



REPUBLICAN CAUCUS STAFF
HOUSE OF REPRESENTATIVES
STATE CAPITOL
DES MOINES, IOWA 50319
515.281.3440
IOWAHOUSEREPUBLICANS.COM

HOUSE REPUBLICAN STAFF ANALYSIS

Bill: House File 691 (substituted SF 522 on the floor)
Committee: Ways And Means
Date: July 31, 2011
Staff: Dustin Blythe (1-3452)
Members: Representative Sands

Property Taxation, Local Government and School Financing

House File 691 – relates to state and local government finances by increase the regular program foundation base, establishing property tax levy limits for cities and counties and establishes certain property assessment limitations.

Passed House Ways and Means 16-9
Passed the House 58-40
Died in the Senate

Section-by-Section-Analysis

Division I

Section 1- Education Finance - Starting with budget year July 1, 2011 the regular foundation base per pupil is increased from 87% to 100% of the regular program state cost per pupil.

July 1, 2011	87.50%
July 1, 2012	89.29%
July 1, 2013	91.60%
July 1, 2014	92.84%
July 1, 2015	94.62%
July 1, 2016	96.40%
July 1, 2017	98.18%
July 1, 2018	100%

Special Education Support

For each budget year, the special education support services foundation is 79% of the special education support services state cost per pupil.

Division II.

Property Assessment Limitations – Section 441.21, (4) is amended

Section 2 (4)

For valuations established for the assessment year beginning January 1, 2012, and each assessment year thereafter, the percentage of actual value as equalized by the director of revenue in regards to agricultural and residential property assessed shall be calculated in accordance with the methods provided - except that any references to four percent shall be two percent instead.

Section 5(a)

For valuations established on or after January 1, 2012, commercial and industrial property, excluding properties referred to in 427A.1 (8), shall be assessed as a percentage of the actual value, as determined in this paragraph.

For valuations established for the assessment year beginning January 1, 2012 – January 1, 2016 the following schedule applies.

AY 2012 – Assessment would be 92%
AY 2013 – Assessment would be 84%
AY 2014 – Assessment would be 76%
AY 2015 – Assessment would be 68%
AY 2016 – Assessment would be 60%

This portion of the bill also ensures railroads are treated the same as commercial and industrial property as Federal Law requires this.

Section 4

New section 441.21A – Legislative intent

Specifies the intent that the general assembly to make appropriations annually to reimburse local taxing authorities in this state for reductions in property tax collections on commercial and industrial property as a result of the assessment limitations established under section 441.21 (5) in the following amounts.

The committee on Ways and Means of both the Senate and House shall conduct annual reviews of the implementation and fiscal impact of the commercial and industrial property assessment limitations on local taxing authorities

FY July 1, 2014	\$50 million
FY July 1, 2015	\$100 million
FY July 1, 2016	\$150 million
FY July 1, 2017	\$200 million
FY July 1, 2018	\$250 million (and each fiscal year after)

Section 5

Savings Provision – states that this portion of the bill does not affect duties, powers, protests, appeals, proceedings, actions, or remedies for assessment years beginning before January 1, 2012.

Section 6

Applicability – this division of this Act applies to property tax assessment years beginning on or after January 1, 2012.

Division III.

County and City Budget Limitation – Section 23A.2 (10) is amended.

Section 7

The performance of an activity listed in section 331.424, inserts as a service which a county include in its budget.

Section 8

Relates to regional transit budgets. Counties with less than 300,000 people, the amount of the regional transit district levy shall be deducted from the maximum amount of taxes authorized to be levied by the county.

Section 9

Deals with licensing and permit fees.

Section 10

Section 218.99 is amended – Counties to be notified of patients personal accounts

Relates to the administrator in control of a state institution shall direct the business manager of each institution under the administrators' jurisdiction - strikes “which is mentioned in section 331.424, subsection 1, paragraph a, subparagraph (1) and (2)”.

