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SENATE FILE
BY MILLER

158

WAYS & MEANS

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

A BILL FOR

1 An Act relating to taxation and fees by making changes to the
2 state corporate and individual income taxes, the state sales
3 and use taxes, certain use of revenues from the state sales
4 tax, certain motor vehicle registration fees, assessment of
5 property for purposes of property taxation, county and city
6 budgets funded primarily by property taxes, school district
7 budgets funded primarily by state and local taxes, state
8 mandates funding, tax increment financing districts, local
9 assessors, and property tax exemptions and credits, and
10 including effective and applicability date provisions.

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

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SF 158
WAYS & MEANS

DIVISION I

INDIVIDUAL INCOME TAX

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Section 1. Section 422.4, subsection 1, paragraphs b and c, Code 2005, are amended to read as follows:

b. "Cumulative inflation factor" means the product of the annual inflation factor for the ~~1988~~ 2006 calendar year and all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined.

c. The annual inflation factor for the ~~1988~~ 2006 calendar year is one hundred percent.

Sec. 2. Section 422.4, subsection 2, Code 2005, is amended by striking the subsection.

Sec. 3. Section 422.4, subsection 16, Code 2005, is amended to read as follows:

16. ~~The words "taxable~~ "Taxable income" ~~mean~~ means the net income as defined in section 422.7 minus the deductions allowed by section 422.9, in the case of individuals, ~~in.~~ In the case of estates or trusts, ~~the words "taxable income" mean~~ means the taxable income ~~(without,~~ without a deduction for personal ~~exemption)~~ exemption, as computed for federal income tax purposes under the Internal Revenue Code, but with the adjustments specified in section 422.7 ~~plus the Iowa income tax deducted in computing the federal taxable income and minus federal income taxes as provided in section 422.9.~~

Sec. 4. Section 422.5, subsection 1, Code 2005, is amended by striking the subsection and inserting in lieu thereof the following:

1. a. A tax is imposed upon every resident and nonresident of the state which tax shall be levied, collected, and paid annually upon and with respect to the entire taxable income at the rates as follows:

(1) On all taxable income from zero through thirty

1 thousand dollars, four percent.

2 (2) On all taxable income exceeding thirty thousand
3 dollars but not exceeding fifty thousand dollars, five
4 percent.

5 (3) On all taxable income exceeding fifty thousand
6 dollars, six percent.

7 b. (1) The tax imposed upon the taxable income of a
8 nonresident shall be computed by reducing the amount
9 determined pursuant to paragraph "a" by the amounts of
10 nonrefundable credits under this division and by multiplying
11 this resulting amount by a fraction of which the nonresident's
12 net income allocated to Iowa, as determined in section 422.8,
13 subsection 2, paragraph "a", is the numerator and the
14 nonresident's total net income computed under section 422.7 is
15 the denominator. This provision also applies to individuals
16 who are residents of Iowa for less than the entire tax year.

17 (2) The tax imposed upon the taxable income of a resident
18 shareholder in an S corporation which has in effect for the
19 tax year an election under subchapter S of the Internal
20 Revenue Code and carries on business within and without the
21 state may be computed by reducing the amount determined
22 pursuant to paragraph "a" by the amounts of nonrefundable
23 credits under this division and by multiplying this resulting
24 amount by a fraction of which the resident's net income
25 allocated to Iowa, as determined in section 422.8, subsection
26 2, paragraph "b", is the numerator and the resident's total
27 net income computed under section 422.7 is the denominator.
28 If a resident shareholder has elected to take advantage of
29 this subparagraph, and for the next tax year elects not to
30 take advantage of this subparagraph, the resident shareholder
31 shall not reelect to take advantage of this subparagraph for
32 the three tax years immediately following the first tax year
33 for which the shareholder elected not to take advantage of
34 this subparagraph, unless the director consents to the
35 reelection. This subparagraph also applies to individuals who

1 are residents of Iowa for less than the entire tax year.

2 Sec. 5. Section 422.5, subsection 5, Code 2005, is amended
3 to read as follows:

4 5. Upon determination of the latest cumulative inflation
5 factor, the director shall multiply each dollar amount set
6 forth in subsection 1, ~~paragraphs "a" through "i" of this~~
7 section paragraph "a", by this cumulative inflation factor,
8 shall round off the resulting product to the nearest one
9 dollar, and shall incorporate the result into the income tax
10 forms and instructions for each tax year.

11 Sec. 6. Section 422.7, Code 2005, is amended by striking
12 the section and inserting in lieu thereof the following:

13 422.7 "NET INCOME" -- HOW COMPUTED.

14 The term "net income" means the adjusted gross income
15 before the net operating loss deduction as properly computed
16 for federal income tax purposes under the Internal Revenue
17 Code, with the following adjustments:

18 1. The adjusted gross income is adjusted by adding the sum
19 of the following:

20 a. Add the amount of federal income tax refunds received
21 in a tax year beginning on or after January 1, 2006, but
22 before January 1, 2009, to the extent the federal tax refund
23 is for a tax year beginning before January 1, 2006.

24 b. Add interest and dividends from foreign securities and
25 from securities of state and other political subdivisions
26 exempt from federal income tax under the Internal Revenue
27 Code.

28 c. Add interest and dividends from regulated investment
29 companies exempt from federal income tax under the Internal
30 Revenue Code.

31 d. Add, to the extent not already included, income from
32 the sale of obligations of the state and its political
33 subdivisions. Income from the sale of these obligations is
34 exempt from the taxes imposed by this division only if the law
35 authorizing these obligations specifically exempts the income

1 from the sale from the state individual income tax.

2 e. Add the amount resulting from the cancellation of a
3 participation agreement refunded to the taxpayer as a
4 participant in the Iowa educational savings plan trust under
5 chapter 12D to the extent previously deducted as a
6 contribution to the trust.

7 2. The adjusted gross income is adjusted by subtracting
8 the sum of the following:

9 a. Subtract the amount of federal income taxes paid or
10 accrued, as the case may be, during a tax year beginning on or
11 after January 1, 2006, but before January 1, 2009, to the
12 extent the federal tax paid is for a tax year beginning before
13 January 1, 2006.

14 b. Subtract interest and dividends from federal
15 securities.

16 c. Subtract the loss on the sale or exchange of a share of
17 a regulated investment company held for six months or less to
18 the extent the loss was disallowed under section 852(b)(4)(B)
19 of the Internal Revenue Code.

20 d. Subtract fifty percent of the net capital gain from the
21 sales of property held for at least two years.

22 e. Subtract, to the extent included, the amount of
23 additional social security benefits taxable under the Internal
24 Revenue Code for tax years beginning on or after January 1,
25 1994. The amount of social security benefits taxable as
26 provided in section 86 of the Internal Revenue Code, as
27 amended up to and including January 1, 1993, continues to
28 apply for state income tax purposes for tax years beginning on
29 or after January 1, 1994. Married taxpayers, who file a joint
30 federal income tax return and who elect to file separate
31 returns or who elect separate filing on a combined return for
32 state income tax purposes, shall allocate between the spouses
33 the amount of benefits subtracted from net income in the ratio
34 of the social security benefits received by each spouse to the
35 total of these benefits received by both spouses.

1 f. For an individual, the surviving spouse of an
2 individual, or a survivor having an insurable interest in an
3 individual, subtract, to the extent included, the total amount
4 of a governmental or other pension or retirement pay,
5 including, but not limited to, defined benefit or defined
6 contribution plans, annuities, individual retirement accounts,
7 plans maintained or contributed to by an employer, or
8 maintained or contributed to by a self-employed person as an
9 employer, and deferred compensation plans or any earnings
10 attributable to the deferred compensation plans.

11 g. Subtract, to the extent not otherwise deducted,
12 interest paid on any qualified education loan as defined in
13 section 221 of the Internal Revenue Code.

14 h. Notwithstanding the method for computing income from an
15 installment sale under section 453 of the Internal Revenue
16 Code, as defined in section 422.3, the method to be used in
17 computing income from an installment sale shall be the method
18 under section 453 of the Internal Revenue Code, as amended up
19 to and including January 1, 2000. A taxpayer affected by this
20 paragraph shall make adjustments in the adjusted gross income
21 pursuant to rules adopted by the director.

22 The adjustment to net income provided in this paragraph "h"
23 is repealed for tax years beginning on or after January 1,
24 2002. However, to the extent that a taxpayer using the
25 accrual method of accounting reported the entire capital gain
26 from the sale or exchange of property on the Iowa return for
27 the tax year beginning in the 2001 calendar year and the
28 capital gain was reported on the installment method on the
29 federal income tax return, any additional installment from the
30 capital gain reported for federal income tax purposes is not
31 to be included in net income in tax years beginning on or
32 after January 1, 2002.

33 i. Subtract, if the taxpayer is the owner of an individual
34 development account certified under chapter 541A at any time
35 during the tax year, all of the following:

1 (1) Contributions made to the account by persons and
2 entities, other than the taxpayer, as authorized in chapter
3 541A.

4 (2) The amount of any savings refund authorized under
5 section 541A.3, subsection 1.

6 (3) Earnings from the account.

7 j. (1) Subtract the maximum contribution rate that may be
8 deducted for income tax purposes as a participant in the Iowa
9 educational savings plan trust pursuant to section 12D.3,
10 subsection 1, paragraph "a".

11 (2) Subtract, to the extent included, income from interest
12 and earnings received from the Iowa educational savings plan
13 trust created in chapter 12D.

14 (3) Subtract, to the extent not deducted for federal
15 income tax purposes, the amount of any gift, grant, or
16 donation made to the Iowa educational savings plan trust for
17 deposit in the endowment fund of that trust.

18 3. a. The additional first-year depreciation allowance
19 authorized in section 168(k) of the Internal Revenue Code, as
20 enacted by Pub. L. No. 107-147, section 101, does not apply in
21 computing net income for state tax purposes. If the taxpayer
22 has taken such deduction in computing federal adjusted gross
23 income, the following adjustments shall be made:

24 (1) Add the total amount of depreciation taken on all
25 property for which the election under section 168(k) of the
26 Internal Revenue Code was made for the tax year.

27 (2) Subtract an amount equal to depreciation allowed on
28 such property for the tax year using the modified accelerated
29 cost recovery system depreciation method applicable under
30 section 168 of the Internal Revenue Code without regard to
31 section 168(k).

32 (3) Any other adjustments to gains or losses to reflect
33 the adjustments made in subparagraphs (1) and (2) pursuant to
34 rules adopted by the director.

35 b. The additional first-year depreciation allowance

1 authorized in section 168(k)(4) of the Internal Revenue Code,
2 as enacted by Pub. L. No. 108-27, shall apply in computing net
3 income for state tax purposes, for qualified property acquired
4 after May 5, 2003, and before January 1, 2005.

5 Sec. 7. Section 422.8, subsection 2, paragraph a, Code
6 2005, is amended to read as follows:

7 a. Nonresident's net income allocated to Iowa is the net
8 income, or portion of net income, which is derived from a
9 business, trade, profession, or occupation carried on within
10 this state or income from any property, trust, estate, or
11 other source within Iowa. However, income derived from a
12 business, trade, profession, or occupation carried on within
13 this state and income from any property, trust, estate, or
14 other source within Iowa shall not include distributions from
15 pensions, including defined benefit or defined contribution
16 plans, annuities, individual retirement accounts, and deferred
17 compensation plans or any earnings attributable thereto so
18 long as the distribution is directly related to an
19 individual's documented retirement and received while the
20 individual is a nonresident of this state. If a business,
21 trade, profession, or occupation is carried on partly within
22 and partly without the state, only the portion of the net
23 income which is fairly and equitably attributable to that part
24 of the business, trade, profession, or occupation carried on
25 within the state is allocated to Iowa for purposes of section
26 422.5, subsection 1, paragraph "j" "b", and section 422.13 and
27 income from any property, trust, estate, or other source
28 partly within and partly without the state is allocated to
29 Iowa in the same manner, except that annuities, interest on
30 bank deposits and interest-bearing obligations, and dividends
31 are allocated to Iowa only to the extent to which they are
32 derived from a business, trade, profession, or occupation
33 carried on within the state.

34 Sec. 8. Section 422.8, subsection 4, Code 2005, is amended
35 by striking the subsection.

1 Sec. 9. Section 422.9, unnumbered paragraph 1 and
2 subsections 1 and 2, Code 2005, are amended by striking the
3 unnumbered paragraph and the subsections and inserting in lieu
4 thereof the following:

5 In computing taxable income of individuals, there shall be
6 deducted from net income the following:

7 Sec. 10. Section 422.9, subsections 4 through 7, Code
8 2005, are amended by striking the subsections.

9 Sec. 11. NEW SECTION. 422.11K LONG-TERM CARE INSURANCE
10 TAX CREDIT.

11 The taxes imposed under this division less the credits
12 allowed under section 422.12 shall be reduced by a long-term
13 care insurance tax credit. The amount of the credit is equal
14 to the first two hundred dollars of the premium costs paid
15 during the tax year on each qualified long-term care insurance
16 contract that offers coverage to the taxpayer, the taxpayer's
17 spouse or dependent, or a parent or grandparent of the
18 taxpayer or the taxpayer's spouse. Any credit in excess of
19 the tax liability is nonrefundable. A deduction is not
20 allowed for the tax year for the amount of premium costs paid
21 which is used in the calculation of the credit taken under
22 this section.

23 For purposes of this section, "qualified long-term care
24 insurance contract" means the same as defined in section 7702B
25 of the Internal Revenue Code.

26 Sec. 12. NEW SECTION. 422.11L LOW-INCOME TAX CREDIT.

27 1. The taxes imposed under this division, less the credits
28 allowed under section 422.12, shall be reduced by a low-income
29 tax credit equal to the following:

30 a. For a taxpayer with net income of eight thousand
31 dollars or less, five percent of the net income.

32 b. For a taxpayer with net income of more than eight
33 thousand dollars but not more than sixteen thousand dollars,
34 four hundred dollars less one dollar for each twenty dollars
35 of net income in excess of eight thousand dollars.

1 c. For a taxpayer with net income of more than sixteen
2 thousand dollars, zero.

3 2. Any credit in excess of the tax liability shall be
4 refunded. In lieu of claiming a refund, a taxpayer may elect
5 to have the overpayment shown on the taxpayer's final,
6 completed return credited to the tax liability for the
7 following taxable year.

8 3. Married taxpayers electing to file separate returns or
9 to file separately on a combined return form must determine
10 the low-income tax credit under subsection 1 based upon their
11 combined net income and allocate the total credit amount to
12 each spouse in the proportion that each spouse's respective
13 net income bears to the total combined net income.

14 Nonresidents or part-year residents of Iowa must determine
15 their Iowa low-income tax credit in the ratio of their Iowa
16 source net income to their all source net income.
17 Nonresidents or part-year residents who are married and elect
18 to file separate returns or to file separately on a combined
19 return form must allocate the low-income tax credit between
20 the spouses in the ratio of each spouse's Iowa source net
21 income to the combined Iowa source net income of the
22 taxpayers.

23 Sec. 13. Section 422.12C, subsection 1, unnumbered
24 paragraph 1, Code 2005, is amended to read as follows:

25 The taxes imposed under this division, less the credits
26 allowed under sections 422.11A, ~~422.11B~~, 422.12, and 422.12B
27 shall be reduced by a child and dependent care credit equal to
28 the following percentages of the federal child and dependent
29 care credit provided in section 21 of the Internal Revenue
30 Code but not in excess of two hundred dollars:

31 Sec. 14. Section 422.13, subsection 1, paragraph c, Code
32 2005, is amended to read as follows:

33 c. However, if that part of the net income of a
34 nonresident which is allocated to Iowa pursuant to section
35 422.8, subsection 2, is less than one thousand dollars the

1 nonresident is not required to make and sign a return except
2 ~~when-the-nonresident-is-subject-to-the-state-alternative~~
3 ~~minimum-tax-imposed-pursuant-to-section-422.5, subsection 1,~~
4 ~~paragraph-"k".~~

5 Sec. 15. Section 422.13, subsection 1A, Code 2005, is
6 amended to read as follows:

7 1A. Notwithstanding any other provision in this section, a
8 resident of this state is not required to make and file a
9 return if the person's net income is equal to or less than the
10 appropriate dollar amount listed in section 422.5, subsection
11 2, upon which tax is not imposed. A nonresident of this state
12 is not required to make and file a return if the person's
13 total net income in section 422.5, subsection 1, paragraph "j"
14 "b", is equal to or less than the appropriate dollar amount
15 provided in section 422.5, subsection 2, upon which tax is not
16 imposed. For purposes of this subsection, the amount of a
17 lump sum distribution subject to separate federal tax shall be
18 included in net income for purposes of determining if a
19 resident is required to file a return and the portion of the
20 lump sum distribution that is allocable to Iowa is included in
21 total net income for purposes of determining if a nonresident
22 is required to make and file a return.

23 Sec. 16. Section 422.21, unnumbered paragraph 5, Code
24 2005, is amended to read as follows:

25 The director shall determine for the ~~1989~~ 2006 and each
26 subsequent calendar year the annual and cumulative inflation
27 factors for each calendar year to be applied to tax years
28 beginning on or after January 1 of that calendar year. The
29 director shall compute the new dollar amounts as specified to
30 be adjusted in section 422.5 by the latest cumulative
31 inflation factor and round off the result to the nearest one
32 dollar. The annual and cumulative inflation factors
33 determined by the director are not rules as defined in section
34 17A.2, subsection 11. ~~The-director-shall-determine-for-the~~
35 ~~1990-calendar-year-and-each-subsequent-calendar-year-the~~

~~1 annual-and-cumulative-standard-deduction-factors-to-be-applied
2 to-tax-years-beginning-on-or-after-January-1-of-that-calendar
3 year.--The-director-shall-compute-the-new-dollar-amounts-of
4 the-standard-deductions-specified-in-section-422.9, subsection
5 17, by-the-latest-cumulative-standard-deduction-factor-and
6 round-off-the-result-to-the-nearest-ten-dollars.--The-annual
7 and-cumulative-standard-deduction-factors-determined-by-the
8 director-are-not-rules-as-defined-in-section-17A.2, subsection
9 11.~~

10 Sec. 17. Section 422.11B, Code 2005, is repealed.

11 COORDINATING AMENDMENTS

12 Sec. 18. Section 12D.9, subsection 2, Code 2005, is
13 amended to read as follows:

14 2. State income tax treatment of the Iowa educational
15 savings plan trust shall be as provided in section 422.7,
16 ~~subsections-327-337-and-34~~ subsection 1, paragraph "e", and
17 subsection 2, paragraph "j", and section 422.35, subsection
18 14.

19 Sec. 19. Section 217.39, Code 2005, is amended to read as
20 follows:

21 217.39 PERSECUTED VICTIMS OF WORLD WAR II -- REPARATIONS
22 -- HEIRS.

23 Notwithstanding any other law of this state, payments paid
24 to and income from lost property of a victim of persecution
25 for racial, ethnic, or religious reasons by Nazi Germany or
26 any other Axis regime or as an heir of such victim ~~which-is~~
27 ~~exempt-from-state-income-tax-as-provided-in-section-422.7,~~
28 ~~subsection-35,~~ shall not be considered as income or an asset
29 for determining the eligibility for state or local government
30 benefit or entitlement programs. The proceeds are not subject
31 to recoupment for the receipt of governmental benefits or
32 entitlements, and liens, except liens for child support, are
33 not enforceable against these sums for any reason.

