

COUNTY FINANCE & OVERVIEW OF HF 718

Lucas Beenken

Public Policy Specialist

Iowa State Association of Counties



HF 718 Key Provisions

- Levy rate reduction with certain property valuation growth (General Basic & Rural Basic)
- New exemption for 65+ and expanded exemption for military service
- “Truth in Taxation” mailing
- Certain population-based bonding thresholds increased by 30%
- Various other provisions including fees for service at county level

2023 Property Tax Proposals

- Following 2022 elections, leadership and legislators increasingly indicate the intention to address property taxes during 2023 legislative session
- SF 181 – residential/multiresidential rollback
- HF 1 – assessment limitations by parcel
- SF 356 – levy rate limits/reduction
- SF 550 – I-WLL, LOST, TIF, rollbacks, exemptions
- HF 718 (original) – tax limitations by parcel

County Property Tax Landscape FY 2023

- General Basic levy rate limited to \$3.50 and Rural Basic limited to \$3.95 per \$1,000 of taxable valuation
- Approximately 30 counties use Iowa Code §331.426 (Additions to Basic Levies) and exceed \$3.50
- Remaining counties are at \$3.50 in General Basic, with the exception of five (5) counties at a lower rate
- Intention of legislation was to force levy rates down with certain valuation growth and reestablish \$3.50 “hard cap”

HF 718 – Property Tax Limits

- Session-long discussion on property tax
- Compromise legislation, HF 718 as amended, passed both chambers with a total of one (1) opposing vote
- Signed by Governor Reynolds May 4, 2023
- Various effective dates and implementation dates

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Growth Limitation and Levy Rates

Taxable Valuation x Levy Rate = Tax Dollars

If taxable valuation growth exceeds 3%, levy rate is driven down with calculation

Calculate:

Current fiscal year actual property tax dollars certified for levy divided by 102% of taxable valuation multiplied 1,000

If taxable valuation growth exceeds 6%, the calculation divides by 103%

Creates reduction in future revenue increases

Growth Limitation and Levy Rates

- Limits and levy rate calculations effective for FY 2025 through FY 2028
- If taxable valuation growth does not exceed 3%, no limitation or levy rate reduction calculated
- For FY 2029 and beyond, General Basic maximum levy rate of \$3.50 per thousand
- April 30 budget certification deadline

Growth Limitation and Levy Rates

	Taxable Valuation	Levy Rate	Revenue		
	1,000,000,000	3.5	3,500,000		
Growth	Taxable Valuation	Calculated Levy Rate	Revenue	Revenue at \$3.50	Difference
2.50%	1,025,000,000	\$ 3.50	\$ 3,587,500	\$ 3,587,500	\$ -
3.50%	1,035,000,000	\$ 3.43	\$ 3,551,471	\$ 3,622,500	\$ (71,029)
4.50%	1,045,000,000	\$ 3.43	\$ 3,585,784	\$ 3,657,500	\$ (71,716)
5.50%	1,055,000,000	\$ 3.43	\$ 3,620,098	\$ 3,692,500	\$ (72,402)
6.50%	1,065,000,000	\$ 3.40	\$ 3,618,932	\$ 3,727,500	\$(108,568)

Growth Limitation and Levy Rates

- Current law allows additions to basic levies for specified circumstances including natural disaster, low or no growth in tax base, new or continuing program providing substantial benefit to residents, etc.
- Authority for additions repealed (Iowa Code §331.426)
- Time limits placed on voter-approved additions to basic levies

Senior 65+ Homestead Exemption

- New homestead exemption for property owners aged 65+
- In addition to current Homestead Credit for qualifying property owners
- Exemption equals \$3,250 of taxable valuation in FY 2025 and \$6,500 of taxable valuation in FY 2026 and each subsequent year
- ~\$48 million projected annual reduction in property tax revenue across all jurisdictions
- Reduction in revenue absorbed by locals, not funded by state

Military Service Exemption

- Expanded military service property tax exemption for qualifying veterans
- Currently \$1,852 of taxable valuation exempt for most qualifying veterans
- Expanded exemption equals \$4,000 of taxable valuation in FY 2025 and each subsequent year
- ~\$7.8 million projected reduction in property tax revenue across all jurisdictions in FY25. Reduction expected to decrease year over year with fewer qualifying veterans
- Reduction in revenue absorbed by locals, not funded by state

Taxpayer Statement Mailing

- Additional mailing to property owners with specified assessment, tax, and budget information
- “Truth in Taxation” concept to provide more information and transparency
- Information includes:
 - Property tax dollars and rates for current fiscal year and proposed budget year
 - Statement of explanation for increase in property tax revenue
 - Examples of residential and commercial property tax obligation