Section 11

Section 331.263, (2) is amended

The governing body of the community commonwealth shall have the authority to levy county taxes and shall have the authority to levy city taxes to the extent the city tax levy authority is transferred by the charter to the community commonwealth.

Strikes reference to rate and inserts amount – and defines the maximum amount of taxes authorized to be levied.

Section 12

Relates to the board of supervisors – they may credit funds to a reserve for the purposes authorized by subsection 11 of this section, but strikes sections 331.424, subsection 1, paragraph (a).

Section 13

Section 331.421, subsections 1 and 10 is amended by striking the subsections.

Section 14

Section 331.421 is amended by adding a new subsection 7A.

“Item” means a budgeted expenditure, appropriation, or cash reserve from a fund for a service area, program, program element, or purpose.

Section 15

Property Tax dollars – maximums:

For counties, the board on an annual basis shall determine the tax levy limits to pay for general county and rural county services in accordance with this section. The board shall not raise property tax dollars that exceed the amount determined in this section.

- a. Adds “annual growth factor” to the definitions. Means an index, expressed as a percentage, determined by the department of management by January 1 of the calendar year in which the budget year begins. In determining the annual growth factor, the department shall calculate the average of the preceding twelve-month percentage change, which shall be computed on a monthly basis, in the Midwest consumer price index, ending with the percentage change for the month of November. The department shall then add that average percentage change to 100%. In no case shall the annual growth factor exceed 104%.
- b. “*Boundary adjustment*” – means annexation, severance, incorporation, or discontinuance as those terms are defined.
- c. “*Budget year*” – is the fiscal year beginning during the calendar year in which a budget is certified
- d. “*Current fiscal year*” – is the fiscal year ending during the calendar year in which a budget is certified
- e. “Net new valuation taxes” - means the amount of property tax dollars equal to the current fiscal year’s levy rate in the county for general county services or for rural county services, as applicable, multiplied by the increase from the current fiscal year to the budget year in taxable valuation due to the following:
 - Net new construction, excluding all incremental valuation that is released in any one year from an urban renewal area.
 - Additions or improvements to existing structures.
 - Remodeling of existing structures requiring a building permit.
 - Net boundary adjustment
 - A municipality no longer dividing tax revenues in an urban renewal, to the extent that the incremental valuation released is due to new construction or revaluation on property newly constructed, additions or improvements to existing property, net boundary adjustment, or expirations of tax abatements, all occurring after the division of revenue begins.
 - That portion of taxable property located in an urban revitalization area on which an exemption was allowed and has now expired.
 - When a TIF district finally ends, that the increased value is released to the county.

Maximum property tax dollars that may be levied for general county services in an amount equal to the sum of the following:

- The annual growth factor times the current fiscal year’s maximum property tax dollars for general county services
- The amount of net new valuation taxes in the county

Maximum property tax dollars that may be levied for rural county services is an amount equal to the sum of the following:

- The annual growth factor times the current fiscal year's maximum property tax dollars for rural county services
- The amount of net new valuation taxes in the unincorporated area of the county

4a. For general county services "*Current fiscal years maximum property tax dollars*" – shall mean the total amount of property tax dollars certified by the county for general county services for the fiscal year beginning July 1, 2011.

4b. For rural county services "*Current fiscal years maximum property tax dollars*" – shall mean the total amount of property tax dollars certified by the county for rural county services for the fiscal year beginning July 1, 2011.

5. Property taxes certified for deposit in mental health, mental retardation, and developmental disabilities services fund, emergency funds, debt service fund and any capital projects fund established by the county for deposit of bond, loan, or note proceeds, and any temporary increase approved are not included in the maximum amount of property tax dollars that may be certified for a budget year in subsection 3.

6. The department of management, in consultation with the county finance committee, shall adopt rules to administer this section. The department shall prescribe forms to be used by counties when making calculations required in this section.