34 Sec. 20. Section 257.21, unnumbered paragraph 2, Code
35 2005, is amended to read as follows:

1 The instructional support income surtax shall be imposed on
2 the state individual income tax for the calendar year during
3 which the school's budget year begins, or for a taxpayer's
4 fiscal year ending during the second half of that calendar
5 year and after the date the board adopts a resolution to
6 participate in the program or the first half of the succeeding
7 calendar year, and shall be imposed on all individuals
8 residing in the school district on the last day of the
9 applicable tax year. As used in this section, "state
10 individual income tax" means the taxes computed under section
11 422.5, less the credits allowed in sections 422.11A, ~~422.11B~~
12 422.12, and 422.12B.

13 Sec. 21. Section 422.6, unnumbered paragraph 1, Code 2005,
14 is amended to read as follows:

15 The tax imposed by section 422.5 less the credits allowed
16 under sections 15.333, 15.335, 422.10, 422.11, and 422.11A,
17 ~~and 422.11B~~, and the personal exemption credit allowed under
18 section 422.12 apply to and are a charge against estates and
19 trusts with respect to their taxable income, and the rates are
20 the same as those applicable to individuals. The fiduciary
21 shall make the return of income for the estate or trust for
22 which the fiduciary acts, whether the income is taxable to the
23 estate or trust or to the beneficiaries. However, for tax
24 years ending after August 5, 1997, if the trust is a qualified
25 preneed funeral trust as set forth in section 685 of the
26 Internal Revenue Code and the trustee has elected the special
27 tax treatment under section 685 of the Internal Revenue Code,
28 neither the trust nor the beneficiary is subject to Iowa
29 income tax on income accruing to the trust.

30 Sec. 22. Section 422D.2, Code 2005, is amended to read as
31 follows:

32 422D.2 LOCAL INCOME SURTAX.

33 A county may impose by ordinance a local income surtax as
34 provided in section 422D.1 at the rate set by the board of
35 supervisors, of up to one percent, on the state individual

1 income tax of each individual residing in the county at the
2 end of the individual's applicable tax year. However, the
3 cumulative total of the percents of income surtax imposed on
4 any taxpayer in the county shall not exceed twenty percent.
5 The reason for imposing the surtax and the amount needed shall
6 be set out in the ordinance. The surtax rate shall be set to
7 raise only the amount needed. For purposes of this section,
8 "state individual income tax" means the tax computed under
9 section 422.5, less the credits allowed in sections 422.11A,
10 ~~422.11B~~, 422.12, and 422.12B.

11 Sec. 23. Section 450.4, subsection 8, Code 2005, is
12 amended to read as follows:

13 8. On the value of that portion of any lump sum or
14 installment payments which are received by a beneficiary under
15 an annuity which was purchased under an employee's pension or
16 retirement plan which was excluded from net income ~~as set~~
17 ~~forth-in~~ under section 422.7, ~~subsection 3~~.

18 Sec. 24. Section 541A.2, subsection 7, unnumbered
19 paragraph 1, Code 2005, is amended to read as follows:

20 An individual development account closed in accordance with
21 this subsection is not subject to the limitations and benefits
22 provided by this chapter but is subject to state tax in
23 accordance with the provisions of section 422.7, subsection ~~2~~
24 2, paragraph "i", and section 450.4, subsection 6. An
25 individual development account may be closed for any of the
26 following reasons:

27 Sec. 25. Section 541A.3, subsection 2, Code 2005, is
28 amended to read as follows:

29 2. Income earned by an individual development account is
30 not subject to state tax, in accordance with the provisions of
31 section 422.7, subsection ~~2~~ 2, paragraph "i".

32 EFFECTIVE AND APPLICABILITY DATE

33 Sec. 26. This division of this Act takes effect January 1,
34 2006, and applies to tax years beginning on or after that
35 date.

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DIVISION II

SALES AND USE TAXES

Sec. 27. Section 15A.9, subsection 5, paragraph b, Code 2005, is amended by striking the paragraph.

Sec. 28. Section 423.3, subsections 3, 4, 5, 7 through 22, 24 through 30, 32, 33, 34, 40, 41, 42, 45 through 48, 52, 54, 55, 57, 61, 64 through 70, 72, and 79, Code 2005, are amended by striking the subsections.

Sec. 29. Section 423.3, subsection 84, Code 2005, is amended to read as follows:

84. a. Subject to paragraph "b", a partial exemption on the sales price from the sale or furnishing of metered gas, electricity, and fuel, including propane and heating oil, to residential customers which is used to provide energy for residential dwellings and units of apartment and condominium complexes used for human occupancy.

b. The partial exemption in this subsection shall be phased in by means of a reduction in the tax rate as follows:

(1) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2004, through December 31, 2004, or if the sale or furnishing of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2004, through December 31, 2004, the rate of tax is two percent of the sales price.

(2) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2005, ~~through December 31, 2005,~~ or if the sale or furnishing of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2005, ~~through December 31, 2005,~~ the rate of tax is one percent of the sales price.

~~(3) If the date of the utility billing or meter reading cycle of the residential customer for the sale or furnishing of metered gas and electricity is on or after January 1, 2006,~~

~~1 or-if-the-sale,-furnishing,-or-service-of-fuel-for-purposes-of
2 residential-energy-and-the-delivery-of-the-fuel-occurs-on-or
3 after-January-1,-2006,-the-rate-of-tax-is-zero-percent-of-the
4 sales-price-~~

5 c. The partial exemption in this subsection does not apply
6 to local option sales and services tax imposed pursuant to
7 chapters 423B and 423E.

8 Sec. 30. Section 423.6, subsections 7, 14, 16, and 17,
9 Code 2005, are amended by striking the subsections.

10 Sec. 31. Section 423.43, subsection 3, Code 2005, is
11 amended to read as follows:

12 3. a. The revenue arising on or after January 1, 2006,
13 from the sales or use tax imposed on utilities of residential
14 customers as provided in section 423.3, subsection 84, shall
15 be deposited into the alternative energy incentive fund
16 created in section 476.49.

17 b. All other revenue arising under the operation of this
18 chapter shall be credited to the general fund of the state.

19 Sec. 32. NEW SECTION. 476.49 ALTERNATIVE ENERGY
20 INCENTIVE FUND -- INCENTIVE PROGRAM DEVELOPMENT.

21 1. An alternative energy incentive fund is established in
22 the state treasury to be administered by the Iowa energy
23 center created under section 266.39C. The fund is separate
24 from the general fund of the state. Moneys in the alternative
25 energy incentive fund are not subject to section 8.33 and
26 shall not revert to any other fund. Notwithstanding section
27 12C.7, subsection 2, interest or earnings on moneys deposited
28 in the fund shall be credited to the fund.

29 2. Moneys in the alternative energy incentive fund are
30 appropriated to the Iowa energy center to be used to finance
31 the provision of state incentives for the development and
32 encouragement of small independent energy providers. A
33 proposed alternative energy incentive program shall be
34 developed through the cooperation of the utility industry,
35 independent producers, and a legislative-appointed committee.

1 The proposed alternative energy incentive program shall be
2 presented to the general assembly no later than January 15,
3 2006. The general assembly shall implement an incentive
4 program by July 1, 2006.

5 Sec. 33. Section 476B.4, subsection 1, paragraph a, Code
6 2005, is amended to read as follows:

7 a. The wind energy production tax credit shall not be
8 allowed for any kilowatt-hour of electricity produced on wind
9 energy conversion property for which the owner has claimed or
10 otherwise received for that property the benefit of special
11 valuation under section 427B.26 or section 441.21, subsection
12 ~~87-or-the-exemption-from-retail-sales-tax-under-section~~
13 ~~422-457-subsection-487-Code-Supplement-20037-or-section-423-37~~
14 ~~subsection-547-as-applicable.~~

15 Sec. 34. Section 15.334A, Code 2005, is repealed.

16 Sec. 35. EFFECTIVE DATE. This division of this Act takes
17 effect January 1, 2006.

18 DIVISION III

19 CORPORATE INCOME TAX REPEAL

20 Sec. 36. Sections 422.32 through 422.41, Code 2005, are
21 repealed.

22 COORDINATING AMENDMENTS

23 Sec. 37. Section 12D.9, subsection 2, Code 2005, is
24 amended to read as follows:

25 2. State income tax treatment of the Iowa educational
26 savings plan trust shall be as provided in section 422.7,
27 subsections 32, 33, and 34, ~~and-section-422-357-subsection-14.~~

28 Sec. 38. Section 15.333, subsections 1 and 3, Code 2005,
29 are amended to read as follows:

30 1. An eligible business may claim a corporate business tax
31 credit up to a maximum of ten percent of the new investment
32 which is directly related to new jobs created by the location
33 or expansion of an eligible business under the program. Any
34 credit in excess of the tax liability for the tax year may be
35 credited to the tax liability for the following seven years or

1 until depleted, whichever occurs earlier. Subject to prior
2 approval by the department of economic development in
3 consultation with the department of revenue, an eligible
4 business whose project primarily involves the production of
5 value-added agricultural products may elect to receive a
6 refund of all or a portion of an unused tax credit. For
7 purposes of this section, an eligible business includes a
8 cooperative described in section 521 of the Internal Revenue
9 Code which is not required to file an Iowa corporate income
10 tax return. The refund may be used against a tax liability
11 imposed under chapter 422, division II, ~~III~~, or V. If the
12 business is a partnership, S corporation, limited liability
13 company, cooperative organized under chapter 501 and filing as
14 a partnership for federal tax purposes, or estate or trust
15 electing to have the income taxed directly to the individual,
16 an individual may claim the tax credit allowed. The amount
17 claimed by the individual shall be based upon the pro rata
18 share of the individual's earnings of the partnership, S
19 corporation, limited liability company, cooperative organized
20 under chapter 501 and filing as a partnership for federal tax
21 purposes, or estate or trust.

22 3. An eligible business whose project primarily involves
23 the production of value-added agricultural products, that
24 elects to receive a refund of all or a portion of an unused
25 tax credit, shall apply to the department of economic
26 development for tax credit certificates. An eligible business
27 whose project primarily involves the production of value-added
28 agricultural products shall not claim a tax credit under this
29 section unless a tax credit certificate issued by the
30 department of economic development is attached to the
31 taxpayer's tax return for the tax year for which the tax
32 credit is claimed. For purposes of this section, an eligible
33 business includes a cooperative described in section 521 of
34 the Internal Revenue Code ~~which-is-not-required-to-file-an~~
35 ~~Iowa-corporate-income-tax-return. For-purposes-of-this~~

1 ~~section,--an-eligible-business-also-includes-a-cooperative~~
2 ~~described-in-section-521-of-the-Internal-Revenue-Code-which-is~~
3 ~~required-to-file-an-Iowa-corporate-income-tax-return.~~ Such
4 cooperative may elect to transfer all or a portion of its tax
5 credit to its members. The amount of tax credit transferred
6 and claimed by a member shall be based upon the pro rata share
7 of the member's earnings of the cooperative.

8 A tax credit certificate shall not be valid until the tax
9 year following the date of the project completion. A tax
10 credit certificate shall contain the taxpayer's name, address,
11 tax identification number, the date of project completion, the
12 amount of the tax credit, and other information required by
13 the department of revenue. The department of economic
14 development shall not issue tax credit certificates under this
15 subsection and section 15.385, subsection 4, paragraph "c",
16 which total more than four million dollars during a fiscal
17 year. If the department receives and approves applications
18 for tax credit certificates under this subsection and section
19 15.385, subsection 4, paragraph "c", in excess of four million
20 dollars, the applicants shall receive certificates for a
21 prorated amount. The tax credit certificates shall not be
22 transferred except as provided in this subsection for a
23 cooperative described in section 521 of the Internal Revenue
24 ~~Code which-is-required-to-file-an-Iowa-corporate-income-tax~~
25 ~~return.~~ For a cooperative described in section 521 of the
26 Internal Revenue Code, the department of economic development
27 shall require that the cooperative submit a list of its
28 members and the share of each member's interest in the
29 cooperative. The department shall issue a tax credit
30 certificate to each member contained on the submitted list.

31 Sec. 39. Section 15.335, subsection 1, unnumbered
32 paragraph 1, Code 2005, is amended to read as follows:

33 An eligible business may claim a corporate business tax
34 credit for increasing research activities in this state during
35 the period the eligible business is participating in the

1 program.

2 Sec. 40. Section 15.335, subsection 2, Code 2005, is
3 amended to read as follows:

4 2. The credit allowed in this section is in addition to
5 the credit authorized in section 422.10 ~~and section 422.337~~
6 ~~subsection-5~~. However, if the alternative credit computation
7 method is used in section 422.10 ~~or section 422.337-subsection~~
8 ~~5~~, the credit allowed in this section shall also be computed
9 using that method.

10 Sec. 41. Section 15.385, subsection 2, Code 2005, is
11 amended by striking the subsection.

12 Sec. 42. Section 15.385, subsection 4, paragraphs a and c,
13 Code 2005, are amended to read as follows:

14 a. An eligible business may claim a tax credit equal to a
15 percentage of the new investment directly related to new jobs
16 created by the location or expansion of an eligible business
17 under the program. The tax credit shall be allowed against
18 taxes imposed under chapter 422, division II~~7-III7~~, or V. If
19 the business is a partnership, S corporation, limited
20 liability company, cooperative organized under chapter 501 and
21 filing as a partnership for federal tax purposes, or estate or
22 trust electing to have the income taxed directly to the
23 individual, an individual may claim the tax credit allowed.
24 The amount claimed by the individual shall be based upon the
25 pro rata share of the individual's earnings of the
26 partnership, S corporation, limited liability company,
27 cooperative organized under chapter 501 and filing as a
28 partnership for federal tax purposes, or estate or trust. The
29 percentage shall be equal to the amount provided in paragraph
30 "d". Any tax credit in excess of the tax liability for the
31 tax year may be credited to the tax liability for the
32 following seven years or until depleted, whichever occurs
33 first.

34 Subject to prior approval by the department of economic
35 development, in consultation with the department of revenue,

1 an eligible business whose project primarily involves the
2 production of value-added agricultural products or uses
3 biotechnology-related processes may elect to receive a refund
4 of all or a portion of an unused tax credit. For purposes of
5 this subsection, such an eligible business includes a
6 cooperative described in section 521 of the Internal Revenue
7 Code ~~which-is-not-required-to-file-an-Iowa-corporate-income~~
8 ~~tax-return,~~ and whose project primarily involves the
9 production of ethanol. The refund may be applied against a
10 tax liability imposed under chapter 422, division II~~7-III7~~ or
11 V. If the business is a partnership, S corporation, limited
12 liability company, cooperative organized under chapter 501 and
13 filing as a partnership for federal tax purposes, or estate or
14 trust electing to have the income taxed directly to the
15 individual, an individual may claim the tax credit allowed.
16 The amount claimed by the individual shall be based upon the
17 pro rata share of the individual's earnings of the
18 partnership, S corporation, limited liability company,
19 cooperative organized under chapter 501 and filing as a
20 partnership for federal tax purposes, or estate or trust.

21 c. (1) An eligible business whose project primarily
22 involves the production of value-added agricultural products
23 or uses biotechnology-related processes, which elects to
24 receive a refund of all or a portion of an unused tax credit,
25 shall apply to the department of economic development for tax
26 credit certificates. Such an eligible business shall not
27 claim a tax credit refund under this subsection unless a tax
28 credit certificate issued by the department of economic
29 development is attached to the taxpayer's tax return for the
30 tax year for which the tax credit refund is claimed. For
31 purposes of this subsection, an eligible business includes a
32 cooperative described in section 521 of the Internal Revenue
33 Code ~~which-is-not-required-to-file-an-Iowa-corporate-income~~
34 ~~tax-return,~~ and whose project primarily involves the
35 production of ethanol. ~~For purposes of this subsection,~~ an

1 ~~eligible-business-also-includes-a-cooperative-described-in~~
2 ~~section-521-of-the-Internal-Revenue-Code-which-is-required-to~~
3 ~~file-an-Iowa-corporate-income-tax-return-and-whose-project~~
4 ~~primarily-involves-the-production-of-ethanol.~~ Such
5 cooperative may elect to transfer all or a portion of its tax
6 credit to its members. The amount of tax credit transferred
7 and claimed by a member shall be based upon the pro rata share
8 of the member's earnings of the cooperative.

9 (2) A tax credit certificate shall not be valid until the
10 tax year following the date of the capital investment project
11 completion. A tax credit certificate shall contain the
12 taxpayer's name, address, tax identification number, the date
13 of project completion, the amount of the tax credit, and other
14 information required by the department of revenue. The
15 department of economic development shall not issue tax credit
16 certificates under this subsection and section 15.333,
17 subsection 3, which total more than four million dollars
18 during a fiscal year. If the department receives and approves
19 applications for tax credit certificates under this subsection
20 and section 15.333, subsection 3, in excess of four million
21 dollars, the applicants shall receive certificates for a
22 prorated amount. The tax credit certificates shall not be
23 transferred except as provided in this subsection for a
24 cooperative described in section 521 of the Internal Revenue
25 Code ~~which-is-required-to-file-an-Iowa-corporate-income-tax~~
26 ~~return-and~~ whose project primarily involves the production of
27 ethanol. For a cooperative described in section 521 of the
28 Internal Revenue Code, the department of economic development
29 shall require that the cooperative submit a list of its
30 members and the share of each member's interest in the
31 cooperative. The department shall issue a tax credit
32 certificate to each member contained on the submitted list.

33 Sec. 43. Section 15A.9, subsection 4, unnumbered paragraph
34 1, Code 2005, is amended to read as follows:

35 The primary business and a supporting business shall be

1 entitled to a corporate business tax credit equal to ten
2 percent of the new investment made within the zone by the
3 primary business or a supporting business prior to project
4 completion. A credit in excess of the tax liability for the
5 tax year may be credited to the tax liability for the
6 following twenty years or until depleted, whichever comes
7 first.

8 Sec. 44. Section 15A.9, subsection 8, unnumbered paragraph
9 1, Code 2005, is amended to read as follows:

10 A corporate business tax credit shall be available to the
11 primary business or a supporting business for increasing
12 research activities in this state within the zone.

13 Sec. 45. Section 15A.9, subsection 8, paragraph f, Code
14 2005, is amended to read as follows:

15 f. The credit authorized in this subsection is in lieu of
16 the credit authorized in section 422.10 ~~and-section-422-33,~~
17 ~~subsection-5.~~

18 Sec. 46. Section 15E.43, subsection 1, paragraph a, Code
19 2005, is amended to read as follows:

20 a. For tax years beginning on or after January 1, 2002, a
21 tax credit shall be allowed against the taxes imposed in
22 chapter 422, divisions II~~7-1117~~ and V, and in chapter 432, and
23 against the moneys and credits tax imposed in section 533.24,
24 for a portion of a taxpayer's equity investment, as provided
25 in subsection 2, in a qualifying business or a community-
26 based seed capital fund. An individual may claim a tax credit
27 under this paragraph of a partnership, limited liability
28 company, S corporation, estate, or trust electing to have
29 income taxed directly to the individual. The amount claimed
30 by the individual shall be based upon the pro rata share of
31 the individual's earnings from the partnership, limited
32 liability company, S corporation, estate, or trust.