County Bonding and Debt Authority

- Increases the population-based dollar thresholds for indebtedness requiring voter approval beginning in FY 2025. Example: for a county with a population of less than 25,000 the threshold increases from \$400,000 to \$520,000
- Requires Annual Financial Report include list of bonds and other indebtedness
- Debt issuance elections must be held during November election
- Mailed notice to each registered voter with date of election and full text of public measure

Other Provisions

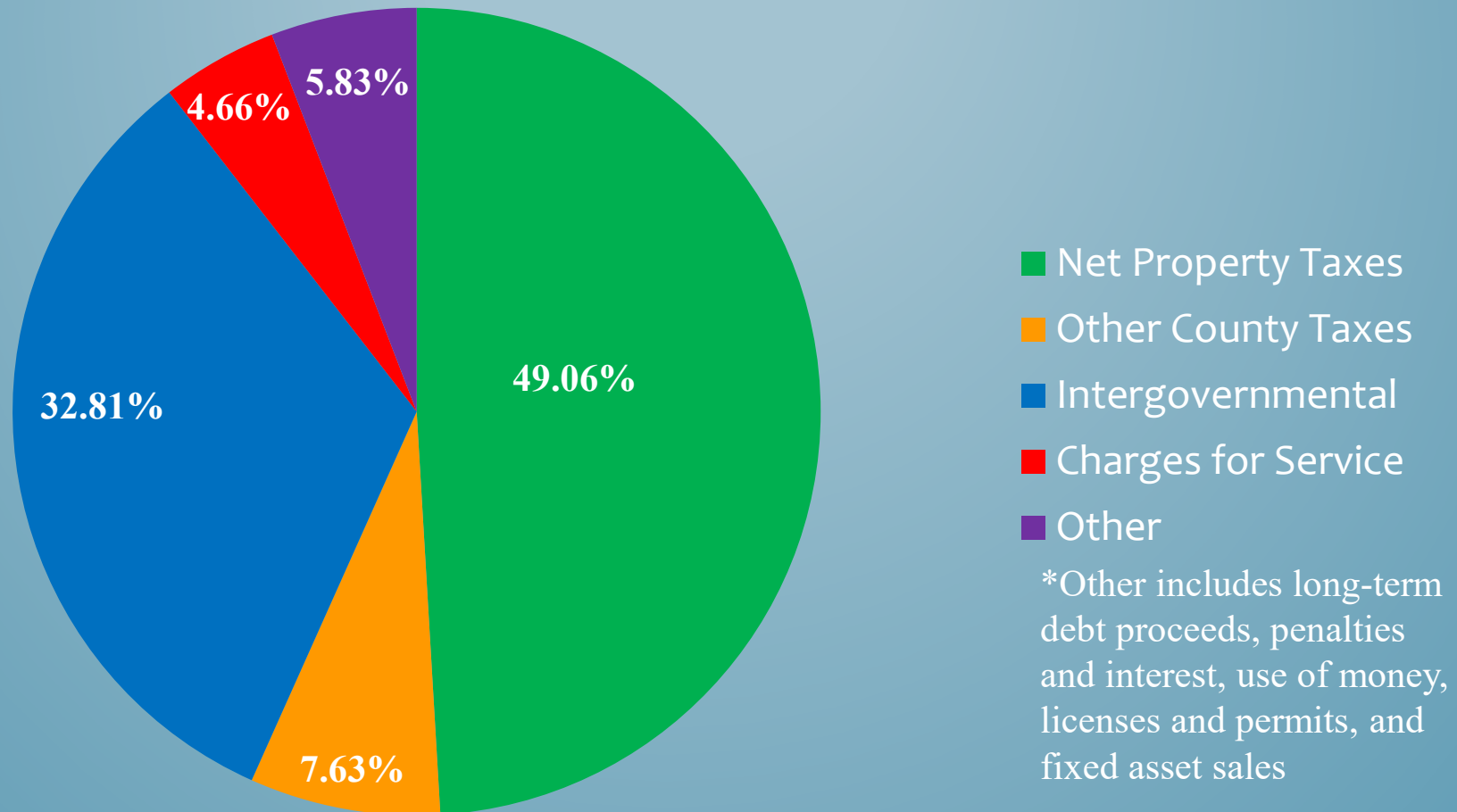
- **\$10 convenience fee for county treasurer issuance or renewal of driver's license or nonoperator's identification if the applicant is neither a resident nor property taxpayer in the county of issuance**
- **Increase to \$2 the writing fees for boats, snowmobiles, and ATVs**
- **Elimination of Sheriff's Fee Report**

Things to Keep in Mind

- **Valuation increases and the impact it could have on levy rate and property tax revenue**
- **Loss of taxable valuation (exemptions)**
- **Controllable vs uncontrollable cost increases**
- **Spending cuts, carryover, alternative funding**
- **Future rollbacks (residential)**
- **Backfill phase-out**
- **BPTC funding**
- **Future legislative changes**

