

these items are delineated in the item veto message pertaining to this Act to the Secretary of State this same date, a copy of which is attached hereto.

TERRY E. BRANSTAD, *Governor*

Dear Mr. Secretary:

I hereby transmit Senate File 533, an Act relating to and making appropriations to the justice system and providing effective dates.

Senate File 533 is, therefore, approved on this date with the following exceptions, which I hereby disapprove.

I am unable to approve section 8 and section 31, subsection 3, in their entirety. These items would utilize a bad budgeting practice to fund additional staff in the Department of Corrections. I am approving direct funding for fifty new corrections officers in the bill, which is the proper way to budget for such ongoing expenses.

For the above reason, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 533 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, *Governor*

CHAPTER 206

TAX CREDITS AND EXEMPTIONS — LOCAL BUDGET PRACTICES — PROPERTY TAX STATEMENTS

H.F. 726

AN ACT relating to the livestock production tax credit; increasing the state's reimbursement for the homestead, military service, and elderly and disabled credits; requiring the state to reimburse new property tax credits and exemptions; providing for local government budget practices and property tax statements; and including applicability date provisions.

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

DIVISION I LIVESTOCK PRODUCTION TAX CREDIT

Section 1. Section 422.120, subsection 1, paragraph b, Code 1997, is amended by striking the paragraph and inserting in lieu thereof the following:

b. (1) The credit shall be available to an individual or corporate taxpayer if the taxpayer's federal taxable income is not more than ninety-nine thousand six hundred dollars for the tax year. In the case of married taxpayers, their combined federal taxable income shall be used to determine if they qualify for the credit.

(2) For each subsequent tax year, the maximum taxable income amount specified in subparagraph (1) shall be multiplied by the cumulative index factor for that tax year. "Cumulative index factor" means the product of the annual index factor for the 1997 calendar year and all annual index factors for subsequent calendar years. The cumulative index

factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual index factor has been determined.

(3) The annual index factor for the 1997 calendar year is one hundred percent. For each subsequent calendar year, the annual index factor equals the annual inflation factor for that calendar year as computed in section 422.4 for purposes of the individual income tax.

Sec. 2. Section 422.120, Code 1997, is amended by adding the following new subsection: NEW SUBSECTION. 2A. As used in this division, "cow-calf operation" means any of the following:

- a. Mature beef cows bred or for breeding.
- b. Bred yearling heifers.
- c. Breeding bulls.

Sec. 3. Section 422.121, Code 1997, is amended to read as follows:
422.121 APPROPRIATION.

Beginning with the fiscal year beginning July 1, 1997, there is appropriated annually from the general fund of the state two million dollars to refund the credits allowed under this division. Notwithstanding section 422.120, for tax years beginning on or after January 1, 1997, the livestock production tax credit shall only be allowed for cow-calf operations.

DIVISION II
HOMESTEAD, MILITARY, LOW-INCOME, ELDERLY AND DISABLED
AND OTHER CREDITS AND REIMBURSEMENT CLAIMS

Sec. 4. NEW SECTION. 25B.7 FUNDING PROPERTY TAX CREDITS AND EXEMPTIONS.

1. Beginning with property taxes due and payable in the fiscal year beginning July 1, 1998, the cost of providing a property tax credit or property tax exemption which is enacted by the general assembly on or after January 1, 1997, shall be fully funded by the state. If a state appropriation made to fund a credit or exemption which is enacted on or after January 1, 1997, is not sufficient to fully fund the credit or exemption, the political subdivision shall be required to extend to the taxpayer only that portion of the credit or exemption estimated by the department of revenue and finance to be funded by the state appropriation. The department of revenue and finance shall determine by June 15 the estimated portion of the credit or exemption which will be funded by the state appropriation.

2. The requirement for fully funding and the consequences of not fully funding credits and exemptions under subsection 1 also apply to all of the following:

- a. Homestead tax credit pursuant to sections 425.1 through 425.15.
- b. Low-income property tax credit and elderly and disabled property tax credit pursuant to sections 425.16 through 425.40.
- c. Military service property tax credit and exemption pursuant to chapter 426A and sections 427.3 through 427.7, to the extent of six dollars and seventy-five cents per thousand dollars of assessed value of the exempt property.