33 Sec. 47. Section 15E.44, subsection 4, Code 2005, is
34 amended to read as follows:

35 4. After verifying the eligibility of a qualifying

1 business, the board shall issue a tax credit certificate to be
2 attached to the equity investor's tax return. The tax credit
3 certificate shall contain the taxpayer's name, address, tax
4 identification number, the amount of credit, the name of the
5 qualifying business, and other information required by the
6 department of revenue. The tax credit certificate, unless
7 rescinded by the board, shall be accepted by the department of
8 revenue as payment for taxes imposed pursuant to chapter 422,
9 divisions II~~7~~~~7~~ and V, and in chapter 432, and for the
10 moneys and credits tax imposed in section 533.24, subject to
11 any conditions or restrictions placed by the board upon the
12 face of the tax credit certificate and subject to the
13 limitations of section 15E.43.

14 Sec. 48. Section 15E.45, subsection 4, Code 2005, is
15 amended to read as follows:

16 4. After verifying the eligibility of the community-based
17 seed capital fund, the board shall issue a tax credit
18 certificate to be attached to the taxpayer's tax return. The
19 tax credit certificate shall contain the taxpayer's name,
20 address, tax identification number, the amount of the tax
21 credit, the name of the community-based seed capital fund, and
22 other information required by the department of revenue. The
23 tax credit certificate, unless rescinded by the board, shall
24 be accepted by the department of revenue or a local taxing
25 district, as applicable, as payment for taxes imposed pursuant
26 to chapter 422, divisions II~~7~~~~7~~ and V, and chapter 432, and
27 as payment for the moneys and credits tax imposed pursuant to
28 section 533.24, subject to any conditions or restrictions
29 placed by the board on the face of the tax credit certificate
30 and subject to the limitations of section 15E.43.

31 Sec. 49. Section 15E.51, subsection 2, Code 2005, is
32 amended to read as follows:

33 2. A tax credit shall be allowed against the taxes imposed
34 in chapter 422, divisions II~~7~~~~7~~ and V, and in chapter 432,
35 and against the moneys and credits tax imposed in section

1 533.24, for a portion of a taxpayer's equity investment in a
2 venture capital fund. An individual may claim a tax credit
3 under this section of a partnership, limited liability
4 company, S corporation, estate, or trust electing to have
5 income taxed directly to the individual. The amount claimed
6 by the individual shall be based upon the pro rata share of
7 the individual's earnings from the partnership, limited
8 liability company, S corporation, estate, or trust.

9 Sec. 50. Section 15E.62, subsection 6, Code 2005, is
10 amended to read as follows:

11 6. "Tax credit" means a contingent tax credit issued
12 pursuant to section 15E.66 that is available against tax
13 liabilities imposed by chapter 422, divisions II~~7-1117~~ and V,
14 and by chapter 432 and against the moneys and credits tax
15 imposed by section 533.24.

16 Sec. 51. Section 15E.193B, subsection 6, paragraph a, Code
17 2005, is amended to read as follows:

18 a. An eligible housing business may claim a tax credit up
19 to a maximum of ten percent of the new investment which is
20 directly related to the building or rehabilitating of a
21 minimum of four single-family homes located in that part of a
22 city or county in which there is a designated enterprise zone
23 or one multiple dwelling unit building containing three or
24 more individual dwelling units located in that part of a city
25 or county in which there is a designated enterprise zone. The
26 new investment that may be used to compute the tax credit
27 shall not exceed the new investment used for the first one
28 hundred forty thousand dollars of value for each single-family
29 home or for each unit of a multiple dwelling unit building
30 containing three or more units. The tax credit may be used to
31 reduce the tax liability imposed under chapter 422, division
32 II~~7-1117~~, or V, or chapter 432. Any credit in excess of the
33 tax liability for the tax year may be credited to the tax
34 liability for the following seven years or until depleted,
35 whichever occurs earlier. If the business is a partnership, S

1 corporation, limited liability company, or estate or trust
2 electing to have the income taxed directly to the individual,
3 an individual may claim the tax credit allowed. The amount
4 claimed by the individual shall be based upon the pro rata
5 share of the individual's earnings of the partnership, S
6 corporation, limited liability company, or estate or trust.

7 Sec. 52. Section 15E.193B, subsection 8, unnumbered
8 paragraph 2, Code 2005, is amended to read as follows:

9 The transferee may use the amount of the tax credit
10 transferred against the taxes imposed under chapter 422,
11 divisions II~~7~~-III~~7~~ and V, and chapter 432 for any tax year the
12 original transferor could have claimed the tax credit. Any
13 consideration received for the transfer of the tax credit
14 shall not be included as income under chapter 422, divisions
15 II~~7~~-III~~7~~ and V. Any consideration paid for the transfer of
16 the tax credit shall not be deducted from income under chapter
17 422, divisions II~~7~~-III~~7~~ and V.

18 Sec. 53. Section 15E.305, subsection 1, Code 2005, is
19 amended to read as follows:

20 1. For tax years beginning on or after January 1, 2003, a
21 tax credit shall be allowed against the taxes imposed in
22 chapter 422, divisions II~~7~~-III~~7~~ and V, and in chapter 432, and
23 against the moneys and credits tax imposed in section 533.24
24 equal to twenty percent of a taxpayer's endowment gift to a
25 qualified community foundation. An individual may claim a tax
26 credit under this section of a partnership, limited liability
27 company, S corporation, estate, or trust electing to have
28 income taxed directly to the individual. The amount claimed
29 by the individual shall be based upon the pro rata share of
30 the individual's earnings from the partnership, limited
31 liability company, S corporation, estate, or trust. A tax
32 credit shall be allowed only for an endowment gift made to a
33 qualified community foundation for a permanent endowment fund
34 established to benefit a charitable cause in this state. Any
35 tax credit in excess of the taxpayer's tax liability for the

1 tax year may be credited to the tax liability for the
2 following five years or until depleted, whichever occurs
3 first. A tax credit shall not be carried back to a tax year
4 prior to the tax year in which the taxpayer claims the tax
5 credit.

6 Sec. 54. Section 28A.24, Code 2005, is amended to read as
7 follows:

8 28A.24 EXEMPTION FROM TAXATION.

9 Since an authority is performing essential governmental
10 functions, an authority is not required to pay any taxes or
11 assessments of any kind or nature upon any property required
12 or used by it for its purposes, or any rates, fees, rentals,
13 receipts, or incomes at any time received by it, and the bonds
14 issued by an authority, their transfer, and the income,
15 including any profits made on the sale of the bonds, is
16 deductible in determining net income for the purposes of the
17 state ~~individual-and-corporate~~ income tax under ~~divisions-II~~
18 ~~and-III-of~~ chapter 422, and shall not be taxed by any
19 political subdivision of this state.

20 Sec. 55. Section 175.17, subsection 10, Code 2005, is
21 amended to read as follows:

22 10. Bonds and notes issued by the authority for purposes
23 of financing the beginning farmer loan program provided in
24 section 175.12 are exempt from taxation by the state, and
25 interest earned on the bonds and notes is deductible in
26 determining net income for purposes of the state ~~individual~~
27 ~~and-corporate~~ income tax under ~~divisions-II-and-III-of~~ chapter
28 422.

29 Sec. 56. Section 404A.1, subsection 1, Code 2005, is
30 amended to read as follows:

31 1. A property rehabilitation tax credit, subject to the
32 availability of the credit, is granted against the tax imposed
33 under chapter 422, division ~~II-III~~, or V, or chapter 432, for
34 the rehabilitation of eligible property located in this state
35 as provided in this chapter. Tax credits in excess of tax

1 liabilities shall be refunded as provided in section 404A.4,
2 subsection 3.

3 Sec. 57. Section 404A.2, unnumbered paragraph 3, Code
4 2005, is amended to read as follows:

5 For purposes of the individual ~~and-corporate~~ income taxes
6 tax and the franchise tax, the increase in the basis of the
7 rehabilitated property that would otherwise result from the
8 qualified rehabilitation costs shall be reduced by the amount
9 of the credit computed under this chapter.

10 Sec. 58. Section 404A.4, subsection 5, unnumbered
11 paragraph 2, Code 2005, is amended to read as follows:

12 The transferee may use the amount of the tax credit
13 transferred against the taxes imposed under chapter 422,
14 divisions II~~7-777~~ and V, and chapter 432 for any tax year the
15 original transferor could have claimed the tax credit. Any
16 consideration received for the transfer of the tax credit
17 shall not be included as income under chapter 422, divisions
18 II~~7-777~~ and V. Any consideration paid for the transfer of
19 the tax credit shall not be deducted from income under chapter
20 422, divisions II~~7-777~~ and V.

21 Sec. 59. Section 422.8, subsection 2, paragraph b,
22 subparagraph (1), Code 2005, is amended to read as follows:

23 (1) The net income or loss of the corporation which is
24 fairly and equitably attributable to this state under section
25 422.33, subsections 2 and 3, Code 2005.

26 Sec. 60. Section 422.11E, subsection 2, Code 2005, is
27 amended to read as follows:

28 2. To receive the assistive device tax credit, the
29 eligible small business must submit an application to the
30 department of economic development. If the taxpayer meets the
31 criteria for eligibility, the department of economic
32 development shall issue to the taxpayer a certification of
33 entitlement for the assistive device tax credit. However, the
34 combined amount of tax credits that may be approved for a
35 fiscal year under this section ~~and-section-422-337-subsection~~

1 97 shall not exceed five hundred thousand dollars. Tax credit
2 certificates shall be issued on an earliest filed basis. The
3 certification shall contain the taxpayer's name, address, tax
4 identification number, the amount of the credit, and tax year
5 for which the certificate applies. The taxpayer must file the
6 tax credit certificate with the taxpayer's individual income
7 tax return in order to claim the tax credit. The departments
8 of economic development and revenue shall each adopt rules to
9 jointly administer this section and shall provide by rule for
10 the method to be used to determine for which fiscal year the
11 tax credits are approved.

12 Sec. 61. Section 422.13, subsection 5, Code 2005, is
13 amended to read as follows:

14 5. Notwithstanding subsections 1 through 4 and ~~sections~~
15 section 422.15 ~~and-422-36~~, a partnership, a limited liability
16 company whose members are taxed on the company's income under
17 provisions of the Internal Revenue Code, trust, or corporation
18 whose stockholders are taxed on the corporation's income under
19 the provisions of the Internal Revenue Code may, not later
20 than the due date for filing its federal return for the
21 taxable year, including any extension thereof, elect to file a
22 composite return for the nonresident partners, members,
23 beneficiaries, or shareholders. The director may require that
24 a composite return be filed under the conditions deemed
25 appropriate by the director. A partnership, limited liability
26 company, trust, or corporation filing a composite return is
27 liable for tax required to be shown due on the return. All
28 powers of the director and requirements of the director apply
29 to returns filed under this subsection including, but not
30 limited to, the provisions of this division and division VI of
31 this chapter.

32 Sec. 62. Section 422.16, subsection 10, paragraph c, Code
33 2005, is amended to read as follows:

34 c. If any withholding agent, being a domestic or foreign
35 corporation, required under the provisions of this section to

1 withhold on wages or other taxable Iowa income subject to this
2 chapter, fails to withhold the amounts required to be
3 withheld, make the required returns or remit to the department
4 the amounts withheld, the director may, having exhausted all
5 other means of enforcement of the provisions of this chapter,
6 certify such fact or facts to the secretary of state, who
7 shall thereupon cancel the articles of incorporation or
8 certificate of authority (as the case may be) of such
9 corporation, and the rights of such corporation to carry on
10 business in the state of Iowa shall thereupon cease. The
11 secretary of state shall immediately notify by registered mail
12 such domestic or foreign corporation of the action taken by
13 the secretary of state. ~~The provisions of section 422.40,~~
14 ~~subsection 3, shall be applicable.~~

15 Sec. 63. Section 422.21, unnumbered paragraph 1, Code
16 2005, is amended to read as follows:

17 Returns shall be in the form the director prescribes, and
18 shall be filed with the department on or before the last day
19 of the fourth month after the expiration of the tax year.
20 ~~However, co-operative associations as defined in section~~
21 ~~6072(d) of the Internal Revenue Code shall file their returns~~
22 ~~on or before the fifteenth day of the ninth month following~~
23 ~~the close of the taxable year and non-profit corporations~~
24 ~~subject to the unrelated business income tax imposed by~~
25 ~~section 422.33, subsection 1A, shall file their returns on or~~
26 ~~before the fifteenth day of the fifth month following the~~
27 ~~close of the taxable year. If, under the Internal Revenue~~
28 ~~Code, a corporation is required to file a return covering a~~
29 ~~tax period of less than twelve months, the state return shall~~
30 ~~be for the same period and is due forty-five days after the~~
31 ~~due date of the federal tax return, excluding any extension of~~
32 ~~time to file.~~ In case of sickness, absence, or other
33 disability, or if good cause exists, the director may allow
34 further time for filing returns. The director shall cause to
35 be prepared blank forms for the returns and shall cause them

1 to be distributed throughout the state and to be furnished
2 upon application, but failure to receive or secure the form
3 does not relieve the taxpayer from the obligation of making a
4 return that is required. The department may as far as
5 consistent with the Code draft income tax forms to conform to
6 the income tax forms of the internal revenue department of the
7 United States government. Each return by a taxpayer upon whom
8 a tax is imposed by section 422.5 shall show the county of the
9 residence of the taxpayer.

10 Sec. 64. Section 422.24A, subsection 2, paragraph b, Code
11 2005, is amended by striking the paragraph and inserting in
12 lieu thereof the following:

13 b. The business has its principal place from which it
14 directs or manages the trade of the business in the state.

15 Sec. 65. Section 422.31, Code 2005, is amended by striking
16 the section and inserting in lieu thereof the following:

17 422.31 DISTORTION OR SHIFTING OF INCOME.

18 Where the director has reason to believe that any person or
19 corporation so conducts a trade or business as either directly
20 or indirectly to distort the person's or corporation's true
21 net income and the net income properly attributable to the
22 state, whether by the arbitrary shifting of income, through
23 price fixing, charges for services, or otherwise, whereby the
24 net income is arbitrarily assigned to one or another unit in a
25 group of taxpayers carrying on business under a substantially
26 common control, the director may require such facts as are
27 necessary for the proper computation of the entire net income
28 and the net income properly attributable to the state, and
29 shall determine the same, and in the determination thereof the
30 director shall have regard to the fair profits which would
31 normally arise from the conduct of the trade or business.

32 Sec. 66. Section 422.60, subsection 2, paragraph e, Code
33 2005, is amended to read as follows:

34 e. In the case of a net operating loss beginning after
35 December 31, 1986 which is carried back or carried forward to

1 the current taxable year, the net operating loss shall be
2 reduced by the amount of items of tax preference and
3 adjustments arising in the tax year which was taken into
4 account in computing the net operating loss in section 422.35,
5 subsection 11, Code 2005. The deduction for a net operating
6 loss for a tax year beginning after December 31, 1986 which is
7 carried back or carried forward to the current taxable year
8 shall not exceed ninety percent of the alternative minimum
9 taxable income determined without regard for the net operating
10 loss deduction.

11 Sec. 67. Section 422.61, subsection 3, unnumbered
12 paragraph 1, Code 2005, is amended to read as follows:

13 "Net income" means the net income of the financial
14 institution computed in accordance with section 422.35, Code
15 2005, with the following adjustments:

16 Sec. 68. Section 422.73, subsection 1, unnumbered
17 paragraph 1, Code 2005, is amended to read as follows:

18 If it appears that an amount of tax, penalty, or interest
19 has been paid which was not due under division II~~7-111~~ or V of
20 this chapter, then that amount shall be credited against any
21 tax due on the books of the department by the person who made
22 the excessive payment, or that amount shall be refunded to the
23 person or with the person's approval, credited to tax to
24 become due. A claim for refund or credit that has not been
25 filed with the department within three years after the return
26 upon which a refund or credit claimed became due, or within
27 one year after the payment of the tax upon which a refund or
28 credit is claimed was made, whichever time is the later, shall
29 not be allowed by the director. If, as a result of a
30 carryback of a net operating loss or a net capital loss, the
31 amount of tax in a prior period is reduced and an overpayment
32 results, the claim for refund or credit of the overpayment
33 shall be filed with the department within the three years
34 after the return for the taxable year of the net operating
35 loss or net capital loss became due. Notwithstanding the

1 period of limitation specified, the taxpayer shall have six
2 months from the day of final disposition of any income tax
3 matter between the taxpayer and the internal revenue service
4 with respect to the particular tax year to claim an income tax
5 refund or credit.

6 Sec. 69. Section 422.85, Code 2005, is amended to read as
7 follows:

8 422.85 IMPOSITION OF ESTIMATED TAX.

9 A taxpayer subject to the tax imposed by ~~sections-422-33~~
10 ~~and section~~ 422.60 shall make payments of estimated tax for
11 the taxable year if the amount of tax payable, less credits,
12 can reasonably be expected to be more than one thousand
13 dollars for the taxable year. For purposes of this division,
14 "estimated tax" means the amount which the taxpayer estimates
15 to be the tax due and payable under division ~~III-or~~ V of this
16 chapter for the taxable year.

17 Sec. 70. Section 422.110, Code 2005, is amended to read as
18 follows:

19 422.110 INCOME TAX CREDIT IN LIEU OF REFUND.

20 In lieu of the fuel tax refund provided in section 452A.17,
21 a person ~~or-corporation~~ subject to taxation under division II
22 ~~or-III~~ of this chapter may elect to receive an income tax
23 credit. The person ~~or-corporation~~ which elects to receive an
24 income tax credit shall cancel its refund permit obtained
25 under section 452A.18 within thirty days after the first day
26 of its tax year or the permit becomes invalid at that time.
27 For the purposes of this section, "person" includes a person
28 claiming a tax credit based upon the person's pro rata share
29 of the earnings from a partnership, limited liability company,
30 or corporation which is not subject to a tax under division II
31 ~~or-III~~ of this chapter as a partnership, limited liability
32 company, or corporation. If the election to receive an income
33 tax credit has been made, it remains effective for at least
34 one tax year, and for subsequent tax years unless a change is
35 requested and a new refund permit applied for within thirty

1 days after the first day of the person's ~~or-corporation's~~ tax
2 year. The income tax credit shall be the amount of the Iowa
3 fuel tax paid on fuel purchased by the person ~~or-corporation~~
4 and is subject to the conditions provided in section 452A.17
5 with the exception that the income tax credit is not available
6 for refunds relating to casualty losses, transport diversions,
7 pumping credits, blending errors, idle time, power takeoffs,
8 reefer units, and exports by distributors.

9 The right to a credit under this section is not assignable
10 and the credit may be claimed only by the person or
11 corporation that purchased the fuel.