Section 16

Ending Fund balance - Counties:

Budgeted ending fund balances for a budget year in excess of 25% of budgeted expenditures in either the general fund or rural services fund for that budget year shall be explicitly reserved or designated for a specific purpose.

- b. A county is encouraged, but not required to reduce budgeted, unreserved, or undesignated ending fund balances to 25% of the budgeted expenditures and transfers from the general fund and rural services fund.
- c. In a protest to the county budget, the county shall have the burden of proving that the budgeted balances in excess of 25% are reasonably likely to be appropriated for the explicitly reserved or designated purpose.

Section 17

Authority to levy beyond maximum property tax dollars:

The board may certify additions to the maximum amount of property tax dollars to be levied for a period of time not to exceed two years if they proposition has been submitted at a special election and received a majority of the votes cast.

- Board must give at least 32 days' notice to the county commissioner of elections that the special election is to be held.
- In no case, however, shall a notice be given to the county commissioner of elections after December 31 for an election on a proposition to exceed the statutory limits during the fiscal year beginning in the next calendar year.

- Notice of special election shall be published in at least one newspaper and notice shall appear as early as practicable.

Section 18

Directs the county auditor and the board of supervisors to reduce the amount of the levy for certified services fund by the amount of property tax relief to be received.

Section 19

Amends section 331.347 (3) paragraph 1 – dealing with services listed in section 331.424.

Section 20

Amends section 331.428 (2) paragraph d – dealing with services listed in section 331.424.

Section 21

This is language suggested by Fiscal. This would outline what cities are required to report in regards to their budget. This would also put the Department of Management back in charge of the forms they would use as well.

Section 22

Section 373.10 is amended –deals with the taxing authority of a metropolitan council and the maximum amounts of taxes authorized to be levied.

Section 23

Property Tax Dollar Maximums - Cities

Cities shall certify taxes to be levied by the city on all taxable property within the city limits, for all city government purposes. Annually, the city council may certify basic levies for city government purposes, subject to the limitation on property tax dollars provided in this section.

- a. Adds “annual growth factor” to the definitions. Means an index, expressed as a percentage, determined by the department of management by January 1 of the calendar year in which the budget year begins. In determining the annual growth factor, the department shall calculate the average of the preceding twelve-month percentage change, ending with the percentage change for the month of November. The department shall then add that average percentage to 100%. At no time could a city annual growth factor exceed 104%.
- b. “*Boundary adjustment*” – means annexation, severance, incorporation, or discontinuance as those terms are defined.
- c. “*Budget year*” – is the fiscal year beginning during the calendar year in which a budget is certified
- d. “*Current fiscal year*” – is the fiscal year ending during the calendar year in which a budget is certified
- e. “Net new valuation taxes” - means the amount of property tax dollars equal to the current fiscal year’s levy rate in the county for general county services or for rural county services, as applicable, multiplied by the increase from the current fiscal year to the budget year in taxable valuation due to the following:
 - Net new construction, excluding all incremental valuation that is released in any one year from an urban renewal area.

- Additions or improvements to existing structures.
- Remodeling of existing structures requiring a building permit.
- Net boundary adjustment
- A municipality no longer dividing tax revenues in an urban renewal, to the extent that the incremental valuation released is due to new construction or revaluation on property newly constructed, additions or improvements to existing property, net boundary adjustment, or expirations of tax abatements, all occurring after the division of revenue begins.
- That portion of taxable property located in an urban revitalization area on which an exemption was allowed and has now expired.
- When a TIF district finally ends, that the increased value is released to the city.

Maximum property tax dollars that may be levied for deposit in the general fund is an amount equal to the sum of the following:

- The annual growth factor times the current fiscal year's maximum property tax dollars for the general fund
- The amount of net new valuation taxes in the city

Property taxes certified for deposit in the debt service fund, trust and agency funds, capital improvements reserve fund, or any funds established by the city for deposit of bond, loan, or note proceeds are not counted against the maximum amount of property tax dollars that may be certified for a fiscal year in subsection 3.

