

MAR 17 2006
WAYS & MEANS CALENDAR

HOUSE FILE 2751
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2081)

Passed House, Date 4-6-06 Passed Senate, Date 4-26-06
Vote: Ayes 97 Nays 1 Vote: Ayes 49 Nays 0
Approved May 8, 2006

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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HF 2751

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. However, "veteran" also means a resident of this
9 state who is a former member of the armed forces of the United
10 States and who, after serving fewer than eighteen months, was
11 honorably discharged because of a service-related injury
12 sustained by the veteran.

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

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

21 EXPLANATION

22 This bill changes the length of active duty service
23 required for former members of the United States armed forces
24 to be eligible to receive the military service property tax
25 exemption and credit. The length of active duty service
26 required is changed from three years to 18 months. The bill
27 also provides that a former member of the armed services who
28 served fewer than 18 months and was honorably discharged
29 because of a service-related injury is eligible for the
30 property tax exemption and credit.

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

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2751 - Military Service Tax Credit (LSB 5063 HV)
Analyst: Dwayne Ferguson (Phone: [515] 281-6561) (dwayne.ferguson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Representative Danny Carroll

Description

House File 2751 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. The Bill also makes veterans honorably discharged due to a service-related injury with less than 18 months of service eligible for the exemption.

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. There are 20,923 Iowa veterans with a service-related disability. Almost all of these veterans are included in the 18 months of service provision in this Bill or are already covered by current law, so the service disability provision has almost no impact.
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 2751. 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 an estimated \$365,000, beginning in FY 2007.

Sources

Department of Public Defense, Military Division
Department of Management

/s/ Holly M. Lyons

March 22, 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.

enactment and applies to military service tax exemptions and credits for taxes due and payable for fiscal years beginning on or after July 1, 2006.

HOUSE FILE 2751

AN ACT
RELATING TO ELIGIBILITY FOR THE MILITARY SERVICE PROPERTY
TAX CREDIT AND EXEMPTION AND INCLUDING EFFECTIVE AND
APPLICABILITY DATE PROVISIONS.

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

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

4. For purposes of this chapter, unless the context otherwise requires, "veteran" also means a resident of this state who is a former member of the armed forces of the United States and who served for a minimum aggregate of three-years eighteen months and who was discharged under honorable conditions. However, "veteran" also means a resident of this state who is a former member of the armed forces of the United States and who, after serving fewer than eighteen months, was honorably discharged because of a service-related injury sustained by the veteran.

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

Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon

CHRISTOPHER C. RANTS
Speaker of the House

JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2751, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved _____, 2006

THOMAS J. VILSACK
Governor