

CHAPTER 1067

PROPERTY TAX RELIEF AND POLITICAL BUDGET LIMITATIONS

S. F. 1062

AN ACT relating to the financing of political subdivisions of this state by providing budget limitations for certain political subdivisions, providing property tax credits for certain property owners and renters, making changes in the procedures for the assessment and valuation of certain taxable property, by amending the school foundation law, creating a task force for the study of local government finance and services, making certain provisions of the Act retroactive, and making appropriations.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I

BUDGET LIMITATIONS FOR FISCAL YEARS 1976-77, 1977-78, AND 1978-79

1 SECTION 1. **Definitions.** As used in this division:

2 1. "Base year" means the preceding fiscal year.

3 2. "Political subdivision" means a county, a city having a population of more
4 than seven hundred fifty persons or any other local public body or corporation
5 having a property tax budget subject to limitation under sections two (2) through
6 five (5) of this division.

7 3. "Total budget" means the budget including amendments for all funds or
8 programs of a political subdivision.

9 4. "Property tax budget" means those parts of the total budget of a political
10 subdivision to be derived from property taxation and subject to the maximum
11 dollar levy limitations under sections two (2) through five (5) of this division.

12 5. "Person" means eligible elector as defined in section thirty-nine point three
13 (39.3) of the Code.

14 6. "State appeal board" means the state appeal board created under section
15 twenty-four point twenty-six (24.26) of the Code.

1 SEC. 2. **City levy limitation.** The maximum amount in dollars which may be
2 levied by a city with a population of more than seven hundred fifty over the
3 amount in dollars levied for the base year shall be limited to an aggregate
4 increase of nine percent for the fiscal year beginning July 1, 1976 and seven
5 percent for the fiscal years beginning July 1, 1977 and July 1, 1978 for the
6 following designated property tax levies, except as otherwise provided in this
7 division:

8 1. The general fund levy authorized pursuant to section three hundred eighty-
9 four point one (384.1) of the Code.

10 2. The tax levy for the purpose of carrying out the terms of a contract for the
11 use of a bridge by a city situated on a river over which a bridge has been built
12 authorized pursuant to section three hundred eighty-four point twelve (384.12),
13 subsection eight (8), of the Code.

14 3. The tax levy for the operation and maintenance of a municipal transit
15 system and for the creation of a reserve fund for the system authorized pursuant
16 to section three hundred eighty-four point twelve (384.12), subsection ten (10), of
17 the Code.

18 4. The tax levy for the lease of a building or complex of buildings to be
19 operated as a civic center authorized pursuant to section three hundred eighty-
20 four point twelve (384.12), subsection eleven (11), of the Code.

21 5. The tax levy for operating and maintaining a civic center owned by a city
22 authorized pursuant to section three hundred eighty-four point twelve (384.12),
23 subsection twelve (12), of the Code.

24 6. The tax levy for planning a sanitary disposal system authorized pursuant to
25 section three hundred eighty-four point twelve (384.12), subsection thirteen (13),
26 of the Code.

27 7. The tax levy for an aviation authority authorized pursuant to section three
28 hundred eighty-four point twelve (384.12), subsection fourteen (14), of the Code.

29 8. The tax levy for an authority for a joint city-county building authorized
30 pursuant to section three hundred eighty-four point twelve (384.12), subsection
31 fifteen (15), of the Code.

32 9. The tax levy for a levee improvement fund authorized pursuant to section
33 three hundred eighty-four point twelve (384.12), subsection sixteen (16), of the
34 Code.

35 10. The tax levy to aid a railway authorized pursuant to section three hundred
36 eighty-four point twelve (384.12), subsection seventeen (17), of the Code.

37 11. The tax levy to maintain an institution received by gift or devise authorized
38 pursuant to section three hundred eighty-four point twelve (384.12), subsection
39 eighteen (18), of the Code.

40 12. The tax levy for the emergency fund authorized pursuant to section three
41 hundred eighty-four point eight (384.8) of the Code.

1 SEC. 3. **County levy limitation.** The maximum amount in dollars which may
2 be levied by a county over the amount in dollars levied for the base year shall be
3 limited to an aggregate increase of nine percent for the fiscal year beginning July
4 1, 1976 and seven percent for the fiscal years beginning July 1, 1977 and July 1,
5 1978, for the following designated property tax levies, except as otherwise
6 provided in this division:

7 1. The tax levy for the emergency fund authorized pursuant to section twenty-
8 four point six (24.6) of the Code.

9 2. The tax levy for the development, operation, and maintenance of a memorial
10 building or monument authorized pursuant to section thirty-seven point eight
11 (37.8) of the Code.

12 3. The tax levy for the purchase of voting machines authorized pursuant to
13 section fifty-two point three (52.3) of the Code.

14 4. The tax levy for the county conservation board authorized pursuant to
15 section one hundred eleven A point six (111A.6) of the Code.

16 5. The tax levy for indemnity payments and the inspection and testing program
17 relating to bovine brucellosis eradication authorized pursuant to section one
18 hundred sixty-four point twenty-three (164.23) of the Code.

19 6. The tax levy for the bovine tuberculosis eradication fund authorized
20 pursuant to section one hundred sixty-five point eighteen (165.18) of the Code.

21 7. The tax levy for the fairground fund authorized pursuant to sections one
22 hundred seventy-four point thirteen (174.13) and one hundred seventy-four point
23 seventeen (174.17) of the Code.

24 8. The tax levy for the purpose of maintaining a county or multicounty juvenile
25 home authorized pursuant to section two hundred thirty-two point twenty-two
26 (232.22) of the Code.

27 9. The tax levy for the veteran affairs fund authorized pursuant to section two
28 hundred fifty point one (250.1) of the Code.

29 10. The tax levy for secondary road construction and maintenance authorized
30 pursuant to section three hundred nine point seven (309.7) of the Code.

31 11. The tax levy for the road clearing fund authorized pursuant to section three
32 hundred seventeen point nineteen (317.19) of the Code.

33 12. The tax levy for the purchase of weed eradicating equipment and materials
34 authorized pursuant to section three hundred seventeen point twenty (317.20) of
35 the Code.

