to read as follows:

Annually, the board of each county, subject to section 331.403, subsection 4, sections 331.423 through 331.426, section 331.433A, and other applicable state law, shall prepare and adopt a budget, certify taxes, and provide appropriations as follows:

Sec. 7. Section 331.434, subsection 3, Code 2019, is amended to read as follows:

3. ~~The~~ Following, and not until adoption of the resolution under section 331.433A, the board shall set a time and place for a public hearing on the budget before the final certification date and shall publish notice of the hearing not less than ten nor more than twenty days prior to the hearing in the county newspapers selected under chapter 349. A summary of the proposed budget and a description of the procedure for protesting the county budget under section 331.436, in the form prescribed by the director of the department of management, shall be included in the notice. Proof of publication of the notice under this subsection 3 and a copy of the resolution adopted under section 331.433A shall be filed with and preserved by the auditor. A levy is not valid unless and until the notice is published and the notice and resolution adopted under section 331.433A are filed. The department of management shall prescribe the form for the public hearing notice for use by counties.

Sec. 8. Section 331.434, subsection 5, paragraph a, Code 2019, is amended to read as follows:

a. After the hearing, the board shall adopt by resolution a budget and certificate of taxes for the next fiscal year and shall direct the auditor to properly certify and file the budget and certificate of taxes as adopted. The board shall not adopt a tax in excess of the estimate published or the

applicable amounts specified in the resolution adopted under section 331.433A, except a tax which is approved by a vote of the people, and a greater tax than that adopted shall not be levied or collected. A county budget and certificate of taxes adopted for the following fiscal year becomes effective on the first day of that year.

Sec. 9. Section 331.434, subsection 7, Code 2019, is amended to read as follows:

7. Taxes levied by a county whose budget is certified after March ~~15~~ 31 shall be limited to the prior year's budget amount. However, this penalty may be waived by the director of the department of management if the county demonstrates that the March ~~15~~ 31 deadline was missed because of circumstances beyond the control of the county.

Sec. 10. Section 331.435, Code 2019, is amended to read as follows:

331.435 Budget amendment.

1. The board may amend the adopted county budget, subject to sections 331.423 through 331.426 and other applicable state law, to permit increases in any class of proposed expenditures contained in the budget summary published under section 331.434, subsection 3.

2. The board shall prepare and adopt a budget amendment in the same manner as the original budget~~,~~ as provided in section 331.434, but excluding the requirements for adoption of the resolution under section 331.433A, and the amendment is subject to protest as provided in section 331.436, except that the director of the department of management may by rule provide that amendments of certain types or up to certain amounts may be made without public hearing and without being subject to protest. A county budget for the ensuing fiscal year shall be amended by May 31 to allow time for a protest hearing to be held and a decision rendered before June 30. An amendment of a budget after May 31 which is properly appealed but without adequate time for hearing and decision before June 30 is void.

Sec. 11. Section 331.436, Code 2019, is amended to read as follows:

331.436 Protest.

Protests to the adopted budget must be made in accordance with sections 24.27 through 24.32 as if the county were the municipality under those sections except that the protest must be filed no later than April 10 and the number of people necessary to file a protest under this section shall not be less than one hundred.

Sec. 12. Section 384.2, unnumbered paragraph 1, Code 2019, is amended to read as follows:

Except as otherwise provided for special charter cities, a city's fiscal year shall be as provided in section 24.2, subsection 3. All city property taxes must be certified by a city to the county auditor on or before ~~the fifteenth day of~~ March 31 of each year, unless otherwise provided by state law. However, municipal utilities, if not supported by taxation or the proceeds of outstanding indebtedness payable from taxes may, with the council's consent, choose to operate on a fiscal year which is the calendar year. The receipt by the utility of payments from other governmental funds for public fire protection, street lighting, or other public use of the utility's services shall not be deemed support by taxation. After notice and hearing in the same manner as required for the city's regular budget under section 384.16, the utility budget must be approved by resolution of the council not later than twenty days prior to the beginning of the calendar year for which the budget applies.

Sec. 13. NEW SECTION. **384.15A Resolution establishing maximum property tax dollars — notice — hearing.**

1. For purposes of this section, unless the context otherwise requires:

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. "Effective property tax rate" means the property tax rate per one thousand dollars of assessed value and is equal to one thousand multiplied by the quotient of the current fiscal year's actual property tax dollars certified for levy under the levies specified in subsection 2 divided by the total assessed value used to calculate taxes for the budget year.

2. For budget years beginning on or after July 1, 2020, prior to the period of time for distribution of the budget under section 384.16, subsection 2, the council shall adopt a resolution establishing the total maximum property tax dollars that may be certified for levy that includes taxes for city government purposes under section 384.1, for the city's trust and agency fund under section 384.6, subsection 1, for the city's emergency fund under section 384.8, and for the levies authorized under section 384.12, subsections 8, 10, 11, 12, 13, 17, and 21, but excluding additions approved at election under section 384.12, subsection 19.

3. The maximum property tax dollars calculated and approved by resolution under this section includes those amounts received by the city as replacement taxes under chapter 437A or 437B.