The department of management, in consultation with the county finance committee, shall adopt rules to administer this section. The department shall prescribe forms to be used by counties when making calculations required in this section.

Section 24

Ending Fund balance Cities

Budgeted ending fund balances for a budget year in excess of 25% of budgeted expenditures from the general fund for that budget year shall be explicitly reserved or designated for a specific purpose.

- A city is encouraged, but not required to reduce budgeted, unreserved, or undesignated ending fund balances to 25% of the budgeted expenditures and transfers from the general fund for that budget year unless a decision is certified by the state appeal board ordering a reduction in the ending fund balance of the fund
- In a protest to the city budget, the city shall have the burden of proving that the budgeted balances in excess of 25% are reasonably likely to be appropriated for the explicitly reserved or designated purpose.

Section 25

Section 384.12, subsection 20 is amended by striking the subsection

Section 26

Authority to levy beyond maximum property tax dollars:

The city council may certify additions to the maximum amount of property tax dollars to be levied for a period of time not to exceed two years if they proposition has been submitted at a special election and received a majority of the votes cast.

- The council must give at least 32 days' notice to the county commissioner of elections that the special election is to be held.
- In no case, however, shall a notice be given to the county commissioner of elections after December 31 for an election on a proposition to exceed the statutory limits during the fiscal year beginning in the next calendar year.
- Notice of special election shall be published in at least one newspaper and notice shall appear as early as practicable.
- The special election shall be conducted by the county commissioner of elections in accordance with the law.

Section 27

This is language suggested by Fiscal. This would outline what cities are required to report in regards to their budget. This would also put the Department of Management back in charge of the forms they would use as well.

Section 28

For the purposes of a tax protest filed under this section "item" means a budgeted expenditure, appropriation, or cash reserve from a fund for a service area, program, program element, or purpose.

Section 29

Operation Tax

A city may establish a self-supported improvement district operation fund, and may certify taxes not to exceed the rate limitation as established in the ordinance creating the district. May be used for administrative expenses, personnel salaries, planning costs, consultation fees, engineering fees and legal fees and all other expenses reasonably associated with the administration of the district.

Section 30

Capital Improvement Tax

A city may establish a capital improvement fund for a district and may certify taxes not to exceed the rate established by the ordinance. The purpose would be for the financing or payment of a part or all of the costs of any improvement or self-liquidating improvement. However, parcels of property which are assessed as residential property for property tax purposes are exempt from the tax levied under this section except residential properties within a duly designated historic district. A tax levied under this section is not subject to the limitations in section 382.1 or 384.7

Section 31

Sections 331.425 and 331.426 are repealed

Section 32

This act applies to fiscal years beginning on or after July 1, 2012.

Amendment Analysis

Amendment by Sands: H 1716 by Sands was strike after amendment to SF 522 inserting the House Republicans and Governors property tax plans.

Amendment by Thomas: H 1719 - reinserted the original Senate Democrats property tax plan contained in SF 522. Amendment lost.

Amendment by Jacoby: H 1725 Prohibits counties and cities to reduce funding for law enforcement, fire protection and emergency medical services. Amendment lost.

Amendment by Hall: H 1726 – relates to the Property Tax Equity and Relief Fund. How much would be distributed, directs DOM to determine annually the adjusted additional property tax levy. Amendment lost
Notes: (J Taylor voted aye for House R's)

Amendment by Thomas: H 1724 – would have created a recreational class of property, Withdrawn.

Amendment by Sands: H 1728 – created a property tax classification for “new commercial and railway property.” Amendment adopted.

Amendment by Thomas: H 1729 – residential property that is part of a commercial building or structure and used for a primary residence would allow the assessor to assign more than one classification to that parcel of property. Amendment adopted