

HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 353	House Committee:	PASSED on 2/15/23 (25-0)
Committee:	Ways and Means	House Floor:	
Floor Manager:	Rep. Osmundson	Senate Floor:	
Date:	April 11, 2023	Governor:	
Staff:	Kristi Kious (2-5290)		

Levees and Drainage Districts—Property Tax Exemption

- This bill addresses a situation in Louisa and Des Moines Counties where the Two Rivers Levee and Drainage District is charged with holding back the Mississippi River. Through assessments, landowners in the district must fund the operation and maintenance of the levee and drainage systems and infrastructure. The budget exceeds \$1 million. Given the agriculture production formula, while those landowners bear all of the cost, the benefits are extended to all landowners in both counties through a tax deduction.
- The bill allows land in the drainage district to have a partial property tax exemption via a formula.
- **Fiscal note –**
 Reduce property taxes on agricultural land located within the Two Rivers Levee and Drainage District by an estimated \$491,000. The reduction in property taxes paid will result in an estimated increase in the FY 2026 State General Fund appropriation for school aid of \$109,000 and an estimated reduction in local government property tax revenue of \$382,000.

Section by Section Analysis

Section 1 – Exemptions (427.1)

[New subsection] This section provides that for assessment years beginning on or after January 1, 2024, a portion of the actual value of property classified as agricultural located in a levee and drainage district that is located adjacent to both the Mississippi river and the Iowa river and consists of at least 35,000 acres shall be exempt from taxation. (Two Rivers Drainage District)

The exemption on such agricultural property shall be allowed if the property’s per-acre levee and drainage district taxes assessed exceed the per-acre five-year average levee and drainage district tax amount. The amount of the exemption is the number of net acres comprising the property multiplied by the property’s per-acre levee and drainage district taxes that exceed the county’s per-acre five-year average levee and drainage district tax amount divided by 7 percent. However, in no case shall the amount of the exemption exceed 50 percent of the actual land value of the property.