36 13. The tax levy for an aviation authority authorized pursuant to section three
37 hundred thirty A point fifteen (330A.15) of the Code.

38 14. The tax levy for the maintenance and improvement of cemeteries in the
39 county authorized pursuant to section three hundred thirty-two point three (332.3)
40 of the Code.

41 15. The tax levy for public disposal grounds authorized pursuant to section
42 three hundred thirty-two point thirty-two (332.32) of the Code.

43 16. The tax levy for the operation, control, maintenance, and management of
44 health centers authorized pursuant to section three hundred forty-six A point two
45 (346A.2) of the Code.

46 17. The tax levy for the payment of claims for bounties on wild animals
47 authorized pursuant to section three hundred fifty point eight (350.8) of the Code.

48 18. The tax levy for the maintenance of a county library authorized pursuant to
49 section three hundred fifty-eight B point thirteen (358B.13) of the Code.

50 19. The tax levy for the entering of contracts for the use of city libraries
51 authorized pursuant to section three hundred fifty-eight B point eighteen
52 (358B.18) of the Code.

53 20. The tax levy for ordinary county revenue and the election expense fund
54 authorized pursuant to section four hundred forty-four point nine (444.9) of the
55 Code.

56 21. The tax levy for the county orphan fund authorized pursuant to section
57 four hundred forty-four point eleven (444.11) of the Code.

58 22. The tax levy for the purpose of planning a sanitary disposal project or of
59 paying interest and principal on bonds issued pursuant to section three hundred
60 forty-six point twenty-three (346.23) of the Code which levy is authorized
61 pursuant to section four hundred fifty-five B point eighty-one (455B.81) of the
62 Code.

63 23. The tax levy for flood and erosion control projects authorized pursuant to
64 section four hundred sixty-seven B point nine (467B.9) of the Code.

65 24. The tax levy for the maintenance of property received by a county by gift
66 or devise authorized pursuant to section five hundred sixty-five point eight (565.8)
67 of the Code.

1 ***[SEC. 4. Special district levy limitation.** The maximum amount in dollars
2 which may be levied by a special purpose district over the amount in dollars
3 levied for the base year shall be limited to an aggregate increase of nine percent
4 for the fiscal year beginning July 1, 1976 and seven percent for the fiscal years
5 beginning July 1, 1977 and July 1, 1978, for the following designated property tax
6 levies, except as otherwise provided in this division:

7 1. The tax levy by a benefited water district for the maintenance of the water
8 system authorized pursuant to section three hundred fifty-seven point twenty-five
9 (357.25) of the Code.

10 2. The tax levy by a benefited fire district to provide fire protection within the
11 district authorized pursuant to section three hundred fifty-seven B point three
12 (357B.3) of the Code and the levy authorized pursuant to section three hundred
13 fifty-seven B point five (357B.5) of the Code which permits the county board of
14 supervisors to continue the levy upon dissolution of the district until all debts and
15 obligations of the dissolved district are paid.

16 3. The tax levy by a benefited street lighting district authorized pursuant to
17 section three hundred fifty-seven C point seven (357C.7) and three hundred fifty-
18 seven C point eleven (357C.11) of the Code.

19 4. The tax levy authorized pursuant to section four hundred sixty-six point four
20 (466.4) of the Code permitting a levy sufficient to raise the amount necessary for
21 maintenance of a system to provide internal drainage necessary by the
22 construction of a levee along a navigable stream forming a part of the boundary
23 of the state.

24 5. The tax levy for a soil conservation district authorized pursuant to section
25 four hundred sixty-seven A point twenty (467A.20) of the Code.

*See item veto message at end of Act

26 6. The tax levy authorized pursuant to section four hundred eighty-three point
27 one (483.1) of the Code to provide aid to railroads.]

1 **SEC. 5. Agricultural education levy limitation.** The maximum amount in
2 dollars which may be levied for the county agricultural extension education
3 program authorized pursuant to section one hundred seventy-six A point ten
4 (176A.10) of the Code over the amount in dollars levied for the base year shall be
5 limited to an increase of nine percent for the fiscal year beginning July 1, 1976
6 and seven percent for the fiscal years beginning July 1, 1977 and July 1, 1978,
7 except as otherwise provided in this division.

1 **SEC. 6. Duties of state comptroller.**

2 1. As soon as practicable after the effective date of this division, the state
3 comptroller shall give notice of the requirements of this division and distribute
4 such forms as required to the governing bodies of the political subdivisions of this
5 state.

6 2. The state comptroller shall review the certified total budget of each political
7 subdivision and calculate the dollar amount and percentage increase of the
8 property tax budget for the fiscal years beginning July 1, 1976, July 1, 1977 and
9 July 1, 1978 over the property tax budget for the base year.

10 3. If the property tax budget of a political subdivision for the fiscal year
11 beginning July 1, 1976, July 1, 1977, or July 1, 1978 exceeds the property tax
12 budget of such political subdivision for the base year by more than nine percent,
13 the state comptroller shall reduce the certified total budget to provide a property
14 tax budget increase of nine percent and return the certified total budget to the
15 governing body with notification that, following a public hearing as provided in
16 section eight (8) of this division, the total budget shall be recertified with a
17 property tax budget increase not exceeding nine percent or that, without a public
18 hearing, the certified total budget shall be submitted to the state appeal board for
19 approval as provided in section seven (7) of this division if the increase of more
20 than nine percent is needed.

21 4. If the property tax budget of a political subdivision for the fiscal year
22 beginning July 1, 1977 or July 1, 1978 exceeds the property tax budget of such
23 political subdivision for the base year by more than seven percent but not more
24 than nine percent, the state comptroller shall reduce the certified total budget to
25 provide a property tax budget increase of seven percent and return the certified
26 total budget to the governing body with notification that a public hearing must be
27 held as provided in section eight (8) of this division.