3. a. For purposes of this subsection, "base reimbursement amount" means the amount in dollars received for the fiscal year beginning July 1, 1996, by a city, county, or school district from the state as a reimbursement for the homestead tax credit, military service property tax credit, low-income property tax credit, or the elderly and disabled property tax credit, as appropriate. The county treasurer shall determine the base reimbursement amount for the cities, county, and school districts for each credit. The treasurer shall notify the department of management of the base reimbursement amounts for each credit of each school district.

b. The amount of state reimbursement received for a fiscal year beginning on or after July 1, 1997, and ending on or before June 30, 2002, by a city, county, or school district for the homestead tax credit, military service property tax credit, low-income property tax credit, or elderly and disabled property tax credit in excess of the base reimbursement amount for that credit shall be used as follows:

(1) In the case of a city, at least fifty percent shall be used for property tax relief with the remaining amount used for infrastructure. The county treasurer shall provide to each city located in the county the total amount of excess tax credit reimbursement received by the city.

(2) In the case of a county, at least fifty percent shall be used for property tax relief with the remaining amount used for infrastructure or for paying the expenses incurred in providing the statement and receipt required under section 445.5. The county treasurer shall provide the county auditor with the total amount of excess tax credit reimbursement received by the county.

(3) In the case of a school district, one hundred percent shall be used for property tax relief through the reduction in the additional levy under section 257.4. Each county treasurer shall provide the department of management with the total amount of excess tax credit reimbursement received by each school district in the county.

c. The requirements of paragraph "b" do not constitute a state mandate under this chapter.

d. This subsection is repealed June 30, 2002, for fiscal years beginning after that date.

Sec. 5. Section 8.59, Code 1997, is amended to read as follows:

8.59 APPROPRIATIONS FREEZE.

Notwithstanding contrary provisions of the Code, the amounts appropriated under the applicable sections of the Code for fiscal years commencing on or after July 1, 1993, are limited to those amounts expended under those sections for the fiscal year commencing July 1, 1992. If an applicable section appropriates moneys to be distributed to different recipients and the operation of this section reduces the total amount to be distributed under the applicable section, the moneys shall be prorated among the recipients. As used in this section, "applicable sections" means the following sections: 53.50, 229.35, 230.8, 230.11, 405A.8, 411.20, ~~425.1, 425.39, 426A.1,~~ 663.44, and 822.5.

Sec. 6. Section 425.2, unnumbered paragraphs 2 and 6, Code 1997, are amended to read as follows:

Upon the filing and allowance of the claim, the claim shall be allowed on that homestead for successive years without further filing as long as the property is legally or equitably owned and used as a homestead by that person or that person's spouse on July 1 of each of those successive years, and the owner of the property being claimed as a homestead declares residency in Iowa for purposes of income taxation, and the property is occupied by that person or that person's spouse for at least six months in each of those calendar years in which the fiscal year begins. When the property is sold or transferred, the buyer or transferee who wishes to qualify shall refile for the credit. However, when the property is transferred as part of a distribution made pursuant to chapter 598, the transferee who is the spouse retaining ownership of the property is not required to refile for the credit. Property divided pursuant to chapter 598 shall not be modified following the division of the property. An owner who ceases to use a property for a homestead or intends not to use it as a homestead for at least six months in a calendar year shall provide written notice to the assessor by July 1 following the date on which the use is changed. ~~If the written notice is not provided to the assessor by the appropriate July 1, the owner forfeits the right to file a belated claim on another homestead for the year the notice should have been given.~~ A person who sells or transfers a homestead or the personal representative of a deceased person who had a homestead at the time of death, shall provide written notice to the assessor that the property is no longer the homestead of the former claimant.

~~The failure of a person to file a claim under this section on or before July 1 of the year for which the person is first claiming the credit or to have the evidence of ownership recorded in the office of the county recorder does not disqualify the claim if the person claiming the credit or through whom the credit is claimed is otherwise qualified. The belated claim shall be filed with the appropriate assessor on or before December 31 of the following calendar~~

~~year and, if approved by the board of supervisors, the county treasurer shall submit the belated claim to the director of revenue and finance who shall send payment to the claimant. The payment shall be made from funds appropriated to the homestead credit fund.~~

Sec. 7. Section 425.39, subsection 1, Code 1997, is amended to read as follows:

1. The ~~extraordinary~~ elderly and disabled property tax credit and reimbursement fund is created. There is appropriated annually from the general fund of the state to the department of revenue and finance to be credited to the ~~extraordinary~~ elderly and disabled property tax credit and reimbursement fund, from funds not otherwise appropriated, an amount sufficient to implement this division for claimants described in section 425.17, subsection 2, paragraph "a".

Sec. 8. Section 425.39, subsection 2, Code 1997, is amended by striking the subsection.

Sec. 9. Section 427.5, unnumbered paragraph 5, Code 1997, is amended by striking the unnumbered paragraph.