12 Sec. 71. Section 422.111, unnumbered paragraph 1, Code
13 2005, is amended to read as follows:

14 The fuel tax credit may be applied against the income tax
15 liability of the person ~~or-corporation~~ as determined on the
16 tax return filed for the year in which the fuel tax was paid.
17 The department shall provide forms for claiming the fuel tax
18 credit. If the fuel tax credit would result in an overpayment
19 of income tax, the person ~~or-corporation~~ may apply for a
20 refund of the amount of overpayment or may have the
21 overpayment credited to income tax due in subsequent years.
22 Each person ~~or-corporation~~ that claims a fuel tax credit shall
23 maintain the original invoices showing the purchase of the
24 fuel on which a credit is claimed. An invoice is not
25 acceptable in support of a claim for credit unless the invoice
26 is a separate serially numbered invoice covering no more than
27 one purchase of motor fuel or undyed special fuel, prepared by
28 the seller on a form approved by the department, or unless the
29 invoice is legibly written with no corrections or erasures and
30 shows the date of sale, the name and address of the seller and
31 of the purchaser, the kind of fuel, the gallonage in figures,
32 the per gallon price of the fuel, the total purchase price
33 including the Iowa fuel tax, and that the total purchase price
34 has been paid. However, as to refund invoices made on a
35 billing machine, the department may waive these requirements.

1 If an original invoice is lost or destroyed, the department
2 may approve a credit supported by a copy identified and
3 certified by the seller as being a true copy of the original.
4 Each person ~~or corporation~~ that claims a fuel tax credit shall
5 maintain complete records of purchases of motor fuel or undyed
6 special fuel on which Iowa fuel tax was paid, and for which a
7 fuel tax credit is claimed.

8 Sec. 72. Section 422.120, subsection 1, paragraph b,
9 subparagraph (1), Code 2005, is amended to read as follows:

10 (1) The credit shall be available to an individual or
11 ~~corporate-taxpayer~~ corporation if the taxpayer's federal
12 taxable income is not more than ninety-nine thousand six
13 hundred dollars for the tax year. In the case of married
14 taxpayers, their combined federal taxable income shall be used
15 to determine if they qualify for the credit.

16 Sec. 73. Section 428A.8, unnumbered paragraph 3, Code
17 2005, is amended to read as follows:

18 Any tax or additional tax found to be due shall be
19 collected by the county recorder. If the county recorder is
20 unable to collect the tax, the director of revenue shall
21 collect the tax in the same manner as taxes are collected in
22 chapter 422, division ~~III~~ II. If collected by the director of
23 revenue, the director shall pay the county its proportionate
24 share of the tax. Section 422.25, subsections 1, 2, 3, and 4,
25 and sections 422.26, 422.28 through 422.30, and 422.73,
26 consistent with this chapter, apply with respect to the
27 collection of any tax or additional tax found to be due, in
28 the same manner and with the same effect as if the deed,
29 instrument, or writing were an income tax return within the
30 meaning of those statutes.

31 Sec. 74. Section 441.21, subsection 11, Code 2005, is
32 amended to read as follows:

33 11. Beginning with valuations established on or after
34 January 1, 1995, as used in this section, "residential
35 property" includes all land and buildings of multiple housing

1 cooperatives organized under chapter 499A and includes land
2 and buildings used primarily for human habitation which land
3 and buildings are owned and operated by organizations that
4 have received tax-exempt status under section 501(c)(3) of the
5 Internal Revenue Code and rental income from the property is
6 not taxed as unrelated business income under section ~~422-337~~
7 ~~subsection-1A~~ 511 of the Internal Revenue Code.

8 Sec. 75. Section 476B.2, Code 2005, is amended to read as
9 follows:

10 476B.2 GENERAL RULE.

11 The owner of a qualified facility shall, for each kilowatt-
12 hour of qualified electricity that the owner sells during the
13 ten-year period beginning on the date the qualified facility
14 was originally placed in service, be allowed a wind energy
15 production tax credit to the extent provided in this chapter
16 against the tax imposed in chapter 422, divisions ~~II7-III7~~ and
17 V, and chapter 432.

18 Sec. 76. Section 476B.7, unnumbered paragraph 2, Code
19 2005, is amended to read as follows:

20 The tax credit shall only be transferred once. The
21 transferee may use the amount of the tax credit transferred
22 against the taxes imposed under chapter 422, divisions ~~II7~~
23 ~~III7~~ and V, and chapter 432 for any tax year the original
24 transferor could have claimed the tax credit. Any
25 consideration received for the transfer of the tax credit
26 shall not be included as income under chapter 422, divisions
27 ~~II7-III7~~ and V. Any consideration paid for the transfer of
28 the tax credit shall not be deducted from income under chapter
29 422, divisions ~~II7-III7~~ and V.

30 EFFECTIVE AND APPLICABILITY DATE

31 Sec. 77. This division of this Act takes effect January 1,
32 2006, and applies to tax years beginning on or after that
33 date.

34 DIVISION IV
35 BUSINESS MOTOR TRUCKS

1 Sec. 78. Section 321.1, Code 2005, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 95. "Work truck" means a motor truck,
4 other than a special truck, with an unladen weight of seven
5 thousand pounds or less and which is one of the following:

6 a. Owned by a person engaged in farming if the motor truck
7 is used primarily for purposes of the owner's farming
8 operations or to assist with another person's farming
9 operations.

10 b. Owned by a person who is engaged in a business or trade
11 that requires the use of a motor truck if the truck is used
12 primarily for purposes of the owner's business or trade.

13 Sec. 79. Section 321.109, subsection 1, unnumbered
14 paragraph 1, Code 2005, is amended to read as follows:

15 The annual fee for all motor vehicles including vehicles
16 designated by manufacturers as station wagons, and 1993 and
17 subsequent model years for multipurpose vehicles, and 2006 and
18 subsequent model year motor trucks with an unladen weight of
19 seven thousand pounds or less, except motor trucks registered
20 under section 321.120, 321.121, or 321.122, motor homes,
21 ambulances, hearses, motorcycles, motor bicycles, and 1992 and
22 older model years for multipurpose vehicles, shall be equal to
23 one percent of the value as fixed by the department plus forty
24 cents for each one hundred pounds or fraction thereof of
25 weight of vehicle, as fixed by the department. The weight of
26 a motor vehicle, fixed by the department for registration
27 purposes, shall include the weight of a battery, heater,
28 bumpers, spare tire, and wheel. Provided, however, that for
29 any new vehicle purchased in this state by a nonresident for
30 removal to the nonresident's state of residence the purchaser
31 may make application to the county treasurer in the county of
32 purchase for a transit plate for which a fee of ten dollars
33 shall be paid. And provided, however, that for any used
34 vehicle held by a registered dealer and not currently
35 registered in this state, or for any vehicle held by an

1 individual and currently registered in this state, when
2 purchased in this state by a nonresident for removal to the
3 nonresident's state of residence, the purchaser may make
4 application to the county treasurer in the county of purchase
5 for a transit plate for which a fee of three dollars shall be
6 paid. The county treasurer shall issue a nontransferable
7 certificate of registration for which no refund shall be
8 allowed; and the transit plates shall be void thirty days
9 after issuance. Such purchaser may apply for a certificate of
10 title by surrendering the manufacturer's or importer's
11 certificate or certificate of title, duly assigned as provided
12 in this chapter. In this event, the treasurer in the county
13 of purchase shall, when satisfied with the genuineness and
14 regularity of the application, and upon payment of a fee of
15 ten dollars, issue a certificate of title in the name and
16 address of the nonresident purchaser delivering the same to
17 the person entitled to the title as provided in this chapter.
18 The application requirements of section 321.20 apply to a
19 title issued as provided in this subsection, except that a
20 natural person who applies for a certificate of title shall
21 provide either the person's social security number, passport
22 number, or driver's license number, whether the license was
23 issued by this state, another state, or another country. The
24 provisions of this subsection relating to multipurpose
25 vehicles are effective January 1, 1993, for all 1993 and
26 subsequent model years. The annual registration fee for
27 multipurpose vehicles that are 1992 model years and older
28 shall be in accordance with section 321.124.

29 Sec. 80. NEW SECTION. 321.120 FARM PICKUP TRUCKS.

30 1. The annual registration fee for a work truck shall be
31 computed pursuant to section 321.122, subsection 1, paragraph
32 "a" or "b".

33 2. Upon application for a new registration or a renewal,
34 an owner who registers a vehicle as a work truck may be
35 required to show a copy of schedule C, E, F, or SE or any

1 other documentation filed by the owner in the previous year
2 for federal income tax purposes or other proof that the owner
3 is engaged in farming or a business or trade that requires the
4 use of a motor truck pursuant to rules adopted by the
5 department. If the department determines by audit or other
6 means that a person who has registered a vehicle as a work
7 truck does not qualify for the registration, the person may be
8 required to pay regular registration fees pursuant to section
9 321.109 in addition to any other penalty or sanction imposed
10 by law.

11 Sec. 81. Section 321.122, subsection 1, unnumbered
12 paragraph 1, Code 2005, is amended to read as follows:

13 The annual registration fee for truck tractors, road
14 tractors, and motor trucks, except 2006 model year or newer
15 motor trucks other than work trucks with an unladen weight of
16 seven thousand pounds or less and motor trucks registered as
17 special trucks, shall be based on the combined gross weight of
18 the vehicle or combination of vehicles. All trucks, truck
19 tractors, or road tractors registered under this section shall
20 be registered for a gross weight equal to or in excess of the
21 unladen weight of the vehicle or combination of vehicles. The
22 annual registration ~~fee~~ fees for such vehicles or combination
23 of vehicles, except special trucks, ~~shall be~~ are as follows:

24 Sec. 82. Section 321.152, subsection 1, Code 2005, is
25 amended to read as follows:

26 1. ~~Four~~ Ten percent of the total collection for each
27 annual or semiannual vehicle registration and each duplicate
28 registration card or plate issued.

29 DIVISION V

30 LOCAL BUDGETS AND PROPERTY TAXES

31 Sec. 83. Section 23A.2, subsection 10, paragraph h, Code
32 2005, is amended to read as follows:

33 h. The performance of an activity listed in section
34 331.424, Code or Code Supplement 2005, as a service ~~for~~ which
35 a ~~supplemental-levy~~ county may ~~be-certified~~ include in its

1 budget.

2 Sec. 84. Section 25B.2, subsection 3, Code 2005, is
3 amended by striking the subsection.

4 Sec. 85. NEW SECTION. 25B.3A UNFUNDED STATE MANDATES --
5 EFFECT.

6 If, on or after July 1, 2006, a state mandate is enacted by
7 the general assembly, or otherwise imposed, on a political
8 subdivision and the state mandate requires a political
9 subdivision to engage in any new activity, to provide a new
10 service, or to provide any service beyond that required by any
11 law enacted prior to July 1, 2006, and the state does not
12 appropriate moneys to fully fund the cost of the state mandate
13 as those costs are identified pursuant to section 25B.5, the
14 political subdivision is not required to perform the activity
15 or provide the new or increased service and the political
16 subdivision shall not be subject to any liabilities imposed by
17 the state or the imposition of any fines or penalties for the
18 failure to comply with the state mandate.

19 Sec. 86. Section 28M.5, subsection 1, unnumbered
20 paragraphs 1 and 2, Code 2005, are amended to read as follows:

21 The commission, with the approval of the board of
22 supervisors of participating counties and the city council of
23 participating cities, may levy annually a tax not to exceed
24 ninety-five cents per thousand dollars of the assessed value
25 of all taxable property in a regional transit district.
26 ~~However, for a city participating in a regional transit~~
27 ~~district, the total of all the tax levies imposed in the city~~
28 ~~pursuant to section 384.12, subsection 10, and this section~~
29 ~~shall not exceed the aggregate of ninety-five cents per~~
30 ~~thousand dollars of the assessed value of all taxable property~~
31 ~~in the participating city.~~

32 The amount of the regional transit district levy that is
33 the responsibility of a participating county shall be deducted
34 from the maximum rates of taxes authorized to be levied by the
35 county ~~pursuant to section 331.423, subsections 1 and 2, as~~

1 applicable for general and rural county services. However,
2 for a regional transit district that includes a county with a
3 population of less than three hundred thousand, the amount of
4 the regional transit district levy that is the responsibility
5 of a participating county shall be deducted from the maximum
6 rate of taxes authorized to be levied by the county pursuant
7 to-section-331-4237-subsection-1 for general county services.

8 Sec. 87. Section 37.8, Code 2005, is amended to read as
9 follows:

10 37.8 LEVY FOR MAINTENANCE.

11 For the development, operation, and maintenance of a
12 building or monument constructed, purchased, or donated under
13 this chapter, a city may levy a tax not-to-exceed-eighty-one
14 cents-per-thousand-dollars-of-assessed-value on all the
15 taxable property within the city, as-provided-in-section
16 384-127-subsection-2 subject to the limitation in section
17 384.1.

18 Sec. 88. Section 123.38, unnumbered paragraph 2, Code
19 2005, is amended to read as follows:

20 Any licensee or permittee, or the licensee's or permittee's
21 executor or administrator, or any person duly appointed by the
22 court to take charge of and administer the property or assets
23 of the licensee or permittee for the benefit of the licensee's
24 or permittee's creditors, may voluntarily surrender a license
25 or permit to the division. When a license or permit is
26 surrendered the division shall notify the local authority, and
27 the division or the local authority shall refund to the person
28 surrendering the license or permit, a proportionate amount of
29 the fee received by the division or the local authority for
30 the license or permit as follows: if a license or permit is
31 surrendered during the first three months of the period for
32 which it was issued, the refund shall be three-fourths of the
33 amount of the fee; if surrendered more than three months but
34 not more than six months after issuance, the refund shall be
35 one-half of the amount of the fee; if surrendered more than

1 six months but not more than nine months after issuance, the
2 refund shall be one-fourth of the amount of the fee. No
3 refund shall be made, however, for any special liquor permit,
4 nor for a liquor control license, wine permit, or beer permit
5 surrendered more than nine months after issuance. For
6 purposes of this paragraph, any portion of license or permit
7 fees used for the purposes authorized in section 331.424,
8 subsection 1, paragraphs "a" and "b", Code or Code Supplement
9 2005, and in section 331.424A, shall not be deemed received
10 either by the division or by a local authority. No refund
11 shall be made to any licensee or permittee, upon the surrender
12 of the license or permit, if there is at the time of
13 surrender, a complaint filed with the division or local
14 authority, charging the licensee or permittee with a violation
15 of this chapter. If upon a hearing on a complaint the license
16 or permit is not revoked or suspended, then the licensee or
17 permittee is eligible, upon surrender of the license or
18 permit, to receive a refund as provided in this section; but
19 if the license or permit is revoked or suspended upon hearing
20 the licensee or permittee is not eligible for the refund of
21 any portion of the license or permit fee.

22 Sec. 89. Section 218.99, Code 2005, is amended to read as
23 follows:

24 218.99 COUNTIES TO BE NOTIFIED OF PATIENTS' PERSONAL
25 ACCOUNTS.

26 The administrator in control of a state institution shall
27 direct the business manager of each institution under the
28 administrator's jurisdiction which is mentioned in section
29 331.424, subsection 1, paragraphs "a" and "b", Code or Code
30 Supplement 2005, and for which services are paid under section
31 331.424A, to quarterly inform the county of legal settlement's
32 entity designated to perform the county's central point of
33 coordination process of any patient or resident who has an
34 amount in excess of two hundred dollars on account in the
35 patients' personal deposit fund and the amount on deposit.

1 The administrators shall direct the business manager to
2 further notify the entity designated to perform the county's
3 central point of coordination process at least fifteen days
4 before the release of funds in excess of two hundred dollars
5 or upon the death of the patient or resident. If the patient
6 or resident has no county of legal settlement, notice shall be
7 made to the director of human services and the administrator
8 in control of the institution involved.

9 Sec. 90. Section 257.1, subsection 2, unnumbered paragraph
10 2, Code 2005, is amended to read as follows:

11 For the budget year commencing July 1, ~~1999~~ 2007, and for
12 each succeeding budget year the regular program foundation
13 base per pupil is ~~eighty-seven-and-five-tenths~~ ninety-five
14 percent of the regular program state cost per pupil. For the
15 budget year commencing July 1, 1991, and for each succeeding
16 budget year the special education support services foundation
17 base is seventy-nine percent of the special education support
18 services state cost per pupil. The combined foundation base
19 is the sum of the regular program foundation base and the
20 special education support services foundation base.

21 Sec. 91. NEW SECTION. 257A.1 PROPERTY TAX LIMITATION.

22 1. For property taxes due and payable in the fiscal year
23 beginning July 1, 2007, and all subsequent fiscal years,
24 property taxes levied by a school district shall not exceed
25 the following percentages of the actual value of the property
26 as determined by the assessor after application of the
27 appropriate reduction in section 441.21:

28 a. For residential property, one-half of one percent.

29 b. For income residential property, one-half of one
30 percent.

31 c. For commercial property, one percent.

32 d. For industrial property, one percent.

33 e. For agricultural property, one-half of one percent.

34 2. In any fiscal year, the ratio of the percentage amount
35 actually levied to the maximum percentage levy allowed shall

1 be the same for each type of property in subsection 1.

2 3. This section applies to all school district property
3 tax levies, other than those authorized in sections 257.3 and
4 257.4.

5 4. a. For the fiscal year beginning July 1, 2007, the
6 percentage tax rate levied against each type of property
7 described in subsection 1 shall not exceed the sum of one-
8 fourth of one percent plus the corresponding percentage tax
9 rate imposed against that type of property in the fiscal year
10 beginning July 1, 2006. For the fiscal years beginning July
11 1, 2008, and July 1, 2009, the percentage tax rate levied
12 against each type of property described in subsection 1 shall
13 not exceed the sum of one-fourth of one percent plus the
14 percentage tax rate imposed for the previous fiscal year.
15 Implementation of this subsection shall not cause the
16 percentage tax rate levied against any type of property
17 described in subsection 1 to exceed the limitations in that
18 subsection.

19 b. If, for the fiscal year beginning July 1, 2006, the
20 corresponding percentage tax rate imposed against each type of
21 property described in subsection 1 exceeds the percentage rate
22 limitations in subsection 1, a school district shall reduce
23 its levy over a three-year period in order to meet the
24 percentage rate limitation requirements of subsection 1.

25 Sec. 92. NEW SECTION. 257A.2 PROPERTY TAX LIMITATION --
26 CONSUMER PRICE INDEX.

27 1. Notwithstanding the limitation in section 257A.1,
28 beginning with the fiscal year beginning July 1, 2010, the
29 amount of property taxes to be levied by a school district
30 against any class of property for the budget year cannot
31 exceed the amount computed in this section. This section
32 applies to all school district property tax levies, other than
33 those authorized in sections 257.3 and 257.4.

34 2. The school district property tax limitation shall be
35 computed as follows:

1 a. Determine the amount of property taxes levied as a
2 percent of taxable value in the current fiscal year.

3 b. Determine the sum of the amount of taxable value of
4 property for the current fiscal year, and the amount of
5 increase in taxable value of property due to new construction,
6 additions or improvements to existing structures, expiration
7 of tax abatement under chapter 404, and any increase in
8 valuation because of reclassification of property.

9 c. Multiply the percent calculated in paragraph "a" times
10 the amount in paragraph "b".

11 d. Multiply the product determined in paragraph "c" times
12 the sum of one plus the consumer price index.

13 3. For purposes of this section, "consumer price index"
14 means the percentage rate of change in the consumer price
15 index as tabulated by the United States department of labor,
16 bureau of labor statistics, for the twelve-month period ending
17 June 30 of the previous fiscal year.