1 **SEC. 7. Approval of state appeal board.**

2 1. Upon receipt of the notification from the state comptroller as provided in
3 section six (6), subsection three (3) of this division, the governing body of such
4 political subdivision shall petition the state appeal board to approve the total
5 budget of the political subdivision not later than seven days following receipt of
6 notification if the increase of more than nine percent is needed. However, if the
7 governing body, upon receipt of such notification, finds that an increase in the
8 property tax budget above nine percent is not justified, the governing body shall
9 publish notice of and conduct a public hearing for the purpose of approving a
10 total budget which includes a property tax budget increase of nine percent or less.
11 The public hearing shall be carried out according to the provisions of section
12 eight (8) of this division except that, for the total budget for the fiscal year
13 beginning July 1, 1976, the public hearing shall be held within twenty days after
14 the receipt of notification.

15 2. A petition to the state appeal board under this division shall be submitted in
16 writing on forms furnished by the state comptroller citing the unusual
17 circumstances as outlined in subsection three (3) of this section, which create the
18 need for property tax budget expenditures in excess of nine percent of the base
19 year's property tax budget expenditures and accompanied by such supporting

20 documents as required by the state appeal board. The state appeal board shall
 21 conduct a public hearing on the petition in the county or in one of the counties in
 22 which the political subdivision is located and may request additional information.
 23 The state appeal board shall hear and consider any appeal made by persons
 24 affected by the total budget of a political subdivision at the same time the petition
 25 of the governing board of such political subdivision is heard and considered.

26 3. If a political subdivision has unusual circumstances, creating a need for
 27 additional budget expenditures in excess of nine percent of the base year's
 28 property tax expenditures, the following unusual circumstances shall be the basis
 29 for justifying a property tax budget increase exceeding nine percent:

30 a. Any unusual increase in population as determined by the preceding certified
 31 federal census.

32 b. Natural disaster or other emergencies.

33 c. Unusual problems relating to major new functions required by state law.

34 d. Unusual staffing problems.

35 e. Unusual need for additional funds to permit continuance of a program
 36 which provides substantial benefit to its residents.

37 f. Unusual need for a new program which will provide substantial benefit to
 38 residents, if the political subdivision establishes the need and the amount of
 39 necessary increased cost.

40 g. Need for increased expenditures by a political subdivision having unusually
 41 low total budget expenditures for the base year because of property tax levy
 42 limitations otherwise provided by law.

43 4. The state appeal board may approve or modify the base year's total budget
 44 expenditures of any political subdivision which changes accounting procedures.

45 5. The state appeal board shall approve the total budget as requested or reduce
 46 the amount of increased expenditures. All decisions of the board under this
 47 division shall be made in accordance with reasonable and uniform policies which
 48 shall be consistent to carry out the provisions of this division. The board shall
 49 take into account the intent of this division to provide property tax relief and to
 50 provide reasonable control of costs of the political subdivisions of this state.

51 6. Upon decision of the board, the state comptroller shall make the necessary
 52 changes in the total budget of the political subdivision and certify the total budget
 53 to the governing body of the political subdivision and the appropriate county
 54 auditors.

1 **SEC. 8. Additional public hearing—fiscal years 1977-78 and 1978-79.**

2 Upon receipt of the notification from the state comptroller that the property
 3 tax budget of the certified total budget of a political subdivision for the fiscal year
 4 beginning July 1, 1977 or July 1, 1978 exceeds seven percent but not more than
 5 nine percent of the property tax budget of such political subdivision for the base
 6 year, the governing body of such political subdivision shall publish notice of and
 7 conduct a public hearing not later than April fifteenth. The date, time and
 8 location of the public hearing and the information required to be published under
 9 section nine (9) of this division, shall be published in a newspaper having general
 10 circulation throughout the political subdivision not less than five days before the
 11 date of hearing. Thereafter, the total budget shall be recertified, with or without
 12 changes that may be made after the hearing, to the county auditor and the state
 13 comptroller not later than April fifteenth. If, after such hearing, the property tax
 14 budget for the fiscal year beginning July 1, 1977 or July 1, 1978 exceeds the
 15 property tax budget of the base year by more than nine percent, such budget shall
 16 be subject to the approval of the state appeal board as provided in section seven
 17 (7) of this division.

1 **SEC. 9. Budget process—notice of public hearing.** In addition to the
 2 requirements of chapters twenty-four (24) and three hundred eighty-four (384),
 3 division two (II), of the Code relating to the publication of notice and public
 4 hearing on a budget of a political subdivision, the public notice of a hearing on a
 5 total budget shall include the following information:

6 1. The percentage and the dollar amount increase or decrease for the total
7 budget and the property tax budget of the political subdivision.

8 2. The percentage and the dollar amount increase or decrease of each fund
9 included in the proposed total budget and the property tax budget.

10 3. A statement showing the allowable growth percentages established by the
11 general assembly and the dollar amount of increase represented by such
12 percentages for the proposed total budget and the property tax budget of the
13 political subdivision.

14 4. A statement of the major reasons for the proposed increases in the proposed
15 total budget and the property tax budget.

16 5. A comparison of the percentages and dollar amounts proposed to be
17 expended with the percentages and dollar amounts expended or proposed to be
18 expended during the current fiscal year as amended to the date of publication
19 which information shall be displayed in the publication in the form of a pie
20 graph. The graphs shall be prepared for both fiscal years with one pie graph for
21 each fiscal year showing the sources of anticipated revenue and one pie graph for
22 each fiscal year showing the proposed budget expenditures by category of
23 services.

24 The provisions of this section shall not apply to publication of notice for a
25 hearing on a total budget for the fiscal year beginning July 1, 1976 required under
26 section twenty-four point nine (24.9) or three hundred eighty-four point sixteen
27 (384.16) of the Code if the notice of hearing has been published before the
28 effective date of this division, but it shall apply to any other notice for a hearing
29 on a total budget or amendment to a total budget required by this division or
30 other provision of law for the fiscal years beginning July 1, 1976, July 1, 1977,
31 and July 1, 1978.

