

HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 718	House Committee:	PASSED on 4/13/23 (25-0)
Committee:	Ways and Means	House Floor:	
Floor Manager:	Rep. Kaufmann	Senate Floor:	
Date:	April 19, 2023	Governor:	
Staff:	Kristi Kious (2-5290)		

Property Tax Reform

- Reduces the 5.40 levy by \$1.00 (state takes over \$204.0 million).
- Caps annual property tax increases per parcel to 3 percent (residential/agricultural) and 8 percent (commercial/industrial).
- Requires increased notice to taxpayers.
- Moves all elections for bonding to the general election date.

Section by Section Analysis

Division I—School Foundation Property Tax

Section 1 – Foundation property tax (257.3)

Iowa Code section 257.3 requires each school district to levy (each year) a foundation property tax equal to \$5.40 per \$1,000 of assessed valuation on all taxable property in the school district. This section reduces that requirement by \$1.00 so schools will be required to levy a property tax of \$4.40.

Section 2 – Foundation property tax (257.3)

This section makes a conforming change for recently reorganized and dissolved school districts.

Section 3 – Where credit given (425A.3)

This section provides for an adjustment of property tax credit calculation for the family farm tax credit for property taxes due and payable in the fiscal year beginning July 1, 2023 to account for the change to the property tax levy rate.

Section 4 – Computation by county auditor (425A.5)

This section makes a conforming change.

Section 5 – Where credit given (426.3)

This section provides for an adjustment of property tax credit calculation for the agricultural land tax credit for property taxes due and payable in the fiscal year beginning July 1, 2023 to account for the change to the property tax levy rate.

Section 6 – Computation by auditor—appeal (426.6)

This section makes a conforming change.

Section 7 – Adjustment of calculations

This section makes a conforming change.

Section 8 – Effective date

This section provides that Division I is effective upon enactment.

Section 9 – Applicability

This section provides that the levy change applies to school budget years beginning on or after July 1, 2023.

Division II—Property Tax Limitation

Section 10 – Tax list (443.2)

This section makes a conforming change.

Section 11 – Basis for amount of tax (444.1)

This section makes a conforming change.

Section 12 – Amounts certified in dollars (444.2)

This section makes a conforming change.

Section 13 – Computation of rate (444.3)

This section makes a conforming change.

Section 14 – Annual levy (444.22)

This section makes a conforming change.

Section 15 – Property tax amount limitation—reduction (444.25)

[New section] This section outlines a property tax increase limitation on a per parcel basis for *qualified parcels*. This is on the actual amount of property taxes paid (not the assessment). This section's limitation does not limit taxes levied as a result of a voter-approved levy or a debt service levy.

This section provides that a *qualified parcel* (gets the growth limitation) is a parcel that is **NOT**:

- Currently part of a TIF
- Wind energy conversion property
- Currently part of an abatement

Additionally, a parcel that has changed ownership since the last assessment will not get the growth limitation (will get a new base with a new owner). New construction will of course get a new base year at full value and full taxation.

If a parcel is a *qualified parcel*, for property taxes due and payable in fiscal years beginning on or after July 1, 2024—if the amount of property taxes due exceed 103% (Residential, Agricultural) or 108% (Commercial, Industrial) of the prior year, the amount due will be reduced as described below.

If the threshold is exceeded, the amount of property taxes due and payable to each taxing authority that certified to levy in excess of such amount shall be reduced. If the city only levied the same as the prior year,

but the county levied 104% on a residential parcel, only the county would have to reduce the amount due. The amount of the reduction shall be proportionately applied among those certified to levy in excess of the limitation. The reductions shall be made by the county auditor prior to delivery of the tax list and statements.

If there were improvements or renovations (not amounting to new construction) on the parcel during that year, the threshold amount of taxes shall be up to 103% or 108% plus the percentage of the parcel's taxable value attributable to the improvements.

Section 16 – Statement and receipt (445.5)

This section makes a conforming change.

Section 17 – Monthly apportionment (445.57)

This section makes a conforming change.

Section 18 – Implementation of Act

This section makes it clear that the state is not backfilling any portion of any reduction in local tax revenue.

Section 19 – Applicability

This section provides that Division II of the bill applies to property taxes due and payable in fiscal years beginning on or after July 1, 2024.