Sec. 10. Sections 5, 7, and 8 of this division of this Act apply to reimbursements made for property tax credits and to reimbursements for rent constituting property taxes payable on or after July 1, 1997.

DIVISION III LOCAL GOVERNMENT BUDGETING PRACTICES

Sec. 11. Section 24.9, unnumbered paragraph 1, Code 1997, is amended to read as follows:

Each municipality shall file with the secretary or clerk thereof the estimates required to be made in sections 24.3 to 24.8, at least twenty days before the date fixed by law for certifying the same to the levying board and shall forthwith fix a date for a hearing thereon, and shall publish such estimates and any annual levies previously authorized as provided in section 76.2, with a notice of the time when and the place where such hearing shall be held at least not less than ten nor more than twenty days before the hearing. Provided that in municipalities of less than two hundred population such estimates and the notice of hearing thereon shall be posted in three public places in the district in lieu of publication.

Sec. 12. Section 24.9, Code 1997, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The department of management shall prescribe the form for public hearing notices for use by municipalities.

Sec. 13. Section 24.17, Code 1997, is amended to read as follows:
24.17 BUDGETS CERTIFIED.

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 blanks forms, and pursuant to instructions, prescribed by the ~~state board, and according to the rules and instruction which shall be furnished all certifying and levying boards in printed form by the state board or city finance committee in the case of cities~~ department of management. However, if a city or county holds a special levy election, the certification shall be not later than fourteen days following the special levy election, and. However, 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.

One copy of the budget shall be retained on file in the office by the county auditor and the other shall be certified by the county auditor to the state board. The department of management shall certify the taxes back to the county auditor by June 15.

Sec. 14. Section 331.403, subsection 1, Code 1997, is amended to read as follows:

1. Not later than ~~October~~ December 1 of each year on forms and pursuant to instructions prescribed by the department of management, a county shall prepare an annual financial report showing for each county fund the financial condition as of June 30 and the results of operations for the year then ended. Copies of the report shall be maintained as a public record at the auditor's office and shall be ~~furnished to~~ filed with the director of the department of management and ~~to~~ with the auditor of state by December 1. A summary of the report, in a form prescribed by the director, shall be published by each county not later than ~~October~~ December 1 of each year in one or more newspapers which meet the requirements of section 618.14.

Sec. 15. Section 331.403, subsection 3, Code 1997, is amended by striking the subsection and inserting in lieu thereof the following:

3. A county that fails to meet the filing deadline imposed by this section shall have withheld from payments to be made to the county pursuant to chapter 405A an amount equal to five cents per capita until the financial report is filed.

Sec. 16. Section 331.434, subsection 3, Code 1997, is amended to read as follows:

3. 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, in the form prescribed by the director of the department of management, shall be included in the notice. Proof of publication shall be filed with and preserved by the auditor. A levy is not valid unless and until the notice is published and filed. The department of management shall prescribe the form for the public hearing notice for use by counties.

Sec. 17. Section 331.434, Code 1997, is amended by adding the following new subsection:

NEW SUBSECTION. 7. Taxes levied by a county whose budget is certified after March 15 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 deadline was missed because of circumstances beyond the control of the county.

Sec. 18. Section 331.439, subsection 1, paragraph a, Code 1997, is amended to read as follows:

a. The county accurately reported by ~~October 15~~ December 1 the county's expenditures for mental health, mental retardation, and developmental disabilities services for the previous fiscal year on forms prescribed by the department of human services.

Sec. 19. Section 384.16, subsection 3, Code 1997, is amended to read as follows:

3. 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 as provided in section 362.3 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 shall be included in the notice. Proof of publication must be filed with the county auditor. The department of management shall prescribe the form for the public hearing notice for use by cities.

Sec. 20. Section 384.16, Code 1997, is amended by adding the following new subsection:

NEW SUBSECTION. 6. Taxes levied by a city whose budget is certified after March 15 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 deadline was missed because of circumstances beyond the control of the city.

Sec. 21. Section 384.22, Code 1997, is amended to read as follows:
384.22 ANNUAL REPORT.

Not later than ~~October~~ December 1 of each year, a city shall publish an annual report as provided in section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures, the current public debt of the city, and the legal debt limit of the city for the current fiscal year. The report shall be prepared on forms and pursuant to instructions prescribed by the auditor of state. A copy of this report must be ~~furnished to~~ filed with the auditor of state not later than December 1 of each year.