1 **SEC. 10. Exception to dates for budget appeal.** Notwithstanding sections
2 twenty-four point twenty-seven (24.27) through twenty-four point thirty-two
3 (24.32), inclusive, and three hundred eighty-four point nineteen (384.19) of the
4 Code, persons affected by a certified total budget of a political subdivision which
5 conducts a public hearing as provided in section eight (8) of this division, shall
6 have ten days following recertification of such budget to file a petition to protest
7 to the state appeal board. All other time limitations or dates specified in sections
8 twenty-four point twenty-seven (24.27) through twenty-four point thirty-two
9 (24.32), inclusive, and section three hundred eighty-four point nineteen (384.19) of
10 the Code shall be correspondingly changed or extended to allow the same amount
11 of time for the protest hearing and the decision of the state board that would exist
12 had the appeal to the state appeal board been filed as provided in section twenty-
13 four point twenty-seven (24.27) or three hundred eighty-four point nineteen
14 (384.19) of the Code.

1 **SEC. 11. Property tax carryover.** If a political subdivision adopts a total
2 budget for the fiscal year beginning July 1, 1976, which does not include an
3 increase in the amount of property tax levy for the property tax budget computed
4 in dollars which exceeds or is equal to nine percent, the political subdivision may
5 levy property taxes for the succeeding fiscal year in excess of a seven percent
6 increase and be exempt from the provisions of sections seven (7) and eight (8) of
7 this division. Also, if a political subdivision adopts a total budget for the fiscal
8 year beginning July 1, 1977, which does not include an increase in the amount of
9 property tax levy for the property tax budget computed in dollars which exceeds
10 or is equal to seven percent, the political subdivision may levy property taxes for
11 the succeeding fiscal year in excess of a seven percent increase and be exempt
12 from the provisions of sections seven (7) and eight (8) of this division. However,
13 the exemption from the provisions of sections seven (7) and eight (8) of this
14 division shall be applicable only if the additional property tax levy for the
15 property tax budget does not raise in dollars an amount which exceeds the seven

16 percent increase for the fiscal year beginning July 1, 1977 or July 1, 1978 and the
 17 difference between the amount in dollars which the political subdivision levied
 18 during the base year and the amount in dollars which the political subdivision
 19 could have levied during the base year under this division.

1 SEC. 12. **Property tax levy limitation not affected.** The provisions of this
 2 division shall not be construed as removing or otherwise affecting the property
 3 tax levy limitations otherwise provided by law for any fund, account, or program
 4 in the total budget of a political subdivision.

1 SEC. 13. **Budget appeal not affected.** The provisions of this division shall not
 2 be construed to prohibit or affect a protest filed with the state appeal board by
 3 persons affected by the total budget of a political subdivision.

1 SEC. 14. **Special chartered cities.** It is the intention of the general assembly
 2 that the provisions of this division shall apply to special chartered cities. The state
 3 appeal board may adopt such rules relating to budget forms and procedures as
 4 the state appeal board deems necessary to carry out the provisions of this division
 5 regarding special chartered cities.

1 SEC. 15. Section twenty-four point twenty-seven (24.27), Code 1975, is
 2 amended to read as follows:

3 **24.27 Protest to budget.** Not later than the first Tuesday in April, a number
 4 of persons in any municipality equal to one-fourth of one percent of those voting
 5 for the office of president of the United States or governor, as the case may be, at
 6 the last general election in said municipality, but ~~in no event the number shall not~~
 7 ~~be less than ten and the number need not be more than one hundred persons,~~ who are
 8 affected by any proposed budget, expenditure or tax levy, or by any item thereof,
 9 may appeal from any decision of the certifying board or the levying board, as the
 10 case may be, by filing with the county auditor of the county in which such
 11 municipal corporation is located, a written protest setting forth their objections to
 12 such budget, expenditure or tax levy, or to one or more items thereof, and the
 13 grounds for such objections; ~~provided that at least three of such persons shall~~
 14 ~~have filed a joint written objection, at or before the time of the meeting~~
 15 ~~contemplated in section 24.11 which shall include a detailed statement of the~~
 16 ~~objections to said budget, expenditures or tax levy for each and every fund, or the~~
 17 ~~items therein to which objection is taken and an analysis of the fund or funds, or~~
 18 ~~items therein showing grounds for such objections or shall have appeared and~~
 19 ~~made objection, either general or specific, as provided by section 24.11.~~ Upon the
 20 filing of any such protest, the county auditor shall immediately prepare a true and
 21 complete copy of said written protest, together with the budget, proposed tax levy
 22 or expenditure to which objections are made, and shall transmit the same
 23 forthwith to the state board, and shall also send a copy of such protest to the
 24 certifying board or to the levying board, as the case may be.

1 SEC. 16. Section three hundred eighty-four point nineteen (384.19),
 2 unnumbered paragraph one (1), Code 1975, as amended by Acts of the Sixty-sixth
 3 General Assembly, 1975 Session, chapter one hundred ninety-seven (197), section
 4 twenty-eight (28), is amended to read as follows:

5 Within a period of ten days after the final date that a budget or amended
 6 budget may be certified to the county auditor, persons affected by the budget
 7 may file a written protest with the county auditor, specifying their objections to
 8 the budget or any part of it. A protest must be signed by qualified electors equal
 9 in number to one-fourth of one percent of the votes cast for governor in the last
 10 preceding general election in the city, but ~~not the number shall not be less than ten~~
 11 ~~persons, and at least three of the signers must have filed a written objection or~~
 12 ~~appeared and objected to the budget at the budget hearing held by the council~~
 13 ~~and the number need not be more than one hundred persons.~~

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DIVISION II
VALUATION OF AGRICULTURAL PROPERTY

*[SEC. 17. **Agricultural property valuation.** Notwithstanding the provisions of section four hundred forty-one point twenty-one (441.21) of the Code, for assessments made as of January 1, 1976, the actual value of each tract of agricultural property consisting of more than ten acres shall be computed by multiplying the valuations established by the assessor and approved by the board of review by the percentage which the 1975 income value per acre bears to the 1975 actual value per acre of the agricultural property both as determined by the director. The county auditor shall proceed to make the necessary adjustments on the tax lists. If the valuation of the agricultural property is increased in a county, the county auditor shall notify by ordinary mail the owners of agricultural property affected by the adjustment made pursuant to this section. The local board of review shall reconvene for a period of thirty days following the notification to the taxpayer in counties where valuations have been increased under this section. The notice shall include the adjusted value of the property, the dates during which the board of review is reconvened, and that a protest may be filed within twenty days from the date the local board of review is reconvened. The protest shall be limited to the adjustment made pursuant to this section. The provisions of this section shall apply only to valuations of agricultural property valued as of January 1, 1976.]