4. *a.* The council shall set a time and place for a public hearing on the resolution before the date for adoption of the resolution and shall publish notice of the hearing not less than ten nor more than twenty days prior to the hearing in a newspaper published at least once weekly and having general circulation in the city. However, if the city has a population of two hundred or less, publication may be made by posting in three public places in the city. If the city has an internet site, the notice shall also be posted and clearly identified on the city's internet site for public viewing beginning on the date of the newspaper publication or public posting, as applicable. Additionally, if the city maintains a social media

account on one or more social media applications, the public hearing notice or an electronic link to the public hearing notice shall be posted on each such account on the same day as the publication of the notice. All of the following shall be included in the notice:

(1) The sum of the current fiscal year's actual property taxes certified for levy under the levies specified in subsection 2 and the current fiscal year's combined property tax levy rate for such amount that is applicable to taxable property in the city other than property used and assessed for agricultural or horticultural purposes.

(2) The effective tax rate calculated using the sum of the current fiscal year's actual property taxes certified for levy under the levies specified in subsection 2, applicable to taxable property in the city other than property used and assessed for agricultural or horticultural purposes.

(3) The sum of the proposed maximum property tax dollars that may be certified for levy for the budget year under the levies specified in subsection 2 and the proposed combined property tax levy rate for such amount applicable to taxable property in the city other than property used and assessed for agricultural or horticultural purposes.

(4) If the proposed maximum property tax dollars specified under subparagraph (3) exceeds the current fiscal year's actual property tax dollars certified for levy specified in subparagraph (1), a statement of the major reasons for the increase.

b. Proof of publication shall be filed with and preserved by the county auditor. The department of management shall prescribe the form for the public hearing notice for use by cities and the form for the resolution to be adopted by the council under subsection 5.

5. *a.* At the public hearing, the council shall receive oral or written objections from any resident or property owner of the city. After all objections have been received and

considered, the council may decrease, but not increase, the proposed maximum property tax dollar amount for inclusion in the resolution and shall adopt the resolution and file the resolution with the county auditor as required under section 384.16, subsection 3.

b. If the sum of the maximum property tax dollars for the budget year specified in the resolution under the levies specified in subsection 2 exceeds one hundred two percent of the sum of the current fiscal year's actual property taxes certified for levy under the levies specified in subsection 2, the council shall be required to adopt the resolution by a two-thirds majority of the membership of the council.

c. If the city has an internet site, in addition to filing the resolution with the auditor under section 384.16, subsection 3, the adopted resolution shall be posted and clearly identified on the city's internet site for public viewing within ten days of approval by the council. The posted resolution for a budget year shall continue to be accessible for public viewing on the internet site along with resolutions posted for all subsequent budget years.

Sec. 14. Section 384.16, unnumbered paragraph 1, Code 2019, is amended to read as follows:

Annually, a city that has satisfied the requirements of section 384.15A and section 384.22, subsection 3, shall prepare and adopt a budget, and shall certify taxes as follows:

Sec. 15. Section 384.16, subsections 3, 5, and 6, Code 2019, are amended to read as follows:

3. ~~The~~ Following, and not until adoption of the resolution under section 384.15A, the council shall set a time and place for public hearing on the budget before the final certification date and shall publish notice of the hearing not less than ten nor more than twenty days before the hearing in a newspaper published at least once weekly and having general circulation in the city. However, if the city has a population of two hundred or less, publication may be made by posting in three

public places in the city. A summary of the proposed budget and a description of the procedure for protesting the city budget under section 384.19, in the form prescribed by the director of the department of management, shall be included in the notice. Proof of publication of the notice under this subsection 3 and a copy of the resolution adopted under section 384.15A must be filed with the county auditor. The department of management shall prescribe the form for the public hearing notice for use by cities.

5. After the hearing, the council shall adopt by resolution a budget for at least the next fiscal year, and the clerk shall certify the necessary tax levy for the next fiscal year to the county auditor and the county board of supervisors. The tax levy certified may be less than but not more than the amount estimated in the proposed budget submitted at the final hearing or the applicable amount specified in the resolution adopted under section 384.15A, unless an additional tax levy is approved at a city election. Two copies each of the detailed budget as adopted and of the tax certificate must be transmitted to the county auditor, who shall complete the certificates and transmit a copy of each to the department of management.

6. Taxes levied by a city whose budget is certified after March ~~15~~ 31 shall be limited to the prior year's budget amount. However, this penalty may be waived by the director of the department of management if the city demonstrates that the March ~~15~~ 31 deadline was missed because of circumstances beyond the control of the city.

Sec. 16. Section 384.17, Code 2019, is amended to read as follows:

384.17 Levy by county.

At the time required by law, the county board of supervisors shall levy the taxes necessary for each city fund for the following fiscal year. The levy must be as shown in the adopted city budget and as certified by the clerk, subject to

any changes made after a protest hearing, and any additional tax rates approved at a city election. A city levy is not valid until proof of publication or posting of notice of a budget hearing ~~is~~ under section 384.16, subsection 3, and the notice and resolution adopted under section 384.15A are filed with the county auditor.

Sec. 17. APPLICABILITY. This division of this Act applies to city and county budgets and taxes for fiscal years beginning on or after July 1, 2020.

DIVISION II

STATE APPRAISAL MANUAL

Sec. 18. Section 421.17, subsection 17, Code 2019, is amended to read as follows:

17. To prepare and issue a state appraisal manual which each county and city assessor shall use in assessing and valuing all classes of property in the state. The appraisal manual shall be continuously revised and the manual and revisions shall be issued to the county and city assessors in such form and manner as prescribed by the director. Each county and city assessor shall use the most recently issued manual in assessing and valuing all classes of property in the state within two years of the publication date of the most recently issued manual. The department may grant an extension of up to two years to a county or city assessor upon request and demonstration of substantial hardship by an assessor.