18 Sec. 93. Section 331.263, subsection 2, Code 2005, is
19 amended to read as follows:

20 2. The governing body of the community commonwealth shall
21 have the authority to levy county taxes and shall have the
22 authority to levy city taxes to the extent the city tax levy
23 authority is transferred by the charter to the community
24 commonwealth. A city participating in the community
25 commonwealth shall transfer a portion of the city's tax levy
26 authorized under section 384.1 ~~or 384.12, whichever is~~
27 ~~applicable,~~ to the governing body of the community
28 commonwealth. The maximum rates of taxes authorized to be
29 levied under sections section 384.1 ~~and 384.12~~ by a city
30 participating in the community commonwealth shall be reduced
31 by an amount equal to the rates of the same or similar taxes
32 levied in the city by the governing body of the community
33 commonwealth.

34 Sec. 94. Section 331.421, Code 2005, is amended by adding
35 the following new subsections:

1 NEW SUBSECTION. 1A. "Budget year" is the fiscal year
2 beginning during the calendar year in which a budget is first
3 certified.

4 NEW SUBSECTION. 2A. "Current fiscal year" is the fiscal
5 year ending during the calendar year in which a budget is
6 first certified.

7 Sec. 95. Section 331.421, subsection 10, Code 2005, is
8 amended by striking the subsection.

9 Sec. 96. Section 331.422, unnumbered paragraph 1, Code
10 2005, is amended to read as follows:

11 Subject to this section and sections 331.423 through
12 ~~331.426~~ 331.424C or as otherwise provided by state law, the
13 board of each county shall certify property taxes annually at
14 its March session to be levied for county purposes as follows:

15 Sec. 97. Section 331.423, Code 2005, is amended by
16 striking the section and inserting in lieu thereof the
17 following:

18 331.423 PROPERTY TAX LEVY LIMITATION.

19 1. Annually, the board may certify a levy subject to the
20 limits in this section and section 444.29. For property taxes
21 due and payable in the fiscal year beginning July 1, 2007, and
22 all subsequent fiscal years, property taxes levied by a county
23 shall not exceed the following percentages of the actual value
24 of the property as determined by the assessor after the
25 appropriate reduction in section 441.21 is applied:

26 a. For residential property in the incorporated areas of
27 the county, three-eighths of one percent.

28 b. For residential property in the unincorporated areas of
29 the county, three-fourths of one percent.

30 c. For commercial property in the incorporated areas of
31 the county, three-fourths of one percent.

32 d. For commercial property in the unincorporated areas of
33 the county, two percent.

34 e. For industrial property in the incorporated areas of
35 the county, one percent.

1 f. For industrial property in the unincorporated areas of
2 the county, three percent.

3 g. For agricultural property in the incorporated areas of
4 the county, one-half of one percent.

5 h. For agricultural property in the unincorporated areas
6 of the county, three-fourths of one percent.

7 i. For income residential property in the incorporated
8 areas of the county, three-fourths of one percent.

9 j. For income residential property in the unincorporated
10 areas of the county, three-fourths of one percent.

11 2. Notwithstanding subsection 1, paragraph "c", property
12 taxes levied by a county against commercial property in the
13 incorporated areas of the county shall not exceed the
14 following percentages of the actual value of the property as
15 determined by the assessor after the appropriate reduction in
16 section 441.21 is applied:

17 a. For property taxes due and payable in the fiscal year
18 beginning July 1, 2007, one percent.

19 b. For property taxes due and payable in the fiscal year
20 beginning July 1, 2008, seven-eighths of one percent.

21 3. a. In any fiscal year, the ratio of the percentage
22 amount actually levied and the maximum percentage levy allowed
23 shall be the same for each type of property in subsection 1,
24 paragraphs "a", "c", "e", "g", and "i", and subsection 2, when
25 applicable.

26 b. In any fiscal year, the ratio of the percentage amount
27 actually levied and the maximum percentage levy allowed shall
28 be the same for each type of property in subsection 1,
29 paragraphs "b", "d", "f", "h", and "j".

30 4. The limitations in subsections 1 and 2 do not apply to
31 amounts levied for debt service pursuant to section 331.430.

32 5. a. For the fiscal year beginning July 1, 2007, the
33 percentage tax rate levied against each type of property
34 described in subsections 1 and 2 shall not exceed the sum of
35 one-fourth of one percent plus the corresponding percentage

1 tax rate imposed against that type of property in the fiscal
2 year beginning July 1, 2006. For the fiscal years beginning
3 July 1, 2008, and July 1, 2009, the percentage tax rate levied
4 against each type of property described in subsections 1 and 2
5 shall not exceed the sum of one-fourth of one percent plus the
6 percentage tax rate imposed for the previous fiscal year.
7 Implementation of this subsection shall not cause the
8 percentage tax rate levied against any type of property
9 described in subsections 1 and 2 to exceed the limitations in
10 those subsections.

11 b. If, for the fiscal year beginning July 1, 2006, the
12 corresponding percentage tax rate imposed against each type of
13 property described in subsections 1 and 2 exceeds the
14 percentage rate limitations in those subsections, a county
15 shall reduce its levy over a three-year period in order to
16 meet the percentage rate limitation requirements of
17 subsections 1 and 2.

18 Sec. 98. NEW SECTION. 331.423A ENDING FUND BALANCE.

19 1. Effective for a fiscal year beginning on or after July
20 1, 2010, budgeted ending fund balances for a budget year in
21 excess of twenty-five percent of budgeted expenditures in
22 either the general fund or rural services fund for that budget
23 year shall be explicitly reserved or designated for a specific
24 purpose and specifically described in the certified budget.
25 The certified budget for the budget year shall include a
26 description of any changes from the current fiscal year to the
27 explicitly reserved or designated purpose for the excess
28 ending fund balance as specifically described in the certified
29 budget. For purposes of this section, ending fund balances
30 shall be determined either on a cash basis or an accrual
31 basis, whichever is consistent with the method used for the
32 county's budget. The description shall include the projected
33 date that the expenditures will be appropriated for the
34 specific purpose. Budgeted ending fund balances reserved or
35 designated shall only be used for the purpose specifically

1 described in the certified budget. The certified budget shall
2 not be amended for the purpose of changing the specific
3 purpose after the budget year begins.

4 2. In a protest to the county budget under section
5 331.436, the county shall have the burden of proving that the
6 budgeted ending fund balances in excess of twenty-five percent
7 are reasonably likely to be appropriated for the explicitly
8 reserved or designated specific purpose by the date identified
9 in the certified budget.

10 3. The budgeted ending fund balance in excess of twenty-
11 five percent of expenditures for the general fund or rural
12 services fund shall be considered an increase in an item in
13 the budget for purposes of section 24.28. The state appeal
14 board may certify a decision in accordance with section 24.32
15 that requires a reduction in the budgeted ending fund balance
16 for a particular fund.

17 4. For purposes of this section, the general fund includes
18 the general basic fund and the general supplemental fund and
19 the rural services fund includes the rural services basic fund
20 and the rural services supplemental fund.

21 Sec. 99. Section 331.424A, subsection 4, Code 2005, is
22 amended to read as follows:

23 4. For the fiscal year beginning July 1, 1996, and for
24 each subsequent fiscal year, the county shall certify a levy
25 for payment of services. For each fiscal year, county
26 revenues from taxes imposed by the county credited to the
27 services fund shall not exceed an amount equal to the amount
28 of base year expenditures for services as defined in section
29 331.438, less the amount of property tax relief to be received
30 pursuant to section 426B.2, in the fiscal year for which the
31 budget is certified. The county auditor and the board of
32 supervisors shall reduce the amount of the levy certified for
33 the services fund by the amount of property tax relief to be
34 received. A levy certified under this section is not subject
35 to the any appeal provisions of ~~section 331.426 or to any~~

1 ~~other-provision~~ in law authorizing a county to exceed,
2 increase, or appeal a property tax levy limit.

3 Sec. 100. Section 331.427, subsection 3, paragraph 1, Code
4 2005, is amended to read as follows:

5 1. Services listed in section 331.424, subsection 1, Code
6 or Code Supplement 2005, and section 331.554.

7 Sec. 101. Section 331.428, subsection 2, paragraph d, Code
8 2005, is amended to read as follows:

9 d. Services listed under section 331.424, subsection 2,
10 Code or Code Supplement 2005.

11 Sec. 102. Section 331.429, subsection 1, paragraphs a and
12 b, Code 2005, are amended to read as follows:

13 a. Transfers from the general fund not to exceed in any
14 year the dollar equivalent of a tax of sixteen and seven-
15 eighths cents per thousand dollars of assessed value on all
16 taxable property in the county multiplied by the ratio of
17 ~~current-taxes-actually-collected-and-apportioned-for-the~~
18 ~~general-basic-levy-to-the-total-general-basic-levy-for-the~~
19 ~~current-year~~ in section 331.423, subsection 3, paragraph "a",
20 and an amount equivalent to the moneys derived by the general
21 fund from ~~military-service-tax-credits-under-chapter-426A,~~
22 ~~manufactured-or-mobile-home-taxes-under-section-435-22,-and~~
23 delinquent taxes for prior years collected and apportioned to
24 the general basic fund in the current year, multiplied by the
25 ratio of sixteen and seven-eighths cents to three dollars and
26 fifty cents.

27 b. Transfers from the rural services fund not to exceed in
28 any year the dollar equivalent of a tax of three dollars and
29 three-eighths cents per thousand dollars of assessed value on
30 all taxable property not located within the corporate limits
31 of a city in the county multiplied by the ratio of ~~current~~
32 ~~taxes-actually-collected-and-apportioned-for-the-rural~~
33 ~~services-basic-levy-to-the-total-rural-services-basic-levy-for~~
34 ~~the-current-year~~ in section 331.423, subsection 3, paragraph
35 "b", and an amount equivalent to the moneys derived by the

1 rural services fund from ~~military-service-tax-credits-under~~
2 ~~chapter-426A,-manufactured-or-mobile-home-taxes-under-section~~
3 ~~435-22,-and~~ delinquent taxes for prior years collected and
4 apportioned to the rural services basic fund in the current
5 year, multiplied by the ratio of three dollars and three-
6 eighths cents to three dollars and ninety-five cents.

7 Sec. 103. Section 331.434, unnumbered paragraph 1, Code
8 2005, is amended to read as follows:

9 Annually, the board of each county, subject to sections
10 331.423 through ~~331-426~~ 331.424C and other applicable state
11 law, shall prepare and adopt a budget, certify taxes, and
12 provide appropriations as follows:

13 Sec. 104. Section 331.435, unnumbered paragraph 1, Code
14 2005, is amended to read as follows:

15 The board may amend the adopted county budget, subject to
16 sections 331.423 through ~~331-426~~ 331.424C and other applicable
17 state law, to permit increases in any class of proposed
18 expenditures contained in the budget summary published under
19 section 331.434, subsection 3.

20 Sec. 105. Section 331.436, Code 2005, is amended by adding
21 the following new unnumbered paragraph:

22 NEW UNNUMBERED PARAGRAPH. For purposes of a protest to the
23 adopted budget, "item" means a budgeted expenditure,
24 appropriation, or cash reserve from a fund for a service area,
25 program, program element, or purpose.

26 Sec. 106. Section 335.30A, unnumbered paragraph 2, Code
27 2005, is amended to read as follows:

28 "Land-leased community" means any site, lot, field, or
29 tract of land under common ownership upon which ten or more
30 occupied manufactured homes are harbored, either free of
31 charge or for revenue purposes, and shall include any
32 building, structure, or enclosure used or intended for use as
33 part of the equipment of the land-leased community. The term
34 "land-leased community" shall not be construed to include
35 homes, buildings, or other structures temporarily maintained

1 by any individual, educational institution, or company on
2 their own premises and used exclusively to house their own
3 labor or students. A manufactured home located in a land-
4 leased community shall be taxed under section 435.22 ~~as-if-the~~
5 ~~manufactured-home-were-located-in-a-mobile-home-park.~~

6 Sec. 107. Section 373.10, Code 2005, is amended to read as
7 follows:

8 373.10 TAXING AUTHORITY.

9 The metropolitan council shall have the authority to levy
10 city taxes to the extent the city tax levy authority is
11 transferred by the charter to the metropolitan council. A
12 member city shall transfer a portion of the city's tax levy
13 authorized under section 384.1 ~~or-384.12, whichever is~~
14 ~~applicable,~~ to the metropolitan council. The maximum rates of
15 taxes authorized to be levied under ~~sections~~ section 384.1 and
16 ~~384.12~~ by a member city shall be reduced by an amount equal to
17 the rates of the same or similar taxes levied in the city by
18 the metropolitan council.

19 Sec. 108. Section 384.1, Code 2005, is amended by striking
20 the section and inserting in lieu thereof the following:

21 384.1 PROPERTY TAX LEVY LIMITATION.

22 1. Annually, a city may certify a levy subject to the
23 limits in this section and section 444.29. For property taxes
24 due and payable in the fiscal year beginning July 1, 2007, and
25 all subsequent fiscal years, property taxes levied by a city
26 shall not exceed the following percentages of the actual value
27 of the property as determined by the assessor after the
28 appropriate reduction in section 441.21 is applied:

- 29 a. For residential property, one percent.
- 30 b. For commercial property, one and one-half percent.
- 31 c. For industrial property, two percent.
- 32 d. For agricultural property, one percent.
- 33 e. For income residential property, one and one-half
34 percent.

35 2. Notwithstanding subsection 1, paragraph "b", property

1 taxes levied by a city against commercial property shall not
2 exceed the following percentages of the actual value of the
3 property as determined by the assessor after the appropriate
4 reduction in section 441.21 is applied:

5 a. For property taxes due and payable in the fiscal year
6 beginning July 1, 2007, two percent.

7 b. For property taxes due and payable in the fiscal year
8 beginning July 1, 2008, one and three-fourths percent.

9 3. In any fiscal year, the ratio of the percentage amount
10 actually levied to the maximum percentage levy allowed shall
11 be the same for each type of property in subsections 1 and 2.

12 4. The limitations in subsections 1 and 2 do not apply to
13 amounts levied for debt service pursuant to section 384.4.

14 5. a. For the fiscal year beginning July 1, 2007, the
15 percentage tax rate levied against each type of property
16 described in subsections 1 and 2 shall not exceed the sum of
17 one-fourth of one percent plus the corresponding percentage
18 tax rate imposed against that type of property in the fiscal
19 year beginning July 1, 2006. For the fiscal years beginning
20 July 1, 2008, and July 1, 2009, the percentage tax rate levied
21 against each type of property described in subsections 1 and 2
22 shall not exceed the sum of one-fourth of one percent plus the
23 percentage tax rate imposed for the previous fiscal year.

24 Implementation of this subsection shall not cause the
25 percentage tax rate levied against any type of property
26 described in subsections 1 and 2 to exceed the limitations in
27 those subsections.

28 b. If, for the fiscal year beginning July 1, 2006, the
29 corresponding percentage tax rate imposed against each type of
30 property described in subsections 1 and 2 exceeds the
31 percentage rate limitations in those subsections, a city shall
32 reduce its levy over a three-year period in order to meet the
33 percentage rate limitation requirements of subsections 1 and
34 2.

35 Sec. 109. Section 384.6, subsection 1, Code 2005, is

1 amended to read as follows:

2 1. Accounting for pension and related employee benefit
3 funds as provided by the city finance committee. A city may
4 make contributions to a retirement system other than the Iowa
5 public employees' retirement system for its city manager, or
6 city administrator performing the duties of city manager, in
7 an annual amount not to exceed the amount that would have been
8 contributed by the employer under section 97B.11. If a police
9 chief or fire chief has submitted a written request to the
10 board of trustees to be exempt from chapter 411, authorized in
11 section 411.3, subsection 1, a city shall make contributions
12 for the chief, in an amount not to exceed the amount that
13 would have been contributed by the city under section 411.8,
14 subsection 1, paragraph "a", to the international city
15 management association/retirement corporation. A city may
16 certify taxes to be levied for a trust and agency fund ~~in the~~
17 ~~amount-necessary-to-meet-its-obligations,~~ subject to the
18 limitation in section 384.1.

19 Sec. 110. Section 384.7, Code 2005, is amended to read as
20 follows:

21 384.7 CAPITAL IMPROVEMENTS FUND.

22 A city may establish a capital improvements reserve fund,
23 and may certify taxes ~~not-to-exceed-sixty-seven-and-one-half~~
24 ~~cents-per-thousand-dollars-of-taxable-value~~ each year to be
25 levied for the fund, subject to the limitation in section
26 384.1, for the purpose of accumulating moneys for the
27 financing of specified capital improvements, or carrying out a
28 specific capital improvement plan.

29 ~~The-question-of-the-establishment-of-a-capital-improvements~~
30 ~~reserve-fund,-the-time-period-during-which-a-levy-will-be-made~~
31 ~~for-the-fund,-and-the-tax-rate-to-be-levied-for-the-fund-is~~
32 ~~subject-to-approval-by-the-voters,-and-may-be-submitted-at-any~~
33 ~~city-election-upon-the-council's-motion,-or-shall-be-submitted~~
34 ~~at-the-next-regular-city-election-upon-receipt-of-a-valid~~
35 ~~petition-as-provided-in-section-362-4-~~

1 ~~If a continuing capital improvements levy is established by~~
2 ~~election, it may be terminated in the same manner, upon the~~
3 ~~council's motion or upon petition.~~ Balances in a capital
4 improvements reserve fund are not unencumbered or
5 unappropriated funds for the purpose of reducing tax levies.
6 Transfers may be made between the capital improvements reserve
7 fund, construction funds, and the general fund, as provided in
8 rules promulgated by the city finance committee created in
9 section 384.13.

10 Sec. 111. Section 384.8, Code 2005, is amended to read as
11 follows:

12 384.8 EMERGENCY FUND.

13 A city may establish an emergency fund and may certify
14 ~~taxes not to exceed twenty-seven cents per thousand dollars of~~
15 ~~taxable value~~ each year to be levied for the fund, subject to
16 the limitation in section 384.1. Transfers may be made from
17 the emergency fund to the general fund as provided in rules
18 promulgated by the city finance committee created in section
19 384.13.

20 Sec. 112. Section 384.110, Code 2005, is amended to read
21 as follows:

22 384.110 INSURANCE, SELF-INSURANCE, AND RISK POOLING FUNDS.

23 A city may credit funds to a fund or funds for the purposes
24 authorized by section 364.4, subsection 5; ~~section 384.12,~~
25 ~~subsection 18,~~ or section 384.24, subsection 3, paragraph "s";
26 or to pay the premium costs on tort liability insurance,
27 property insurance, and any other insurance that may be
28 necessary in the operation of the city, the costs of a self-
29 insurance program, the costs of a local government risk pool
30 and amounts payable under any insurance agreements to provide
31 or procure such insurance, self-insurance program, or local
32 government risk pool. Moneys credited to the fund or funds,
33 and interest earned on such moneys, shall remain in the fund
34 or funds until expended for purposes authorized by section
35 364.4, subsection 5; ~~section 384.12, subsection 18,~~ or section

1 384.24, subsection 3, paragraph "s"; or for purposes specified
2 in this section.