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*[SEC. 18. Notwithstanding the provisions of section four hundred forty-one point twenty-one (441.21) of the Code, for assessments made as of January 1, 1977, in assessing and determining the actual value of agricultural land, except structures located thereon, the value shall be computed on the basis of the productivity and net earning capacity of the land determined on the basis of the use for agricultural purposes capitalized at a rate representing a fair return on the investment, such rate to be established by the state board of tax review and applied uniformly among counties and among classes of property. The actual value of a structure located on agricultural land shall be the fair and reasonable market value of the structure. The provisions of this section shall apply only to valuations of agricultural property valued as of January 1, 1977.]

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*[SEC. 19. **Effective date.** The provisions of section seventeen (17) of this Act shall be effective to January 1, 1976 for valuations of agricultural property assessed as of January 1, 1976 and to this extent the provisions of section seventeen (17) are retroactive.]

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DIVISION III
CREDIT FOR RESIDENTIAL PROPERTY

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SEC. 20. **Homestead tax credit.** Notwithstanding the provisions of section four hundred twenty-five point one (425.1), subsections two (2), three (3), and four (4) of the Code, the homestead tax credit shall be computed so as to give a credit against the tax on each eligible homestead in the state in an amount equal to the actual levy on the first four thousand five hundred dollars of actual value for each homestead. The provisions of this section shall only be applicable for each homestead tax credit claimed between January 1, 1975 and July 1, 1975 and approved.

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SEC. 21. **Administration.** Not later than August 1, 1976, the county auditor shall recompute the amount of credit allowed on each eligible homestead claimed between January 1, 1975 and July 1, 1975, and approved and certify the amount of the homestead tax credits claimed in the county to the county treasurer and the department of revenue. The department shall reimburse each county in the manner and at such time as is presently provided by law.

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SEC. 22. **Effective date.** The provisions of sections twenty (20) and twenty-one (21) of this Act are effective to January 1, 1975 for credits claimed and

*See item veto message at end of Act

3 approved in 1975 under chapter four hundred twenty-five (425) of the Code for a
4 homestead tax credit on eligible homesteads which claims are payable during the
5 fiscal year beginning July 1, 1976 ending June 30, 1977 and to this extent the
6 provisions of sections twenty (20) and twenty-one (21) of this Act are retroactive.

1 ***[SEC. 23.** Notwithstanding the provisions of section four hundred twenty-five
2 point one (425.1), subsections two (2), three (3), and four (4) of the Code, the
3 homestead tax credit shall be computed so as to give a credit against the tax on
4 each eligible homestead in the state in an amount equal to the actual levy on the
5 first five thousand dollars of actual value for each homestead. The provisions of
6 this section shall only be applicable for each homestead tax credit claimed
7 between January 1, 1976 and July 1, 1976 and approved and for each homestead
8 tax credit claimed between January 1, 1977 and July 1, 1977 and approved except
9 as provided in sections forty (40) and forty-one (41) of this Act.]

1 ***[SEC. 24. Effective date.** The provisions of section twenty-three (23) of this
2 Act are effective to January 1, 1976 for credits claimed on or after January 1,
3 1976 and approved under chapter four hundred twenty-five (425) of the Code for
4 a homestead tax credit on an eligible homestead and to this extent the provisions
5 of section twenty-three (23) of this Act are retroactive.]

6 DIVISION IV

7 AGRICULTURAL LAND CREDIT FUND

1 **SEC. 25. Appropriation.** There is appropriated for the fiscal year beginning
2 July 1, 1976 and ending June 30, 1977 to the agricultural land credit fund the sum
3 of twenty-four million (24,000,000) dollars which shall be in addition to moneys
4 appropriated pursuant to section four hundred twenty-six point one (426.1) of the
5 Code.

1 **SEC. 26. Administration.** Not later than May 1, 1976, the state comptroller
2 shall recertify to the county auditors of the respective counties the pro rata
3 percentage of reimbursement from the agricultural land credit fund which shall be
4 distributed by the state comptroller on or before September 15, 1976.

5 DIVISION V

6 STATE SCHOOL FOUNDATION PROGRAM

1 **SEC. 27.** Acts of the Sixty-sixth General Assembly, 1975 Session, chapter
2 seventy-nine (79), section nineteen (19), subsection two (2), unnumbered
3 paragraph one (1), amending section four hundred forty-two point seven (442.7),
4 Code 1975, is amended to read as follows:

5 2. For school years subsequent to the school year beginning July 1, 1975, a
6 state percent of growth for the budget year shall be computed by the state
7 comptroller prior to February fifteenth of each year and forwarded to the
8 superintendent of public instruction. The state percent of growth shall be an
9 average of the following ~~six~~ four percentages of growth.

1 **SEC. 28.** Acts of the Sixty-sixth General Assembly, 1975 Session, chapter
2 seventy-nine (79), section nineteen (19), subsection two (2), amending section four
3 hundred forty-two point seven (442.7), Code 1975, is amended by striking
4 paragraph b.

1 **SEC. 29.** The provisions of sections twenty-seven (27) and twenty-eight (28) of
2 this Act are effective July 1, 1976.