A city that fails to meet the filing deadline imposed by this section shall have withheld from payments to be made to the city pursuant to chapter 405A an amount equal to five cents per capita until the annual report is filed with the auditor of state.

Sec. 22. Section 445.5, Code 1997, is amended to read as follows:
445.5 STATEMENT AND RECEIPT.

1. As soon as practicable after receiving the tax list prescribed in chapter 443, the treasurer shall deliver to the taxpayer a statement of taxes due and payable which shall include the following information:

- a. The year of tax.
- b. A description of the parcel.
- c. The assessed value of the parcel, itemized by the value for land, dwellings, and buildings, for the current year and the previous year as valued by the assessor after application of any equalization orders.
- d. The taxable value of the parcel, itemized by the value for land, dwellings, and buildings, for the current year and the previous year after application of any equalization orders, assessment limitations, and itemized valuation exemptions.
- e. The complete name of all taxing authorities receiving a tax distribution, the amount of the distribution, and the percentage distribution for each named authority, listed from the highest to the lowest distribution percentage.
- f. The consolidated levy rate for one thousand dollars of taxable valuation multiplied by the taxable valuation to produce the gross taxes levied before application of credits against levied taxes for the previous and current fiscal years.
- g. The itemized credits against levied taxes deducted from the gross taxes levied in order to produce the net taxes owed for the previous and current fiscal years.
- h. The amount of property tax dollars reduced on each parcel as a result of the moneys received from the property tax relief fund pursuant to section 426B.2, subsections 1 and 3.
- i. The total amount of taxes levied by each taxing authority in the previous fiscal year and the current fiscal year, the dollar amount difference between the two amounts, and that same difference expressed as a percentage increase or decrease.

If the person receiving the statement is not the titleholder of record or contract holder of record of the parcel, that person shall pay a fee at the rate of two dollars per parcel for each year. The treasurer shall at the same time deliver to the titleholder of record or contract holder of record a copy of the statement.

2. The county treasurer shall deliver to the taxpayer a receipt stating the year of tax, date of payment, a description of the parcel, and the amount of taxes, interest, fees, and costs paid except when payment of taxes is made by check, then a receipt shall be issued only upon request. The receipt shall be in full of the first half, second half, or full year amounts unless a payment is made under section 445.36A or 435.24, subsection 6.

*Sec. 23. TAX STATEMENT STUDY COMMITTEE.

1. *There is established a tax statement study committee comprised of the members of the county finance committee and three county treasurers appointed by the governor in consultation with the Iowa state treasurers association.*

2. *The committee shall study the following:*
 - a. *The fiscal impact of implementing redesigned property tax statements as required in section 445.5.*
 - b. *Identification of the impediments involved in requiring the tax statement in section 445.5.*
 - c. *The technological impact of implementing the property tax statement required in section 445.5.*
 - d. *The recommended design of the property tax statement required in section 445.5.*
 - e. *A process by which counties and the state can achieve the goal of providing a uniform tax statement design to be used statewide.*
3. *The committee shall furnish a report of its study to the general assembly in January 1998.**

Sec. 24. APPLICABILITY DATES. *Section 22 of this division of this Act, amending section 445.5, applies to tax statements issued for the fiscal year beginning July 1, 2001.* The remainder of this division of this Act applies to budgets prepared for fiscal years beginning on or after July 1, 1998.

Approved May 15, 1997, except the items which I hereby disapprove and which are designated as Section 23 in its entirety; and that portion of Section 24 which is herein bracketed in ink and initialed by me. My reasons for vetoing these items are delineated in the item veto message pertaining to this Act to the Secretary of State this same date, a copy of which is attached hereto.

TERRY E. BRANSTAD, Governor

Dear Mr. Secretary:

I hereby transmit House File 726, an Act relating to the livestock production tax credit; increasing the state's reimbursement for the homestead, military service, and elderly and disabled credits; requiring the state to reimburse new property tax credits and exemptions; providing for local government budget practices and property tax statements; and including applicability date provisions.

House File 726 is, therefore, approved on this date with the following exceptions, which I hereby disapprove.

I am unable to approve the items designated as section 23, in its entirety, and the designated portion of section 24. These items would delay the implementation of comprehensive property tax statements to property owners until the year 2001. With the tax limitation expiring, it is important to provide comprehensive information to the taxpayers relating to changes in their property taxes. The taxpayers should not have to wait four years to get this basic and important information on their annual property tax statements. By vetoing these items, taxpayers will receive the comprehensive information in 1998 for the fiscal years beginning on or after July 1, 1998.

For the above reason, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in House File 726 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, Governor

* Item veto; see message at end of the Act