Division III—Local Government Budgets

Section 20 – Filing estimates — notice of hearing — amendments (24.9)

This section provides for the specific information that cities must publish prior to certifying their levies. Additionally, it provides that the city must send to each taxpayer by mail an individual notice containing the following:

- Sum of the current year's property taxes certified for levy by the city and the combined property tax rate for such amount.
- Effective property tax rate.
- Sum of the proposed property tax dollars to be certified for levy.
- If the proposed property tax dollars to be certified for levy is more than the prior year—list the major reasons for the increase.
- The assessed value of the taxpayer's property.
- The amount of property taxes due.

Section 21 – Resolution establishing maximum property tax dollars — notice — hearing (331.433A)

This section makes a conforming change.

Section 22 – Resolution establishing maximum property tax dollars — notice — hearing (331.433A)

[New paragraph] This section makes a similar notice requirement of counties.

Section 23 – Resolution establishing maximum property tax dollars — notice — hearing (331.433A)

This section makes a conforming change.

Section 24 – General powers (331.553)

[New subsection] This section provides that if all of the information from all taxing jurisdictions is available in a timely manner—everything should be on one notice for the taxpayer.

Section 25 – Township budget (359.49)

This section makes a similar notice requirement of townships.

Section 26 – Resolution establishing maximum property tax dollars — notice — hearing (384.15A)

This makes a conforming change.

Section 27 – Resolution establishing maximum property tax dollars — notice — hearing (384.15A)

[New paragraph] This section makes a conforming change.

Section 28 – Resolution establishing maximum property tax dollars — notice — hearing (384.15A)

This section makes a conforming change.

Section 29 – Implementation

This section makes it clear that the state is not backfilling any portion of any cost to send the notice.

Section 30 – Applicability

This section provides that Division III of the bill applies to county, city, township, and municipality budgets for fiscal years beginning on or after July 1, 2024.

Division IV—Bond Elections

Section 31 – Election for bonds (28E.16)

This section makes a conforming change.

Section 32 – Special elections (39.2)

This section provides that all special elections by any political subdivision that are in whole or part a question of issuing bonds or other debt must be on the first Tuesday after the first Monday in November of each even-numbered year. (Bond/Debt elections will be on the same day as the General).

Section 33 – Notice of bond election (39.5)

[New section] This section provides that the commissioner of elections will send notice of a bond election to eligible voters 10 to 20 days before the election. The notice must contain the full text of the public measure to be voted on.

Section 34 – Bonds — election — vote required (75.1)

This section makes a conforming change.

Section 35 – Bonds — election — vote required (75.1)

This section makes a conforming change.

Section 36 – School buildings (279.39)

This section makes a conforming change.

Section 37 – Election called (296.3)

This section makes a conforming change.

Section 38 – School bonds (298.21)

This section makes a conforming change.

Section 39 – General county purpose bonds (331.442)

This section makes a conforming change.

Section 40 – “Authority” for control of joint property (346.27)

This section makes a conforming change.

Section 41 – Bonds in anticipation of revenue (357C.10)

This section makes a conforming change.

Section 42 – Bonds in anticipation of revenue (357D.11)

This section makes a conforming change.

Section 43 – Bonds in anticipation of revenue (357E.11)

This section makes a conforming change.

Section 44 – Bonds and indebtedness — combined districts (357E.11A)

This section makes a conforming change.

Section 45 – Bonds in anticipation of revenue (357F.11)

This section makes a conforming change.

Section 46 – Bonds in anticipation of revenue (357G.11)

This section makes a conforming change.

Section 47 – Bonds in anticipation of revenue (357I.12)

This section makes a conforming change.

Section 48 – General obligation bonds for general purposes (384.26)

This section makes a conforming change.

Section 49 – Question submitted to voters (394.2)

This section makes a conforming change.

Section 50 – Borrowing authority for school districts (423F.4)

This section makes a conforming change.

Section 51 – Implementation of act

This section makes it clear that the state is not backfilling any portion of any cost to send the notice.

Section 52 – Applicability

This section provides that Division IV of the bill applies July 1, 2023 for elections on or after that date.

Amendment Analysis

H-XXX by Kaufmann

This amendment moves all budget certification dates to April 15th for purposes of sending one notice to a taxpayer with all required “truth in taxation” notices on it.