3 DIVISION VI

4 PROPERTY TAX REIMBURSEMENT

1 **SEC. 30.** Section four hundred twenty-five point seventeen (425.17), subsection
2 ten (10), Code 1975, as amended by Acts of the Sixty-sixth General Assembly,
3 1975 Session, chapter two hundred thirteen (213), section one (1), is amended to
4 read as follows:

*See item veto message at end of Act

5 10. "Property taxes paid" means property taxes *including one-half of any special*
6 *assessments, but* exclusive of ~~special assessments~~, delinquent interest, and charges
7 for services, paid on a claimant's homestead in this state, but includes only
8 property taxes for which the claimant was liable and which were actually paid by
9 the claimant. If the property taxes have actually been paid, they shall be deemed
10 to have been paid when due, regardless of the date of actual payment. "Property
11 taxes paid" shall be computed with no deduction for any credit under this
12 division or for any homestead credit allowed under section 425.1. Claims for
13 property tax reimbursement filed in 1974 shall be based upon the property taxes
14 paid in 1973. Claims for property tax reimbursement filed in 1975 shall be limited
15 to two-thirds of the property taxes paid in 1974 and the first one-half of 1975.
16 Each year thereafter, each claim shall be based upon the taxes paid during the
17 base year. If a homestead is owned by two or more persons as joint tenants or
18 tenants in common, and one or more persons are not a member of claimant's
19 household, "property taxes paid" is that part of property taxes paid on the
20 homestead which equals the ownership percentage of the claimant and his
21 household. The county treasurer shall include with the tax receipt a statement
22 that if the owner of the property is sixty-five years of age or over or is totally
23 disabled or is a surviving spouse of such person who is over the age of fifty-five
24 years of age, the person may be eligible for the credit allowed under this division.
25 If a claimant changes his homestead, this shall not prevent him from filing a
26 claim based on property taxes for which the claimant was liable and which were
27 actually paid by the claimant, but duplication of claims shall not be allowed. If a
28 homestead is an integral part of a farm, the claimant may use the total property
29 taxes paid for the larger unit, but not exceeding forty acres of land. If a
30 homestead is an integral part of a multidwelling or multipurpose building the
31 property taxes paid for the purpose of this subsection shall be prorated to reflect
32 the portion which the value of the property that the household occupies as its
33 homestead is to the value of the entire structure. For purposes of this subsection,
34 "unit" refers to that parcel of property covered by a single tax statement of which
35 the homestead is a part.

1 SEC. 31. Section four hundred twenty-five point seventeen (425.17), Code
2 1975, is amended by adding the following new subsection:

3 NEW SUBSECTION. "Special assessment" means special assessments made
4 pursuant to sections three hundred eighty-four point thirty-seven (384.37) through
5 three hundred eighty-four point seventy-nine (384.79) of the Code. The amount of
6 a special assessment which may be included in the amount of property taxes paid
7 for one year shall be an amount equal to one-twentieth of the total amount of the
8 special assessment levied against the homestead of the claimant, if the claimant
9 elected to pay the total amount of the special assessment in one payment. If the
10 claimant elects to pay the special assessment in ten annual installments as
11 provided by law, the claimant may include as a portion of the property taxes paid
12 during the base year an amount equal to one-half of the special assessment,
13 including interest, paid during that same base year.

1 SEC. 32. Section four hundred twenty-five point twenty-three (425.23),
2 subsection one (1), Code 1975, as amended by Acts of the Sixty-sixth General
3 Assembly, 1975 Session, chapter two hundred thirteen (213), section three (3), is
4 amended by striking paragraph a and inserting in lieu thereof the following:

5 a. The amount shall be determined in accordance with the following schedule:
6
7 Percent of property taxes
8 If the household income paid or rent constituting
9 is: property taxes paid allowed
10 as a reimbursement:
11 \$ 0 - 999.99 100%
12 1,000 - 1,999.99 95
2,000 - 2,999.99 85

3 carry out the recommendations, to the Sixty-seventh General Assembly not later
4 than January 10, 1977. Copies of the recommendations and of the recommended
5 legislation shall be transmitted to the president of the senate and the speaker of
6 the house of representatives who shall, within ten days after the date of receipt,
7 assign the proposed legislation to the appropriate standing committee.

1 **SEC. 38. Acquiring data.** The state comptroller may request the county
2 auditor, an assessor, or any other public official to provide the valuations of each
3 class of property in each city, county, school district, or other political subdivision
4 of the state, and any other information which the task force deems necessary to
5 properly perform its duties. The county auditors, assessors, and other public
6 officials shall cooperate with the state comptroller and provide such information
7 as is requested.

1 **SEC. 39. Appropriation.** There is appropriated from the general fund of the
2 state to the office of the governor the sum of one hundred thousand (100,000)
3 dollars, or so much thereof as may be necessary, for the fiscal year beginning
4 July 1, 1976 and ending June 30, 1977, for the purpose of the employment of such
5 professional, technical and administrative staff and assistance on such basis as
6 shall be determined by the governor and for such other expenses as shall be
7 necessary to accomplish the purpose of this Act, including per diem and actual
8 expenses incurred by task force members as provided in section thirty-four (34) of
9 this Act.

10

DIVISION VIII

1 ***[SEC. 40.** If the unencumbered balance of the general fund of the state on
2 June 30, 1976 does not exceed fifty million dollars, the homestead tax credit
3 computed in the manner provided in section twenty-three (23) of this Act shall
4 not apply and the homestead tax credit for claims filed in 1976 shall be computed
5 so as to give a credit against the tax on each eligible homestead in the state in an
6 amount equal to the actual levy on the first four thousand five hundred dollars of
7 actual value for each homestead. The county auditor shall compute the
8 homestead tax credit in the manner provided in section twenty-three (23) of this
9 Act and if the general fund balance does not exceed fifty million dollars, the
10 department of revenue shall reduce the amount of each homestead tax credit
11 claim certified to the department by ten percent and recertify the amount of the
12 credit to be allowed on each eligible homestead to the county treasurers of the
13 respective counties.

14 If the unencumbered balance of the general fund of the state on June 30, 1976,
15 does not exceed fifty million dollars, there is appropriated for the fiscal year
16 beginning July 1, 1977 and ending June 30, 1978 an amount equal to thirteen
17 million (13,000,000) dollars, or so much thereof as may be necessary, to the
18 agricultural land credit fund and the provisions of section four hundred twenty-
19 six point one (426.1) of the Code shall not apply for the fiscal year beginning
20 July 1, 1977 and ending June 30, 1978.

21 If the provisions of this section become effective and the amount of funds
22 appropriated to the agricultural land credit fund is the amount specified in this
23 section, the state comptroller shall recertify to the county auditors of the
24 respective counties the pro rata percentage of reimbursement from the
25 agricultural land credit fund which shall be distributed by the state comptroller.]