3 Sec. 113. Section 403.19, unnumbered paragraph 1, Code
4 2005, is amended to read as follows:

5 A If approved by the electorate as required in section
6 403.19A, a municipality may provide by ordinance that taxes
7 levied on taxable property in an urban renewal area each year
8 by or for the benefit of the state, city, county, school
9 district, or other taxing district, shall be divided as
10 follows:

11 Sec. 114. Section 403.19, subsection 2, Code 2005, is
12 amended to read as follows:

13 2. That portion of the taxes each year in excess of such
14 amount shall be allocated to and when collected be paid into a
15 special fund of the municipality to pay the principal of and
16 interest on loans, moneys advanced to, or indebtedness,
17 whether funded, refunded, assumed, or otherwise, including
18 bonds issued under the authority of section 403.9, subsection
19 1, incurred by the municipality to finance or refinance, in
20 whole or in part, an urban renewal project within the area,
21 and to provide assistance for low and moderate income family
22 housing as provided in section 403.22, except as otherwise
23 provided in subsection 7, and except that taxes-for-the
24 ~~regular-and-voter-approved-physical-plant-and-equipment-levy~~
25 ~~of-a-school-district-imposed-pursuant-to-section-298.2-and~~
26 taxes for the payment of bonds and interest of each taxing
27 district must be collected against all taxable property within
28 the taxing district without limitation by the provisions of
29 this subsection. ~~However, all or a portion of the taxes for~~
30 ~~the-physical-plant-and-equipment-levy-shall-be-paid-by-the~~
31 ~~school-district-to-the-municipality-if-the-auditor-certifies~~
32 ~~to-the-school-district-by-July-1-the-amount-of-such-levy-that~~
33 ~~is-necessary-to-pay-the-principal-and-interest-on-bonds-issued~~
34 ~~by-the-municipality-to-finance-an-urban-renewal-project, which~~
35 ~~bonds-were-issued-before-July-1, 2001,--Indebtedness-incurred~~

~~1 to-refund-bonds-issued-prior-to-July-17-2001, shall-not-be~~
~~2 included-in-the-certification.--Such-school-district-shall-pay~~
~~3 over-the-amount-certified-by-November-1-and-May-1-of-the~~
~~4 fiscal-year-following-certification-to-the-school-district.~~
5 Unless and until the total assessed valuation of the taxable
6 property in an urban renewal area exceeds the total assessed
7 value of the taxable property in such area as shown by the
8 last equalized assessment roll referred to in subsection 1,
9 all of the taxes levied and collected upon the taxable
10 property in the urban renewal area shall be paid into the
11 funds for the respective taxing districts as taxes by or for
12 the taxing districts in the same manner as all other property
13 taxes. When such loans, advances, indebtedness, and bonds, if
14 any, and interest thereon, have been paid, all moneys
15 thereafter received from taxes upon the taxable property in
16 such urban renewal area shall be paid into the funds for the
17 respective taxing districts in the same manner as taxes on all
18 other property.

19 Sec. 115. Section 403.19, subsection 7, Code 2005, is
20 amended by striking the subsection and inserting in lieu
21 thereof the following:

22 7. a. Notwithstanding subsection 2, school district
23 revenue from property tax levies shall be paid to the school
24 district if the school district property levied against is
25 located in an urban renewal area in which ten percent or more
26 of the property in the urban renewal area is assessed for
27 property tax purposes as residential property, except
28 residential property that is housing for low or moderate
29 income families as that term is defined in section 403.17.
30 However, all or a portion of school district property tax
31 revenue shall be paid by the school district to the
32 municipality if the auditor certifies to the school district
33 by July 1 the amount of such revenue that is necessary to pay
34 the principal and interest on bonds issued by the municipality
35 to finance an urban renewal project, which bonds were issued

1 before July 1, 2006. Indebtedness incurred to refund bonds
2 issued prior to July 1, 2006, shall not be included in the
3 certification. Such school district shall pay over the amount
4 certified by November 1 and May 1 of the fiscal year following
5 certification to the school district.

6 b. For any fiscal year, a municipality may certify to the
7 county auditor the school district property tax revenue
8 necessary for payment of principal and interest on bonds
9 issued prior to July 1, 2006. The municipality may receive
10 school district property tax revenue only if the municipality
11 certified for such revenue for the fiscal year beginning July
12 1, 2006. A municipality shall not certify more than the
13 amount the municipality certified for the fiscal year
14 beginning July 1, 2006. If for any fiscal year a municipality
15 fails to certify to the county auditor for a school district
16 by July 1 the amount of school district property tax revenue
17 necessary for payment of principal and interest on such bonds,
18 as provided in subsection 2, the school district is not
19 required to pay over the revenue to the municipality.

20 If in any fiscal year a school district and a municipality
21 are unable to agree on the amount of school district property
22 tax revenue for which a municipality may certify, either party
23 may request that the state appeal board review and finally
24 pass upon the amount that may be certified. Such appeals must
25 be presented in writing to the state appeal board no later
26 than July 31 following certification. The burden shall be on
27 the municipality to prove that the school district property
28 tax revenue is necessary to pay principal and interest on
29 bonds issued prior to July 1, 2006. A final decision must be
30 issued by the state appeal board no later than the following
31 October 1.

32 Sec. 116. NEW SECTION. 403.19A APPROVAL OF USE OF TAX
33 INCREMENT FINANCING -- VOTE.

34 1. Before a municipality may adopt an ordinance for the
35 collection of taxes under section 403.19, the proposition to

1 collect such taxes shall be submitted at the general election
2 in the case of a county and at the regular city election in
3 the case of a city.

4 2. Notice of the election shall be given by publication as
5 required by section 49.53.

6 3. The proposition of collecting incremental taxes for
7 urban renewal purposes is not adopted unless the proposition
8 receives a favorable majority of the votes cast on the
9 proposition.

10 4. If the proposition of collecting incremental taxes for
11 urban renewal purposes is approved by the voters, the city may
12 proceed with the collection of incremental taxes under section
13 403.19 for a period not to exceed ten years.

14 5. For those municipalities that adopted an ordinance
15 under section 403.19 for the collection of incremental taxes
16 for urban renewal purposes prior to the effective date of this
17 Act, the ordinance shall remain in effect for ten years or
18 until the statutory time limit on the urban renewal area
19 expires, whichever is earlier. To continue collecting
20 incremental taxes, such municipalities shall proceed under
21 this section.

22 Sec. 117. Section 414.28A, unnumbered paragraph 2, Code
23 2005, is amended to read as follows:

24 "Land-leased community" means any site, lot, field, or
25 tract of land under common ownership upon which ten or more
26 occupied manufactured homes are harbored, either free of
27 charge or for revenue purposes, and shall include any
28 building, structure, or enclosure used or intended for use as
29 part of the equipment of the land-leased community. The term
30 "land-leased community" shall not be construed to include
31 homes, buildings, or other structures temporarily maintained
32 by any individual, educational institution, or company on
33 their own premises and used exclusively to house their own
34 labor or students. A manufactured home located in a land-
35 leased community shall be taxed under section 435.22 ~~as-if-the~~

~~1 manufactured-home-were-located-in-a-mobile-home-park.~~

2 Sec. 118. Section 426B.1, subsection 3, Code 2005, is
3 amended to read as follows:

4 3. There is annually appropriated from the property tax
5 relief fund to the department of human services to supplement
6 the medical assistance appropriation for the fiscal year
7 beginning July 1, 1997, and for succeeding fiscal years, six
8 million six hundred thousand dollars to be used for the
9 nonfederal share of the costs of services provided to minors
10 with mental retardation under the medical assistance program
11 to meet the requirements of section 249A.12, subsection 4.
12 The appropriation in this subsection shall be charged to the
13 property tax relief fund prior to the distribution of moneys
14 from the fund under section 426B.2 and the amount of moneys
15 available for distribution shall be reduced accordingly.
16 However, the appropriation in this subsection shall be
17 considered to be a property tax relief payment for purposes of
18 the combined amount of payments required to achieve fifty
19 seventy-five percent of the counties' base year expenditures
20 as provided in section 426B.2, subsection 2.

21 Sec. 119. Section 426B.2, subsection 2, Code 2005, is
22 amended to read as follows:

23 2. The distributions under subsection 1 shall continue to
24 be made until the combined amount of the distributions made
25 under subsection 1 are equal to fifty seventy-five percent of
26 the total of all counties' base year expenditures as defined
27 in section 331.438.

28 Sec. 120. Section 427A.1, subsection 1, paragraph c, Code
29 2005, is amended to read as follows:

30 c. Buildings, structures or improvements, any of which are
31 constructed on or in the land, attached to the land, or placed
32 upon a foundation whether or not attached to the foundation.
33 ~~However, property taxed under chapter 435 shall not be~~
34 ~~assessed and taxed as real property.~~

35 Sec. 121. Section 435.1, subsections 3, 5, and 7, Code

1 2005, are amended to read as follows:

2 3. "Manufactured home" means a factory-built structure
3 built under authority of 42 U.S.C. § 5403, that is required by
4 federal law to display a seal from the United States
5 department of housing and urban development, and was
6 constructed on or after June 15, 1976. ~~If a~~ A manufactured
7 home ~~is placed in a manufactured home community or a mobile~~
8 ~~home park, the home~~ must be titled ~~and is subject to the~~
9 ~~manufactured or mobile home square foot tax. -- If a~~
10 ~~manufactured home is placed outside a manufactured home~~
11 ~~community or a mobile home park, the home must be titled~~ and
12 is to be assessed and taxed as real estate.

13 5. "Mobile home" means any vehicle without motive power
14 used or so manufactured or constructed as to permit its being
15 used as a conveyance upon the public streets and highways and
16 so designed, constructed, or reconstructed as will permit the
17 vehicle to be used as a place for human habitation by one or
18 more persons; but shall also include any such vehicle with
19 motive power not registered as a motor vehicle in Iowa. A
20 "mobile home" is not built to a mandatory building code,
21 contains no state or federal seals, and was built before June
22 15, 1976. ~~If a~~ A mobile home is ~~placed outside a mobile home~~
23 ~~park, the home is~~ to be assessed and taxed as real estate.

24 7. "Modular home" means a factory-built structure which is
25 manufactured to be used as a place of human habitation, is
26 constructed to comply with the Iowa state building code for
27 modular factory-built structures, as adopted pursuant to
28 section 103A.7, and must display the seal issued by the state
29 building code commissioner. ~~If a modular home is placed in a~~
30 ~~manufactured home community or mobile home park, the home is~~
31 ~~subject to the annual tax as required by section 435.22. -- If a~~
32 A modular home is ~~placed outside a manufactured home community~~
33 ~~or a mobile home park, the home shall be considered real~~
34 ~~property and is~~ to be assessed and taxed as real estate.

35 Sec. 122. Section 435.22, Code 2005, is amended by

1 striking the section and inserting in lieu thereof the
2 following:

3 435.22 ASSESSMENT -- CREDITS.

4 A mobile home or manufactured home used primarily as a
5 residence shall be assessed as improved residential property
6 pursuant to section 441.21, subsection 4, and shall be taxed
7 an annual ad valorem tax in the same manner as other
8 residential property. A mobile home or manufactured home used
9 primarily for commercial or industrial purposes shall be
10 assessed as improved commercial or industrial property
11 pursuant to section 441.21, subsection 5A, and shall be taxed
12 an annual ad valorem tax in the same manner as other
13 commercial or industrial property. Persons who own a mobile
14 home or manufactured home as a homestead and who meet the
15 qualifications provided in section 425.2 are eligible for the
16 homestead exemption and if they meet the qualifications
17 provided in sections 425.17 through 425.37 are eligible for an
18 extraordinary property tax exemption. A person who owns a
19 mobile home or manufactured home is eligible to apply for the
20 military tax exemption as provided in section 426A.11.

21 Real estate located in a manufactured home community or a
22 mobile home park, as defined in section 435.1, shall be
23 assessed and taxed as improved residential property. Real
24 estate located in a land-leased community, as defined in
25 sections 335.30A and 414.28A, shall be assessed and taxed as
26 improved residential property.

27 Sec. 123. Section 435.23, Code 2005, is amended to read as
28 follows:

29 435.23 EXEMPTIONS ---PRORATING-TAX.

30 The manufacturer's and dealer's inventory of mobile homes,
31 manufactured homes, or modular homes not in use as a place of
32 human habitation shall be exempt from the annual tax. All
33 travel trailers shall be exempt from this tax. The homes and
34 travel trailers in the inventory of manufacturers and dealers
35 shall be exempt from personal property tax. ~~The-homes-coming~~

1 into-Iowa-from-out-of-state-and-located-in-a-manufactured-home
2 community-or-mobile-home-park-shall-be-liable-for-the-tax
3 computed-pro-rata-to-the-nearest-whole-month, for-the-time-the
4 home-is-actually-situated-in-Iowa.

5 Sec. 124. Section 435.24, subsections 1, 2, and 4, Code
6 2005, are amended to read as follows:

7 1. ~~The annual tax is due and payable to the county~~
8 ~~treasurer on or after July 1 in each fiscal year and is~~
9 ~~collectible in the same manner and at the same time as~~
10 ~~ordinary taxes as provided in sections 445.367, 445.377, and~~
11 ~~445.397. Interest at the rate prescribed by law shall accrue~~
12 ~~on unpaid taxes. Both installments of taxes may be paid at~~
13 ~~one time. The September installment represents a tax period~~
14 ~~beginning July 1 and ending December 31. The March~~
15 ~~installment represents a tax period beginning January 1 and~~
16 ~~ending June 30. A mobile home, manufactured home, or modular~~
17 ~~home coming into this state from outside the state, put in use~~
18 ~~from a dealer's inventory, or put in use at any time after~~
19 ~~July 1 or January 1, and located in a manufactured home~~
20 ~~community or mobile home park, is subject to the taxes~~
21 ~~prorated for the remaining unexpired months of the tax period,~~
22 ~~but the purchaser is not required to pay the tax at the time~~
23 ~~of purchase. Interest attaches the following April 1 for~~
24 ~~taxes prorated on or after October 1. Interest attaches the~~
25 ~~following October 1 for taxes prorated on or after April 1.~~
26 Interest at the rate prescribed by law shall accrue on unpaid
27 taxes. If the taxes are not paid, the county treasurer shall
28 send a statement of delinquent taxes as part of the notice of
29 tax sale as provided in section 446.9. ~~The owner of a home~~
30 ~~who sells the home between July 1 and December 31 and obtains~~
31 ~~a tax clearance statement is responsible only for the~~
32 ~~September tax payment and is not required to pay taxes for~~
33 ~~subsequent tax periods.~~ If the owner of a home located in a
34 manufactured home community or mobile home park sells the
35 home, obtains a tax clearance statement, and obtains a

1 replacement home to be located in a manufactured home
2 community or mobile home park, the owner shall not pay taxes
3 under this chapter for the newly acquired home for the same
4 tax period that the owner has paid taxes on the home sold.
5 Interest for delinquent taxes shall be calculated to the
6 nearest whole dollar. In calculating interest each fraction
7 of a month shall be counted as an entire month.

8 2. The home owners upon issuance of a certificate of title
9 or upon transporting to a new site shall file the address,
10 township, and school district, of the location where the home
11 is parked with the county treasurer's office. Failure to
12 comply is punishable as set out in section 435.18. ~~When the~~
13 ~~new-location-is-outside-of-a-manufactured-home-community-or~~
14 ~~mobile-home-park,-the~~ The county treasurer shall provide to
15 the assessor a copy of the tax clearance statement for
16 purposes of assessment as real estate on the following January
17 1.

18 4. The tax is a lien on the vehicle senior to any other
19 lien upon it except a judgment obtained in an action to
20 dispose of an abandoned home under section 555B.8. The home
21 bearing a current registration issued by any other state and
22 remaining within this state for an accumulated period not to
23 exceed ninety days in any twelve-month period is not subject
24 to Iowa tax. However, when one or more persons occupying a
25 home bearing a foreign registration are employed in this
26 state, there is no exemption from the Iowa tax. ~~This-tax-is~~
27 ~~in-lieu-of-all-other-taxes-general-or-local-on-a-home-~~

28 Sec. 125. Section 435.26, subsection 1, paragraph a, Code
29 2005, is amended to read as follows:

30 a. A mobile home or manufactured home which is located
31 outside a manufactured home community or mobile home park
32 shall be ~~converted-to-real-estate-by-being~~ placed on a
33 permanent foundation and shall be assessed for real estate
34 taxes. ~~A-home,-after-conversion-to-real-estate,-is-eligible~~
35 ~~for-the-homestead-tax-credit-and-the-military-service-tax~~

1 ~~exemption-as-provided-in-sections-425-2-and-426A-11-~~ Such
2 mobile home or manufactured home is subject to the
3 requirements of this section.

4 Sec. 126. Section 435.27, subsection 1, Code 2005, is
5 amended to read as follows:

6 1. A mobile home or manufactured home ~~converted-to-real~~
7 ~~estate~~ under section 435.26 ~~may-be-reconverted-to-a-home-as~~
8 ~~provided-in-this-section-when-it~~ that is moved to a
9 manufactured home community or mobile home park or a
10 manufactured or mobile home retailer's inventory is subject to
11 the requirements of this section. ~~When-the-home-is-located~~
12 ~~within-a-manufactured-home-community-or-mobile-home-park,-the~~
13 ~~home-shall-be-taxed-pursuant-to-section-435-22,-subsection-1-~~

14 Sec. 127. Section 435.27, subsection 3, Code 2005, is
15 amended by striking the subsection.

16 Sec. 128. Section 435.28, Code 2005, is amended to read as
17 follows:

18 435.28 COUNTY TREASURER TO NOTIFY ASSESSOR.

19 Upon issuance of a certificate of title to a mobile home or
20 manufactured home which is not located in a ~~manufactured-home~~
21 ~~community-or-mobile-home-park-or~~ dealer's inventory, the
22 county treasurer shall notify the assessor of the existence of
23 the home for tax assessment purposes.

24 Sec. 129. Section 435.35, Code 2005, is amended to read as
25 follows:

26 435.35 EXISTING HOME OUTSIDE OF MANUFACTURED HOME
27 COMMUNITY OR MOBILE HOME PARK -- EXEMPTION.

28 A taxable mobile home or manufactured home which is not
29 located in a manufactured home community or mobile home park
30 as of January 1, 1995, ~~shall-be-assessed-and-taxed-as-real~~
31 ~~estate.--The-home~~ is also exempt from the permanent foundation
32 requirements of this chapter until the home is relocated.

33 Sec. 130. Section 441.16, unnumbered paragraph 7, Code
34 2005, is amended to read as follows:

35 Any tax for the maintenance of the office of assessor and

1 other assessment procedure shall be levied only upon the
2 property in the area assessed by said assessor and such tax
3 ~~levy shall not exceed forty and one-half cents per thousand~~
4 ~~dollars of assessed value in assessing areas where the~~
5 ~~valuation upon which the tax is levied does not exceed ninety-~~
6 ~~two million, six hundred thousand dollars, thirty three and~~
7 ~~three-fourths cents per thousand dollars of assessed value in~~
8 ~~assessing areas where the valuation upon which the tax is~~
9 ~~levied exceeds ninety two million, six hundred thousand~~
10 ~~dollars and does not exceed one hundred eleven million, one~~
11 ~~hundred twenty thousand dollars, twenty seven cents per~~
12 ~~thousand dollars of assessed value in assessing areas where~~
13 ~~the valuation upon which the tax is levied exceeds one hundred~~
14 ~~eleven million, one hundred twenty thousand dollars~~ is subject
15 to the limitation in section 331.423 or 384.1, as applicable.

