

JAN 19 2006
VETERANS AFFAIRS

HOUSE FILE 2081

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and WILDERDYKE

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

HF
2081

A BILL FOR

1 An Act relating to eligibility for the military service property
2 tax credit and exemption and including effective and
3 applicability date provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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TLSB 5063HT 81
sc/sh/8

1 Section 1. Section 426A.11, subsection 4, Code Supplement
2 2005, is amended to read as follows:

3 4. For purposes of this chapter, unless the context
4 otherwise requires, "veteran" also means a resident of this
5 state who is a former member of the armed forces of the United
6 States and who served for a minimum aggregate of **three-years**
7 eighteen months and who was discharged under honorable
8 conditions.

9 Sec. 2. STATE FUNDING. The military service tax credits
10 and exemptions provided pursuant to this Act shall be funded
11 pursuant to chapter 426A and section 25B.7, subsection 2.

12 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
13 being deemed of immediate importance, takes effect upon
14 enactment and applies to military service tax exemptions and
15 credits for taxes due and payable for fiscal years beginning
16 on or after July 1, 2006.

17 EXPLANATION

18 This bill changes the length of active duty service
19 required for former members of the United States armed forces
20 to be eligible to receive the military service property tax
21 exemption and credit. The length of active duty service
22 required is changed from three years to 18 months.

23 The bill takes effect upon enactment and applies to
24 military service tax credits and exemptions for taxes due and
25 payable for fiscal years beginning on or after July 1, 2006.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2081 - Military Service Tax Credit (LSB 5063 HT)
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Fiscal Note Version - New
Requested by Representative Craig Paulsen

Description

House File 2081 reduces the length of service required for a veteran to be eligible for the Military Service Property Tax Exemption from three years to 18 months.

Assumptions

1. It is estimated that there will be 16,000 new claimants for the Military Property Tax Exemption as a result of this change.
2. The exempted taxable value is capped at \$1,852 per claimant.
3. The average FY 2006 consolidated tax rate is \$33.46 and will be applied to future years.
4. The State reimburses local taxing authorities \$6.92 per \$1,000 of exempted taxable valuation.
5. The Uniform Levy for school property taxes is \$5.40 per \$1,000 of taxable valuation.
6. The 16,000 new claimants will have \$29.6 million in exempted taxable valuation. If local taxing authorities do not adjust rates, this would result in a property tax reduction of \$992,000 statewide. To the extent local taxing entities' tax rates are not at the maximum permitted, it is assumed rates will be raised to all property taxpayers to offset the reduction.

Fiscal Impact

The State General Fund reimbursement to local taxing authorities for the Military Property Tax Exemption is projected to increase \$205,000 annually due to the change in HF 2081. The State Foundation Aid for school districts will cost the State General Fund an additional \$160,000 annually. The total annual cost to the State General Fund is estimated to be \$365,000, beginning in FY 2007.

Sources

Department of Public Defense, Military Division
Department of Management

/s/ Holly M. Lyons

February 7, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