1 ***[SEC. 41.** If the unencumbered balance of the general fund of the state on
2 June 30, 1977 does not exceed fifty million dollars, the homestead tax credit
3 computed in the manner provided in section twenty-three (23) of this Act shall
4 not apply and the homestead tax credit for claims filed in 1977 shall be computed
5 so as to give a credit against the tax on each eligible homestead in the state in an
6 amount equal to the actual levy on the first four thousand five hundred dollars of
7 actual value for each homestead. The county auditor shall compute the
8 homestead tax credit in the manner provided in section twenty-three (23) of this

*See item veto message at end of Act

9 Act and if the general fund balance does not exceed fifty million dollars, the
 10 department of revenue shall reduce the amount of each homestead tax credit
 11 claim certified to the department by ten percent and recertify the amount of the
 12 credit to be allowed on each eligible homestead to the county treasurers of the
 13 respective counties.

14 If the unencumbered balance of the general fund of the state on June 30, 1977,
 15 does not exceed fifty million dollars, there is appropriated for the fiscal year
 16 beginning July 1, 1978 and ending June 30, 1979 an amount equal to thirteen
 17 million (13,000,000) dollars, or so much thereof as may be necessary, to the
 18 agricultural land credit fund and the provisions of section four hundred twenty-
 19 six point one (426.1) of the Code shall not apply for the fiscal year beginning
 20 July 1, 1978 and ending June 30, 1979.

21 If the provisions of this section become effective and the amount of funds
 22 appropriated to the agricultural land credit fund is the amount specified in this
 23 section, the state comptroller shall recertify to the county auditors of the
 24 respective counties the pro rata percentage of reimbursement from the
 25 agricultural land credit fund which shall be distributed by the state comptroller.]

1 SEC. 42. This Act, being deemed of immediate importance, shall take effect
 2 and be in force from and after its publication in the Globe-Gazette, a newspaper
 3 published in Mason City, Iowa, and in The Perry Daily Chief, a newspaper
 4 published in Perry, Iowa.

*Approved April 26, 1976, except the items designated as Sections 4, 17, 18, 19, 23,
 24, 40 and 41 herein which I hereby disapprove for the reasons set forth in my veto
 message delivered to the Secretary of State this same date, the original of which is
 attached hereto.

During the past decade, considerable public debate has centered on property tax
 and the burdens it imposes. When concern over property taxes was at a fever pitch in
 1971, we developed and passed the school foundation program. This long-term plan,
 which shifted the funding of increased school costs from property taxes to state
 revenues, has been a key to our success in recent years in stabilizing previously
 skyrocketing property taxes.

That property tax stability was jolted with the equalization order issued by the
 Director of Revenue in October, 1975. Required by law, and necessary to make our
 tax system an equitable one, the equalization order reflected the inordinate increase in
 property valuations across Iowa. As a result of the average increase of 30% in
 property valuations, Iowans faced the very real prospect of a substantial shift in
 school funding from state aid to property taxes and the possibility of local
 governments increasing their budgets to take advantage of the higher valuations.

In mid-January, we presented to the General Assembly our proposals to cushion
 what we believed would be an undesirable and unnecessary shock if no action were
 taken. Our proposals included a substantial increase in state aid to schools,
 reasonable limits on the additional property tax dollars that could be raised by local
 governments, and—very important—a task force on local government services and
 funding sources. This task force could amass the information so a more refined
 analytical approach could be developed for the rendition and funding of local
 government services. We offered these recommendations to the General Assembly,
 willing to accept improvements that might be made during the law-making session.

Now, after more than 90 days and after a cascade of words of emotional debate in
 both Houses, we are convinced of the soundness of our approach—to limit property
 tax increases by having the state bear the major share of increased school costs.

Before we submitted our recommendations, the General Assembly had begun to
 wrestle with the property tax problem. Property tax deliberations by the General
 Assembly during the past six months have followed a tortuous trail beginning with an
 inconclusive interim study committee, progressing to lengthy Ways and Means
 Committee sessions, heated and protracted floor debates and intricate off-the-floor

negotiations, and culminating in extraordinary conference committee deliberations and decisions.

From the time the Senate Ways and Means Committee first approved Senate File 1062 for debate on January 27 to the final vote by the House on April 13, the members of the General Assembly studied and considered a wide range of alternatives. Various budget limits, changes in our school aid formula, new property tax credits and exemptions, local option taxation and property valuation rollback and weightings are only some of the major options seriously debated by the legislature.

The final version of Senate File 1062 is a reflection and product of the often painful deliberations by the legislature on this subject. Its numerous provisions are an amalgam of the various proposals doggedly pursued throughout the deliberations. The raw political fact that no single approach enjoyed the support of a majority of both Houses, when combined with the exigencies of time, resulted in a bill where much—perhaps too much—was sacrificed for compromise. The many doubts expressed by so many of those who voted for the measure underscore the unusual odyssey of Senate File 1062.

Any bill of this scope and magnitude will contain both positive and negative provisions. Indeed Senate File 1062 contains several meritorious sections.

It improves our elderly tax credit program by providing more relief to our senior citizens.

The temporary property tax growth limitations of Senate File 1062 for local governments may prevent some otherwise potentially large increases in property tax levies during the next three years. An appeals process is established to accomodate [sic] unusual and exceptional needs.

Throughout the debate on Senate File 1062, it was apparent that the data and research needed to pursue the comprehensive and long-range changes being proposed were lacking. This is the reason why we proposed a task force to answer many of the presently unanswerable questions and give us a surer footing to develop a more permanent solution.

Provision for a task force is contained in Senate File 1062. Unfortunately it is restricted in its structure and capabilities. The geographic and partisan restrictions on the task force's membership will make it difficult to secure members with the kind of stature and the varied talents and backgrounds we feel essential for a top-notch task force. And the early reporting date for the task force to make its recommendations may inhibit comprehensive review and analysis of the complex issues at stake.

The most inexplicable and indefensible provision in the task force section is the requirement that public members work without pay while the legislative members receive \$40 per day.

While the task force is a far cry from what we had recommended, we intend to make it work.