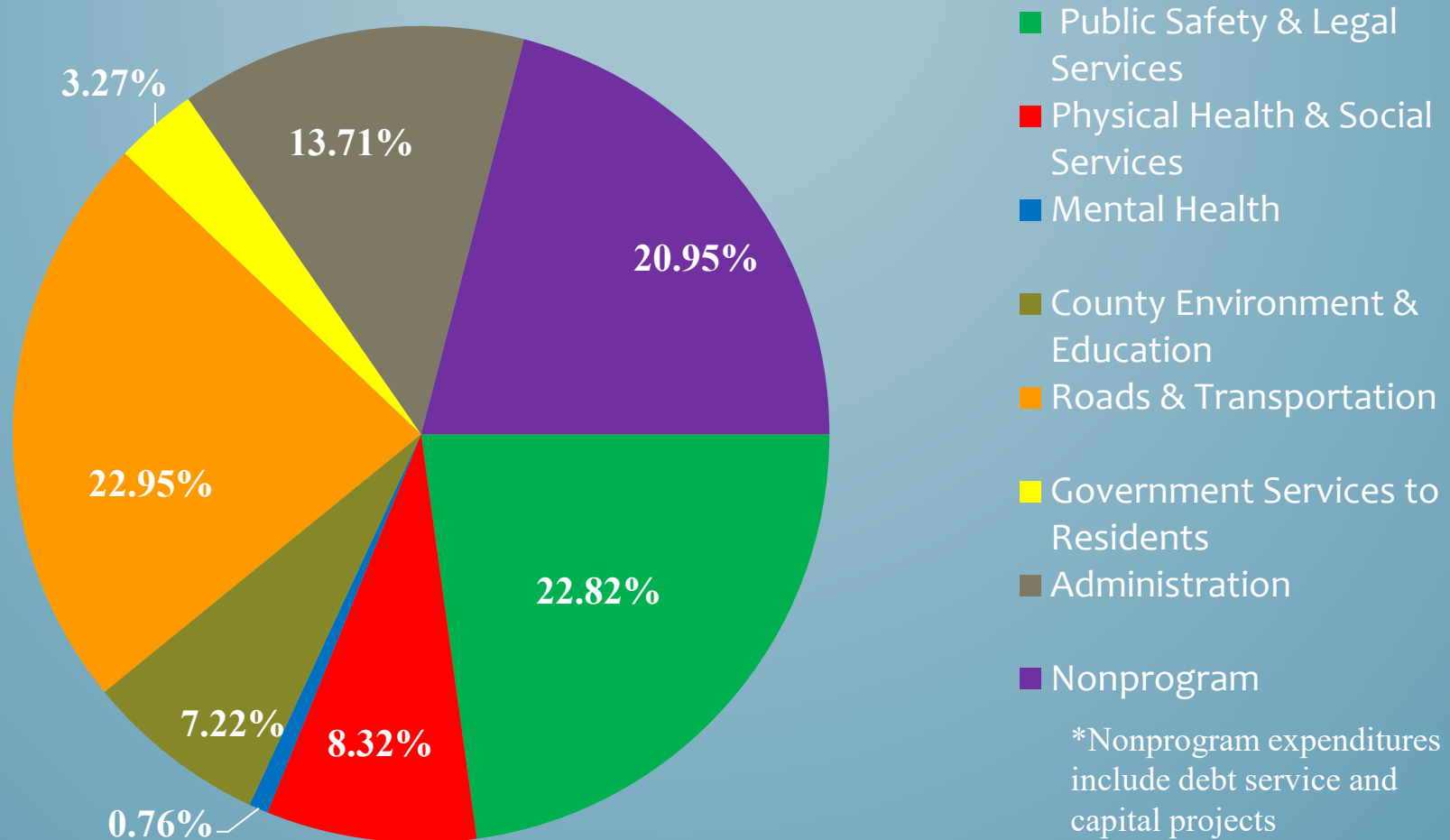
Proportions of Revenue

Fiscal Year 2023
All Counties – Statewide Average



Allocation of Funds

Fiscal Year 2023
All Counties – Statewide Average



ROLLBACK

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
Agricultural	84.03%	89.04%	91.64%
Commercial	90%	90%	90%
Industrial	90%	90%	90%
Residential	56.41%	54.13%	56.49%
Multi-residential	67.50%	63.75%	56.49%

- SF295 adjusted the Commercial and Industrial rollbacks to 95% in FY2015 and 90% thereafter.
- The Commercial rollback applied to Multi-Res until FY17 when it became its own class. It will continue to decrease 3.75% per year until FY24 when it becomes coupled with Residential.

QUESTIONS?

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lbeenken@iowacounties.org

(515) 408 - 1780