16 The county treasurer shall credit the sums received from such
17 levy to a separate fund to be known as the "assessment expense
18 fund" and from which fund all expenses incurred under this
19 chapter shall be paid. In the case of a county where there is
20 more than one assessor the treasurer shall maintain separate
21 assessment expense funds for each assessor.

22 Sec. 131. Section 441.50, Code 2005, is amended to read as
23 follows:

24 441.50 APPRAISERS EMPLOYED.

25 The conference board shall have power to employ appraisers
26 or other technical or expert help to assist in the valuation
27 of property, the cost thereof to be paid in the same manner as
28 other expenses of the assessor's office. The conference board
29 may certify for levy annually ~~an amount not to exceed forty~~
30 ~~and one-half cents per thousand dollars of assessed value of~~
31 ~~taxable property,~~ subject to the limitation in section 331.423
32 or 384.1, as applicable, for the purpose of establishing a
33 special appraiser's fund, to be used only for such purposes.
34 From time to time the conference board may direct the transfer
35 of any unexpended balance in the special appraiser's fund to

1 the assessment expense fund.

2 Sec. 132. NEW SECTION. 444.29 PROPERTY TAX LIMITATION --
3 CONSUMER PRICE INDEX.

4 1. Notwithstanding the limitations in sections 331.423 and
5 384.1, beginning with the fiscal year beginning July 1, 2010,
6 the percentage increase in the amount of property taxes to be
7 levied by a city or a county against any class of property for
8 a fiscal year cannot exceed the amount computed in this
9 section.

10 2. The property tax limitation shall be computed as
11 follows:

12 a. Determine the amount of property taxes levied as a
13 percent of taxable value in the current fiscal year.

14 b. Determine the sum of the amount of taxable value of
15 property for the current fiscal year, and the amount of
16 increase in taxable value of property due to new construction,
17 additions or improvements to existing structures, expiration
18 of tax abatement under chapter 404, and any increase in
19 valuation because of reclassification of property.

20 c. Multiply the percent calculated in paragraph "a" times
21 the amount in paragraph "b".

22 d. Multiply the product determined in paragraph "c" times
23 the sum of one plus the consumer price index.

24 3. a. A city or county may exceed the limitation in this
25 section if the purpose of exceeding the limitation is to
26 provide additional property tax credits, exemptions, or
27 abatements, and if the proposition to exceed the limitation is
28 submitted at the regular city election in the case of a city
29 or at the general election in the case of a county.

30 b. Notice of the election shall be given by publication as
31 required by section 49.53.

32 c. The proposition of exceeding the limitation is not
33 adopted unless the proposition receives a favorable majority
34 of the votes cast on the proposition.

35 d. If the proposition of exceeding the limitation is

1 approved by the voters, the city or county may proceed to
2 exceed the limitation for a period not to exceed four years.

3 e. In no case shall the percentage rate limitations in
4 sections 331.423 and 384.1 be exceeded by operation of this
5 subsection.

6 4. For purposes of this section, "consumer price index"
7 means the percentage rate of change in the consumer price
8 index as tabulated by the United States department of labor,
9 bureau of labor statistics, for the twelve-month period ending
10 June 30 of the previous fiscal year.

11 Sec. 133. Section 445.1, subsection 6, Code 2005, is
12 amended to read as follows:

13 6. "Taxes" means an annual ad valorem tax, a special
14 assessment, a drainage tax, and a rate or charge ~~and taxes on~~
15 ~~homes pursuant to chapter 435~~ which are collectible by the
16 county treasurer.

17 Sec. 134. Section 445.39, Code 2005, is amended to read as
18 follows:

19 445.39 INTEREST ON DELINQUENT TAXES.

20 If the first installment of taxes is not paid by the
21 delinquent date specified in section 445.37, the installment
22 becomes due and draws interest of one ~~and one-half~~ percent per
23 month until paid, from the delinquent date following the levy.
24 If the last half is not paid by the delinquent date specified
25 for it in section 445.37, the same interest shall be charged
26 from the date the last half became delinquent. However, after
27 April 1 in a fiscal year when late delivery of the tax list
28 referred to in chapter 443 results in a delinquency date later
29 than October 1 for the first installment, interest on
30 delinquent first installments shall accrue as if delivery were
31 made on the previous June 30. The interest imposed under this
32 section shall be computed to the nearest whole dollar and the
33 amount of interest shall not be less than one dollar. In
34 calculating interest each fraction of a month shall be counted
35 as an entire month. The interest percentage on delinquent

1 special assessments and rates or charges is the same as that
2 for the first installment of delinquent ad valorem taxes.

3 Sec. 135. Section 447.1, unnumbered paragraph 1, Code
4 2005, is amended to read as follows:

5 A parcel sold under this chapter and chapter 446 may be
6 redeemed at any time before the right of redemption expires,
7 by payment to the county treasurer, to be held by the
8 treasurer subject to the order of the purchaser, of the amount
9 for which the parcel was sold, including the fee for the
10 certificate of purchase, and interest of two one and one-half
11 percent per month, counting each fraction of a month as an
12 entire month, from the month of sale, and the total amount
13 paid by the purchaser or the purchaser's assignee for any
14 subsequent year, with interest at the same rate added on the
15 amount of the payment for each subsequent year from the month
16 of payment, counting each fraction of a month as an entire
17 month. The amount of interest must be at least one dollar and
18 shall be rounded to the nearest whole dollar. Interest shall
19 accrue on subsequent amounts from the month of payment by the
20 certificate holder.

21 Sec. 136. Sections 331.424, 331.424B, 331.425, 331.426,
22 384.12, 435.33 and 435.34, Code 2005, are repealed.

23 Sec. 137. EFFECTIVE AND APPLICABILITY DATES.

24 1. The sections of this division of this Act amending
25 section 403.19, subsections 2 and 7, take effect July 1, 2005,
26 and apply to taxes due and payable in the fiscal years
27 beginning on or after July 1, 2006.

28 2. The sections of this division amending sections 445.39
29 and 447.1 take effect July 1, 2005, and apply to property
30 taxes which become delinquent on or after July 1, 2005, and to
31 parcels sold for delinquent taxes on or after July 1, 2005.

32 3. The remainder of this division of this Act takes effect
33 July 1, 2006, and applies to fiscal years beginning on or
34 after July 1, 2007.

35

DIVISION VI

1 ASSESSMENT OF PROPERTY

2 Sec. 138. Section 403.20, Code 2005, is amended to read as
3 follows:

4 403.20 PERCENTAGE OF ADJUSTMENT CONSIDERED IN VALUE
5 ASSESSMENT.

6 In determining the assessed value of property within an
7 urban renewal area which is subject to a division of tax
8 revenues pursuant to section 403.19, the ~~difference between~~
9 ~~the actual value of the property as determined by the assessor~~
10 ~~each year and the percentage of adjustment certified for that~~
11 ~~year by the director of revenue on or before November 1~~
12 reductions applied to the property pursuant to section 441.21,
13 subsection 9 4, 5, 5A, or 5B, multiplied by the actual value
14 of the property as determined by the assessor, shall be
15 subtracted from the actual value of the property as determined
16 pursuant to section 403.19, subsection 1. If the assessed
17 value of the property as determined pursuant to section
18 403.19, subsection 1, is reduced to zero, the additional
19 valuation reduction shall be subtracted from the actual value
20 of the property as determined by the assessor.

21 Sec. 139. Section 433.6, Code 2005, is amended to read as
22 follows:

23 433.6 TAXABLE VALUE.

24 The taxable value shall be ~~determined by taking the~~
25 ~~percentage of the actual value so ascertained,~~ reduced as
26 provided by section 441.21, and the ratio between the actual
27 value and the assessed or taxable value of the property of
28 each of said companies shall be the same as in the case of
29 property of private individuals.

30 Sec. 140. Section 437.7, Code 2005, is amended to read as
31 follows:

32 437.7 TAXABLE VALUE.

33 The taxable value of such line or lines of which the
34 director of revenue by this chapter is required to find the
35 value, shall be determined by taking the ~~percentage of the~~

1 ~~actual~~ reduction in value so ascertained, as provided by
2 section 441.21, and the ratio between the actual value and the
3 assessed or taxable value of the transmission line or lines of
4 each of said companies located outside of cities shall be the
5 same as in the case of the property of private individuals.

6 Sec. 141. Section 441.1, Code 2005, is amended to read as
7 follows:

8 441.1 OFFICE OF ASSESSOR CREATED.

9 ~~In~~ Except as otherwise provided in section 441.16A, in
10 every county in the state of Iowa the office of assessor is
11 hereby created. A city having a population of ten thousand or
12 more, according to the latest federal census, may by ordinance
13 provide for the selection of a city assessor and for the
14 assessment of property in the city under the provisions of
15 this chapter. A city desiring to provide for assessment under
16 the provisions of this chapter shall, not less than sixty days
17 before the expiration of the term of the assessor in office,
18 notify the taxing bodies affected and proceed to establish a
19 conference board, examining board, and board of review and
20 select an assessor, all as provided in this chapter. A city
21 desiring to abolish the office of city assessor shall repeal
22 the ordinance establishing the office of city assessor, notify
23 the county conference board and the affected taxing districts,
24 provide for the transfer of appropriate records and other
25 matters, and provide for the abolition of the respective
26 boards and the termination of the terms of office of the
27 assessor and members of the respective boards. The abolition
28 of the city assessor's office shall take effect on July 1
29 following notification of the abolition unless otherwise
30 agreed to by the affected conference boards. If notification
31 of the proposed abolition is made after January 1, sufficient
32 funds shall be transferred from the city assessor's budget to
33 fund the additional responsibilities transferred to the county
34 assessor for the next fiscal year.

35 Sec. 142. NEW SECTION. 441.16A COUNTIES JOINING IN

1 EMPLOYMENT OF MULTICOUNTY ASSESSOR.

2 The conference boards of two or more adjacent counties may
3 enter into an agreement to jointly employ a county assessor.
4 Such agreement shall be written and entered in their
5 respective minutes and a copy of the agreement transmitted to
6 the conference board of each county that is a party to the
7 agreement. The written agreement shall provide for the manner
8 of allocation of the budget of the assessor's office. The
9 provisions of chapter 28E shall be applicable to this section,
10 except that such agreement shall not be applicable for a
11 period of less than six years beginning from the date the
12 multicounty assessor is appointed by the conference board.

13 A multicounty conference board shall be established as
14 provided in section 441.2, with representation from each
15 county that is a party to the agreement. The multicounty
16 conference board shall appoint one examining board.

17 The term of the multicounty assessor shall begin on July 1
18 following the date of the agreement and the terms of the
19 incumbent assessor in each county that is a party to the
20 agreement shall expire on that date, notwithstanding the term
21 specified in section 441.8.

22 Sec. 143. Section 441.21, subsection 1, paragraphs e, f,
23 and g, Code 2005, are amended by striking the paragraphs.

24 Sec. 144. Section 441.21, subsection 2, Code 2005, is
25 amended to read as follows:

26 2. In the event market value of the property being
27 assessed cannot be readily established in the foregoing
28 manner, then the assessor may determine the value of the
29 property using the other uniform and recognized appraisal
30 methods including its productive and earning capacity, if any,
31 industrial conditions, its cost, physical and functional
32 depreciation and obsolescence and replacement cost, and all
33 other factors which would assist in determining the fair and
34 reasonable market value of the property but the actual value
35 shall not be determined by use of only one such factor. The

1 following shall not be taken into consideration: Special
2 value or use value of the property to its present owner, and
3 the good will or value of a business which uses the property
4 as distinguished from the value of the property as property.
5 However, in assessing property that is rented or leased to
6 low-income individuals and families as authorized by section
7 42 of the Internal Revenue Code, as amended, and which section
8 limits the amount that the individual or family pays for the
9 rental or lease of units in the property, the assessor shall
10 use the productive and earning capacity from the actual rents
11 received as a method of appraisal and shall take into account
12 the extent to which that use and limitation reduces the market
13 value of the property. The assessor shall not consider any
14 tax credit equity or other subsidized financing as income
15 provided to the property in determining the assessed value.
16 The property owner shall notify the assessor when property is
17 withdrawn from section 42 eligibility under the Internal
18 Revenue Code. The property shall not be subject to section 42
19 assessment procedures for the assessment year for which
20 section 42 eligibility is withdrawn. This notification must
21 be provided to the assessor no later than March 1 of the
22 assessment year or the owner will be subject to a penalty of
23 five hundred dollars for that assessment year. The penalty
24 shall be collected at the same time and in the same manner as
25 regular property taxes. Upon adoption of uniform rules by the
26 revenue department or succeeding authority covering
27 assessments and valuations of such properties, said valuation
28 on such properties shall be determined in accordance therewith
29 with such uniform rules for assessment purposes to assure
30 uniformity, but such rules shall not be inconsistent with or
31 change the foregoing means of determining the actual, market,
32 taxable, and assessed values.

33 In the event market value of newly constructed residential
34 property being assessed cannot be readily established because
35 of insufficient comparable sales, the assessor shall use the

1 replacement cost method to value the property.

2 Sec. 145. Section 441.21, subsection 4, Code 2005, is
3 amended by striking the subsection and inserting in lieu
4 thereof the following:

5 4. a. For valuations established as of January 1, 2006,
6 the actual value at which residential property is assessed
7 shall be reduced by fifty percent up to a maximum of twenty
8 thousand dollars on each parcel of residential property
9 assessed for taxation. The reduction shall be applied to an
10 improved parcel only.

11 b. For valuations established as of January 1, 2006, the
12 actual value at which income residential property is assessed
13 shall be reduced by fifty percent up to a maximum of twenty
14 thousand dollars on each parcel of income residential property
15 assessed for taxation. The reduction shall be applied to an
16 improved parcel only. "Income residential property" means
17 buildings for human habitation that contain two or more
18 separate living quarters.

19 Sec. 146. Section 441.21, subsection 5, Code 2005, is
20 amended to read as follows:

21 ~~5. For valuations established as of January 1, 1979,~~
22 ~~commercial property and industrial property, excluding~~
23 ~~properties referred to in section 427A, 1, subsection 7, shall~~
24 ~~be assessed as a percentage of the actual value of each class~~
25 ~~of property. The percentage shall be determined for each~~
26 ~~class of property by the director of revenue for the state in~~
27 ~~accordance with the provisions of this section. For~~
28 ~~valuations established as of January 1, 1979, the percentage~~
29 ~~shall be the quotient of the dividend and divisor as defined~~
30 ~~in this section. The dividend for each class of property~~
31 ~~shall be the total actual valuation for each class of property~~
32 ~~established for 1978, plus six percent of the amount so~~
33 ~~determined. The divisor for each class of property shall be~~
34 ~~the valuation for each class of property established for 1978,~~
35 ~~as reported by the assessors on the abstracts of assessment~~

1 ~~for 1978, plus the amount of value added to the total actual~~
2 ~~value by the revaluation of existing properties in 1979 as~~
3 ~~equalized by the director of revenue pursuant to section~~
4 ~~441.49. For valuations established as of January 1, 1979,~~
5 ~~property valued by the department of revenue pursuant to~~
6 ~~sections 428.24 through 428.29, and chapters 428, 433, 437,~~
7 ~~and 438 shall be considered as one class of property and shall~~
8 ~~be assessed as a percentage of its actual value. The~~
9 ~~percentage shall be determined by the director of revenue in~~
10 ~~accordance with the provisions of this section. For~~
11 ~~valuations established as of January 1, 1979, the percentage~~
12 ~~shall be the quotient of the dividend and divisor as defined~~
13 ~~in this section. The dividend shall be the total actual~~
14 ~~valuation established for 1978 by the department of revenue,~~
15 ~~plus ten percent of the amount so determined. The divisor for~~
16 ~~property valued by the department of revenue pursuant to~~
17 ~~sections 428.24 through 428.29 and chapters 428, 433, 437, and~~
18 ~~438 shall be the valuation established for 1978, plus the~~
19 ~~amount of value added to the total actual value by the~~
20 ~~revaluation of the property by the department of revenue as of~~
21 ~~January 1, 1979. For valuations established as of January 1,~~
22 ~~1980, commercial property and industrial property, excluding~~
23 ~~properties referred to in section 427A.1, subsection 7, shall~~
24 ~~be assessed at a percentage of the actual value of each class~~
25 ~~of property. The percentage shall be determined for each~~
26 ~~class of property by the director of revenue for the state in~~
27 ~~accordance with the provisions of this section. For~~
28 ~~valuations established as of January 1, 1980, the percentage~~
29 ~~shall be the quotient of the dividend and divisor as defined~~
30 ~~in this section. The dividend for each class of property~~
31 ~~shall be the dividend as determined for each class of property~~
32 ~~for valuations established as of January 1, 1979, adjusted by~~
33 ~~the product obtained by multiplying the percentage determined~~
34 ~~for that year by the amount of any additions or deletions to~~
35 ~~actual value, excluding those resulting from the revaluation~~

1 of-existing-properties, as reported by the assessors on the
2 abstracts of assessment for 1979, plus four percent of the
3 amount so determined. The divisor for each class of property
4 shall be the total actual value of all such property in 1979,
5 as equalized by the director of revenue pursuant to section
6 441.49, plus the amount of value added to the total actual
7 value by the revaluation of existing properties in 1980. The
8 director shall utilize information reported on the abstracts
9 of assessment submitted pursuant to section 441.45 in
10 determining such percentage. For valuations established as of
11 January 1, 1980, property valued by the department of revenue
12 pursuant to sections 428.24 through 428.29, and chapters 428,
13 433, 437, and 438 shall be assessed at a percentage of its
14 actual value. The percentage shall be determined by the
15 director of revenue in accordance with the provisions of this
16 section. For valuations established as of January 1, 1980,
17 the percentage shall be the quotient of the dividend and
18 divisor as defined in this section. The dividend shall be the
19 total actual valuation established for 1979 by the department
20 of revenue, plus eight percent of the amount so determined.
21 The divisor for property valued by the department of revenue
22 pursuant to sections 428.24 through 428.29, and chapters 428,
23 433, 437, and 438 shall be the valuation established for 1979,
24 plus the amount of value added to the total actual value by
25 the revaluation of the property by the department of revenue
26 as of January 1, 1980. For valuations established as of
27 January 1, 1981, and each year thereafter, the percentage of
28 actual value as equalized by the director of revenue as
29 provided in section 441.49 at which commercial property and
30 industrial property, excluding properties referred to in
31 section 427A.17 subsection 7, shall be assessed shall be
32 calculated in accordance with the methods provided herein,
33 except that any references to six percent in this subsection
34 shall be four percent. For valuations established as of
35 January 1, 1981, and each year thereafter, the percentage of

1 actual value at which property valued by the department of
2 revenue pursuant to sections 428.24 through 428.29, and
3 chapters 428, 433, 437, and 438 shall be assessed shall be
4 calculated in accordance with the methods provided herein in
5 this section, except that any references to ten percent in
6 this subsection shall be eight percent. Beginning with
7 valuations established as of January 1, 1979, and each year
8 thereafter, property valued by the department of revenue
9 pursuant to chapter 434 shall also be assessed at a percentage
10 of its actual value which percentage shall be equal to the
11 percentage determined by the director of revenue for
12 commercial property, industrial property, or property valued
13 by the department of revenue pursuant to sections 428.24
14 through 428.29, and chapters 428, 433, 437, and 438, whichever
15 is lowest.