It is imperative that in important, far-ranging bills that the meritorious features outweigh the countervailing negative aspects. Regrettably, I find this is not the case in Senate File 1062. There are several very serious considerations that weigh strongly against complete acceptance of this bill.

One consideration of paramount concern to all Iowans is the eventual cost of this legislation. It is estimated by the Revenue Department and State Comptroller that the total cost of the first year of Senate File 1062 (FYE 77) is approximately \$7 million more than we recommended. But the real spending problem is in the second year (FYE 78) when it is estimated that the bill will cost approximately \$21 million more than we originally recommended.

Even these substantial cost estimates are conservative. We have reason to believe that with the weaker limitations on property tax increases by local governments, the cost of new homestead credits in Senate File 1062 may be considerably more than estimated.

One would have to view Senate File 1062 with much hesitation and trepidation solely because of its cost, especially since we do not know what other spending measures this legislature may adopt. Should the State be required to seek new or

increased taxes in two or three years because of this bill, Iowans would have the kind of tax relief they can hardly afford.

Senate File 1062 makes a long-term commitment with two marked departures from our present taxing system—a changed and greatly enlarged homestead credit and the use of 100% productivity for the assessment of agricultural land with a twist that could be detrimental to some farmers. While these departures may be desirable, Senate File 1062 initiates them based on little more than cursory knowledge of their impact on our tax system, long-term implications, and desirability vis-a-vis future alternatives. Further, the task force should not be preempted from considering all alternatives.

The deviation from existing policies contained in Senate File 1062 is demonstrated in its effect on state aid for schools. For the first time in many years, and contrary to the direction we have been pursuing, state aid for schools will actually decrease next year—from about \$383 million to \$378 million. Considering that school costs next year will be in excess of \$55 million more than this year, the decrease in state aid for schools is a radical shift from our present policy of increased school costs being financed primarily from state revenues. The approach we have had is a proven method of property tax relief—and has equalized education for our young people.

While Senate File 1062 would soften the blow of increased property taxes in some areas more than our proposal, it provides no relief for Iowans who rent. It is estimated that roughly one-fifth of all homes in the residential class of property in the State are rental units. Since the homestead credit is available only to owner-occupants, renters will receive no benefits under the bill even though their rental payments will reflect increased property taxes.

Finally, I point out that Senate File 1062 does little to keep industrial, personal, and utility property from enjoying a reduction in taxes while agricultural and residential property taxes increase - a point often criticized during the debate on this bill.

As we have reviewed Senate File 1062, it has become more and more apparent that this measure is poorly conceived and ill-designed. The bill is so fraught with uncertainties and difficulties that we have found few legislators willing to sing its praises. It is indeed surprising that a bill of such consequence would elicit so little support following passage while generating, from members of both parties, so many requests for a full or item veto.

If I were to veto Senate File 1062 in total, for which a good argument can be made, the General Assembly would be compelled to reconsider the bill, start all over, or return in special session in order to keep Iowans from being unduly hit by excessive property tax increases. Yet as legislators continue to tell me, there is little reason to believe this legislature could turn out a better product. The same differences and the same problems frustrating the General Assembly during the development of Senate File 1062 still exist.

While there is no assurance that the legislature would give us an improved bill should I veto Senate File 1062, there would be a guarantee of more lost time in the local budgetary process. Should this occur, local units of government would be delayed in their tax collections and would incur extra interest costs of some \$2 million a month.

While I am tempted to veto Senate File 1062, the prospect of havoc, little or no improvement, and added expense for local governments persuades me to sign into law the first year of this bill. Iowans must have some help and the first year under Senate File 1062 does send state revenues back to give some relief to some taxpayers.

The same considerations do not hold true for the second and third years of Senate File 1062. Next year we will have better information relative to the amount of money available from state resources for financing a property tax package for future years. We also will have the benefit of the efforts of the task force and can act upon its recommendations after they are made—instead of before. The new General Assembly will be in a position to consider improvements in or alternatives to the second and third year provisions of Senate File 1062 in a timely fashion. It could, of course, accept the second and third year provisions of Senate File 1062 if the data, statistics,

and judgment accumulated during the interim warrant it.

Because of these considerations, I have decided to item veto from Senate File 1062 the homestead credits for FYE 1978 and FYE 1979, the change in assessment procedures for agricultural property for the same two years, and the automatic surplus triggers which are operative only because of the second and third years of the bill.

By vetoing the second and third years of this bill, I realize that prompt action will have to be taken to achieve a fair and equitable tax program when the next legislative session convenes.

This item veto should not be construed as opposition on my part to the establishment of additional productivity for agricultural land or assessment changes for other classes of property. It does mean that there are unknowns contained in this tax package that, if uncorrected, could do more harm than good to many taxpayers who are hoping for some relief.

I am also item vetoing the property tax limitations for special districts. It was intended that these special purpose districts be under the property tax limitations, but further study convinces us that the administration of and compliance with the limitations would be virtually impossible.

While I recognize there is always risk in an action such as I am taking today with this item veto, I truly believe that the risk is well worth it when we consider the definite possibility of writing into law next session a far superior plan—one that will be supported by fact and which will help the farmer and the residential dweller. It is hard to imagine that next year's effort will not produce something at least as good and hopefully much better than Senate File 1062.

It must now be apparent that an equitable solution to the basic problem—how local government services can be supplied to our people and how the costs of these services should be allocated—is not simple to develop—but neither is it impossible. The combination of better data and the dedication of people to improve the existing system can surely result in the evolution of a program that can meet the tests of time.

For these reasons, I hereby disapprove the aforementioned eight items in accordance with Amendment 4 of the Amendments of 1968 to the Constitution of the State of Iowa. All other items of Senate File 1062 are hereby approved this date.

s/ ROBERT D. RAY, *Governor*

I hereby certify that the foregoing Act, Senate File 1062, and Governor Robert D. Ray's item veto message were published in entirety in the *Globe-Gazette*, Mason City, Iowa on May 4, 1976, and in *The Perry Daily Chief*, Perry, Iowa on May 3, 1976.

MELVIN D. SYNHORST, *Secretary of State*