16 Sec. 147. Section 441.21, Code 2005, is amended by adding
17 the following new subsections:

18 NEW SUBSECTION. 5A. For valuations established as of
19 January 1, 2006, the actual value at which commercial property
20 and industrial property is assessed shall be reduced by fifty
21 percent up to a maximum of twenty-five thousand dollars on
22 each parcel of commercial property or industrial property
23 assessed for taxation. The reduction shall be applied to an
24 improved parcel only.

25 NEW SUBSECTION. 5B. For valuations established as of
26 January 1, 2006, the actual value at which agricultural
27 property is assessed shall be reduced by fifty percent up to a
28 maximum of sixty-five thousand dollars per farm unit. For
29 purposes of this subsection, "farm unit" means a single
30 contiguous tract of agricultural land, or two or more adjacent
31 tracts of agricultural land upon which farming operations are
32 being conducted by a person who owns or is purchasing or
33 renting all of the land, or by that person's tenant or
34 tenants. If a landowner has multiple farm tenants, the land
35 on which farming operations are being conducted by each tenant

1 is a separate farm unit. Before assigning assessed value per
2 tract of agricultural land, the assessor shall establish a per
3 acre assessment for the agricultural property.

4 Sec. 148. Section 441.21, subsections 9 and 10, Code 2005,
5 are amended to read as follows:

6 9. Not later than November 1, ~~1979~~ 2006, and November 1 of
7 each subsequent year, the director shall certify to the county
8 auditor of each county the percentages of actual value at
9 which ~~residential-property, agricultural-property, commercial~~
10 ~~property, industrial-property, and~~ property valued by the
11 department of revenue pursuant to sections 428.24 through
12 428.29, and chapters 428, 433, 434, 437, and 438 in each
13 assessing jurisdiction in the county shall be assessed for
14 taxation. The county auditor shall proceed to determine the
15 assessed values of ~~agricultural-property, residential~~
16 ~~property, commercial-property, industrial-property, and~~
17 property valued by the department of revenue pursuant to
18 sections 428.24 through 428.29, and chapters 428, 433, 434,
19 437, and 438 by applying such percentages to the current
20 actual value of such property, as reported to the county
21 auditor by the assessor, and the assessed values so determined
22 shall be the taxable values of such properties upon which the
23 levy shall be made.

24 10. The percentage of actual value computed by the
25 director for agricultural property, residential property,
26 income residential property, commercial property, industrial
27 property, and property valued by the department of revenue
28 pursuant to sections 428.24 through 428.29, and chapters 428,
29 433, 434, 437, and 438 and used to determine assessed values
30 of those classes of property does not constitute a rule as
31 defined in section 17A.2, subsection 11.

32 Sec. 149. Section 441.21, Code 2005, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. 13. a. The reduction amounts in
35 subsections 4, 5A, and 5B shall each year be increased for

1 inflation. Upon determination of the latest cumulative
2 inflation factor, the director of revenue shall multiply each
3 dollar amount set forth in subsections 4, 5A, and 5B by this
4 cumulative inflation factor, shall round off the resulting
5 product to the nearest dollar, and shall transmit the result
6 to each city and county assessor for each assessment year.

7 b. For purposes of this subsection, "cumulative inflation
8 factor" means the product of the annual inflation factor for
9 the 2006 calendar year and all annual inflation factors for
10 subsequent calendar years as determined pursuant to this
11 subsection. The cumulative inflation factor applies to all
12 tax years beginning on or after January 1 of the calendar year
13 for which the latest annual inflation factor has been
14 determined.

15 c. In determining the annual inflation factor, the
16 department shall use the annual percent change, but not less
17 than zero percent, in the gross domestic product price
18 deflator computed for the second quarter of the calendar year
19 by the bureau of economic analysis of the United States
20 department of commerce and shall add all of that percent
21 change to one hundred percent. The annual inflation factor
22 and the cumulative inflation factor shall each be expressed as
23 a percentage rounded to the nearest one-tenth of one percent.
24 The annual inflation factor shall not be less than one hundred
25 percent.

26 d. The annual inflation factor for the 2006 assessment
27 year is one hundred percent.

28 Sec. 150. Section 441.21, Code 2005, is amended by adding
29 the following new subsection:

30 NEW SUBSECTION. 14. a. A tract of land containing an
31 animal feeding operation structure as defined in section
32 459.102, must be owned by an owner as defined in this
33 subsection and a designated person must be actively engaged in
34 farming during the calendar year preceding the calendar year
35 in which the land is assessed in order to be assessed and

1 taxed as agricultural property. All other tracts of land
2 containing an animal feeding operation structure shall be
3 assessed and taxed as commercial property.

4 b. For purposes of this subsection:

5 (1) "Actively engaged in farming" means the designated
6 person is personally involved in the production of crops and
7 livestock on the eligible tract on a regular, continuous, and
8 substantial basis. However, a lessor, whether under a cash or
9 a crop share lease, is not actively engaged in farming on the
10 area of the tract covered by the lease. This provision
11 applies to both written and oral leases.

12 (2) "Agricultural land" means land in tracts of ten acres
13 or more excluding any buildings or other structures located on
14 the land, and not laid off into lots of less than ten acres or
15 divided by streets and alleys into parcels of less than ten
16 acres, and in good faith used for agricultural or
17 horticultural purposes. Any land in tracts laid off or
18 platted into lots of less than ten acres belonging to and a
19 part of other lands of more than ten acres and in good faith
20 used for agricultural or horticultural purposes is entitled to
21 the benefits of this chapter.

22 (3) "Crop" or "crop production" includes pastureland.

23 (4) "Designated person" means one of the following:

24 (a) If the owner is an individual, the designated person
25 includes the owner of the tract, the owner's spouse, the
26 owner's child or stepchild, and their spouses, or the owner's
27 relative within the third degree of consanguinity, and the
28 relative's spouse.

29 (b) If the owner is a partnership, a partner or the
30 partner's spouse.

31 (c) If the owner is a family farm corporation, a family
32 member who is a shareholder of the family farm corporation or
33 the shareholder's spouse.

34 (d) If the owner is an authorized farm corporation, a
35 shareholder who owns at least fifty-one percent of the stock

1 of the authorized farm corporation or the shareholder's
2 spouse.

3 (e) If the owner is an individual who leases the tract to
4 a family farm corporation, a shareholder of the corporation if
5 the combined stock of the family farm corporation owned by the
6 owner of the tract and persons related to the owner as
7 enumerated in subparagraph subdivision (a) is equal to at
8 least fifty-one percent of the stock of the family farm
9 corporation.

10 (f) If the owner is an individual who leases the tract to
11 a partnership, a partner if the combined partnership interest
12 owned by a designated person as defined in subparagraph
13 subdivision (a) is equal to at least fifty-one percent of the
14 ownership interest of the partnership.

15 (5) "Eligible tract" or "eligible tract of agricultural
16 land" means an area of agricultural land which meets all of
17 the following:

18 (a) Is comprised of all of the contiguous tracts under
19 identical legal ownership that are located within the same
20 county.

21 (b) In the aggregate more than half the acres of the
22 contiguous tract are devoted to the production of crops or
23 livestock by a designated person who is actively engaged in
24 farming.

25 (c) For purposes of subparagraph (2), if some or all of
26 the contiguous tract is being farmed under a lease
27 arrangement, the activities of the lessor do not constitute
28 being actively engaged in farming on the areas of the tract
29 covered by the lease. If the lessee is a designated person
30 who is actively engaged in farming, the acres under lease may
31 be considered in determining whether more than half the acres
32 of the contiguous tract are devoted to the production of crops
33 or livestock.

34 (6) "Owner" means any of the following:

35 (a) An individual who holds the fee simple title to the

1 agricultural land.

2 (b) An individual who owns the agricultural land under a
3 contract of purchase which has been recorded in the office of
4 the county recorder of the county in which the agricultural
5 land is located.

6 (c) An individual who owns the agricultural land under
7 devise or by operation of the inheritance laws, where the
8 whole interest passes or where the divided interest is shared
9 only by individuals related or formerly related to each other
10 by blood, marriage, or adoption.

11 (d) An individual who owns the agricultural land under a
12 deed which conveys a divided interest, where the divided
13 interest is shared only by individuals related or formerly
14 related to each other by blood, marriage, or adoption.

15 (e) A partnership where all partners are related or
16 formerly related to each other by blood, marriage, or
17 adoption.

18 (f) A family farm corporation or authorized farm
19 corporation, as both are defined in section 9H.1, which owns
20 the agricultural land.

21 Sec. 151. NEW SECTION. 441.21A AGRICULTURAL LAND
22 RESERVE.

23 1. Land classified for property tax purposes as
24 agricultural land shall, upon application of the owner by
25 January 10 of the assessment year, be placed in an
26 agricultural land reserve by the assessor subject to this
27 section.

28 2. If accepted by the county, the application for
29 placement in an agricultural land reserve shall be stamped
30 approved and the assessor shall forward a copy of the
31 application to the recorder for recording.

32 3. An eligible tract of agricultural land shall be placed
33 in an agricultural land reserve if both of the following
34 apply:

35 a. The tract is owned by an owner as defined in this

1 section and a designated person is actively engaged in farming
2 the agricultural land during the calendar year preceding the
3 calendar year in which the land is assessed.

4 b. The assessed valuation of the land per acre exceeds the
5 average assessed valuation per acre of agricultural land in
6 the county by an amount equal to twenty-five percent or more
7 of the average valuation per acre of agricultural land in the
8 county.

9 4. Agricultural land placed in an agricultural land
10 reserve shall be assessed for property tax purposes at the
11 average assessed valuation per acre of agricultural land in
12 the county. The assessment under this section shall continue
13 until the land no longer qualifies for placement in an
14 agricultural land reserve pursuant to subsection 3.

15 5. Land no longer qualifying for placement in an
16 agricultural land reserve is subject to a recapture tax. The
17 tax shall be computed by multiplying the consolidated levy for
18 each of the years the land was in an agricultural land reserve
19 times the assessed value of the land that would have been
20 taxed but for the special valuation provisions of this
21 section. This tax shall be entered against the property on
22 the tax list for the current year and shall constitute a lien
23 against the property in the same manner as a lien for property
24 taxes. The tax when collected shall be apportioned in the
25 manner provided for the apportionment of the property taxes
26 for the applicable tax year.

27 6. For purposes of this section:

28 a. "Actively engaged in farming" means the designated
29 person is personally involved in the production of crops and
30 livestock on the eligible tract on a regular, continuous, and
31 substantial basis. However, a lessor, whether under a cash or
32 a crop share lease, is not actively engaged in farming on the
33 area of the tract covered by the lease. This provision
34 applies to both written and oral leases.

35 b. "Agricultural land" means land in tracts of ten acres

1 or more excluding any buildings or other structures located on
2 the land, and not laid off into lots of less than ten acres or
3 divided by streets and alleys into parcels of less than ten
4 acres, and in good faith used for agricultural or
5 horticultural purposes. Any land in tracts laid off or
6 platted into lots of less than ten acres belonging to and a
7 part of other lands of more than ten acres and in good faith
8 used for agricultural or horticultural purposes shall be
9 considered agricultural land.

10 c. "Crop" or "crop production" includes pastureland.

11 d. "Designated person" means one of the following:

12 (1) If the owner is an individual, the designated person
13 includes the owner of the tract, the owner's spouse, the
14 owner's child or stepchild, and their spouses, or the owner's
15 relative within the third degree of consanguinity, and the
16 relative's spouse.

17 (2) If the owner is a partnership, a partner or the
18 partner's spouse.

19 (3) If the owner is a family farm corporation, a family
20 member who is a shareholder of the family farm corporation or
21 the shareholder's spouse.

22 (4) If the owner is an authorized farm corporation, a
23 shareholder who owns at least fifty-one percent of the stock
24 of the authorized farm corporation or the shareholder's
25 spouse.

26 (5) If the owner is an individual who leases the tract to
27 a family farm corporation, a shareholder of the corporation if
28 the combined stock of the family farm corporation owned by the
29 owner of the tract and persons related to the owner as
30 enumerated in subparagraph (1) is equal to at least fifty-one
31 percent of the stock of the family farm corporation.

32 (6) If the owner is an individual who leases the tract to
33 a partnership, a partner if the combined partnership interest
34 owned by a designated person as defined in subparagraph (1) is
35 equal to at least fifty-one percent of the ownership interest

1 of the partnership.

2 e. "Eligible tract" or "eligible tract of agricultural
3 land" means an area of agricultural land that meets all of the
4 following:

5 (1) Is comprised of all of the contiguous tracts under
6 identical legal ownership that are located within the same
7 county.

8 (2) In the aggregate more than half the acres of the
9 contiguous tract are devoted to the production of crops or
10 livestock by a designated person who is actively engaged in
11 farming.

12 (3) For purposes of paragraph "b", if some or all of the
13 contiguous tract is being farmed under a lease arrangement,
14 the activities of the lessor do not constitute being actively
15 engaged in farming on the areas of the tract covered by the
16 lease. If the lessee is a designated person who is actively
17 engaged in farming, the acres under lease may be considered in
18 determining whether more than half the acres of the contiguous
19 tract are devoted to the production of crops or livestock.

20 f. "Owner" means any of the following:

21 (1) An individual who holds the fee simple title to the
22 agricultural land.

23 (2) An individual who owns the agricultural land under a
24 contract of purchase which has been recorded in the office of
25 the county recorder of the county in which the agricultural
26 land is located.

27 (3) An individual who owns the agricultural land under
28 devise or by operation of the inheritance laws, where the
29 whole interest passes or where the divided interest is shared
30 only by individuals related or formerly related to each other
31 by blood, marriage, or adoption.

32 (4) An individual who owns the agricultural land under a
33 deed which conveys a divided interest, where the divided
34 interest is shared only by individuals related or formerly
35 related to each other by blood, marriage, or adoption.

1 (5) A partnership where all partners are related or
2 formerly related to each other by blood, marriage, or
3 adoption.

4 (6) A family farm corporation or authorized farm
5 corporation, as both are defined in section 9H.1, which owns
6 the agricultural land.

7 Sec. 152. Section 441.40, Code 2005, is amended to read as
8 follows:

9 441.40 COSTS, FEES AND EXPENSES APPORTIONED.

10 The clerk of the court shall likewise certify to the county
11 treasurer the costs assessed by the court on any appeal from a
12 board of review to the district court, in all cases where said
13 costs are taxed against the board of review or any taxing
14 body. The district court may award payment of the property
15 owner's or aggrieved taxpayer's attorney fees as part of the
16 costs assessed by the court to be taxed against the board of
17 review or any taxing body, unless the court determines that
18 the protest was frivolous, and, in that case, the court may
19 assess the costs of defending the protest against the owner or
20 taxpayer who filed the protest. Thereupon the county
21 treasurer shall compute and apportion the said costs between
22 the various taxing bodies participating in the proceeds of the
23 collection of the taxes involved in any such appeal, and said
24 treasurer shall so compute and apportion the various amounts
25 which said taxing bodies are required to pay in proportion to
26 the amount of taxes each of said taxing bodies is entitled to
27 receive from the whole amount of taxes involved in each of
28 such appeals. The said county treasurer shall deduct from the
29 proceeds of all general taxes collected the amount of costs so
30 computed and apportioned by the treasurer from the moneys due
31 to each taxing body from general taxes collected. The amount
32 so deducted shall be certified to each taxing body in lieu of
33 moneys collected. Said county treasurer shall pay to the
34 clerk of the district court the amount of said costs so
35 computed, apportioned and collected by the treasurer in all

1 cases now on file or hereafter filed in which said costs have
2 not been paid.

3 Sec. 153. Section 441.47, Code 2005, is amended by adding
4 the following new unnumbered paragraph:

5 NEW UNNUMBERED PARAGRAPH. Each county for which a
6 multicounty assessor is appointed pursuant to section 441.16A
7 is considered a separate assessing jurisdiction for purposes
8 of this section.

9 Sec. 154. Section 441.54, Code 2005, is amended to read as
10 follows:

11 441.54 CONSTRUCTION.

12 Whenever in the laws of this state, the words "assessor" or
13 "assessors" appear, singly or in combination with other words,
14 they shall be deemed to mean and refer to the multicounty,
15 county, or city assessor, as the case may be.

16 Sec. 155. Section 441.72, Code 2005, is amended to read as
17 follows:

18 441.72 ASSESSMENT OF PLATTED LOTS.

19 When a subdivision plat is recorded pursuant to chapter
20 354, the individual lots within the subdivision plat shall not
21 be assessed in excess of the total assessment of the land as
22 acreage or unimproved property for three six years after the
23 recording of the plat or until the lot is actually improved
24 with permanent construction, whichever occurs first. When an
25 individual lot has been improved with permanent construction,
26 the lot shall be assessed for taxation purposes as provided in
27 chapter 428 and this chapter. This section does not apply to
28 special assessment levies.

29 Sec. 156. Section 441.73, subsection 4, Code 2005, is
30 amended to read as follows:

31 ~~4. The executive council shall transfer for the fiscal~~
32 ~~year beginning July 1, 1992, and each fiscal year thereafter,~~
33 ~~from funds established in sections 425.1 and 426.1, an amount~~
34 ~~necessary to pay litigation expenses.~~ The amount of the fund
35 for each fiscal year shall not exceed seven hundred thousand

1 dollars. ~~The executive council shall determine annually the~~
2 ~~proportionate amounts to be transferred from the two separate~~
3 ~~funds.~~ At any time when no litigation is pending or in
4 progress the balance in the litigation expense fund shall not
5 exceed one hundred thousand dollars. ~~Any excess moneys shall~~
6 ~~be transferred in a proportionate amount back to the funds~~
7 ~~from which they were originally transferred.~~

8 Sec. 157. Section 443.2, unnumbered paragraph 2, Code
9 2005, is amended to read as follows:

10 The county auditor shall list the aggregate actual value
11 and the aggregate taxable value of all taxable property within
12 the county and each political subdivision including property
13 subject to the statewide property tax imposed under section
14 437A.18 on the tax list in order that the actual value of the
15 taxable property within the county or a political subdivision
16 may be ascertained and shown by the tax list for the purpose
17 of computing the debt-incurring capacity of the county or
18 political subdivision. As used in this section, "actual
19 value" is the value determined under section 441.21,
20 subsections 1 to 3, prior to the reduction ~~to a percentage of~~
21 in actual value as otherwise provided in section 441.21.
22 "Actual value" of property subject to statewide property tax
23 is the assessed value under section 437A.18.

24 Sec. 158. Chapter 405, Code 2005, is repealed.

25 Sec. 159. EFFECTIVE AND APPLICABILITY DATES. This
26 division of this Act takes effect January 1, 2006, and applies
27 to assessment years beginning on or after that date.

28 DIVISION VII

29 PROPERTY TAX CREDITS AND EXEMPTIONS

30 Sec. 160. Section 25B.7, subsection 2, Code 2005, is
31 amended by striking the subsection.

32 Sec. 161. Section 100.18, subsection 2, paragraph b, Code
33 2005, is amended to read as follows:

34 b. The rules shall require the installation of smoke
35 detectors in existing single-family rental units and multiple-

1 unit residential buildings. Existing single-family dwelling
2 units shall be equipped with approved smoke detectors. A
3 person who files for a homestead credit exemption pursuant to
4 chapter 425 shall certify that the single-family dwelling unit
5 for which the credit exemption is filed has a smoke detector
6 installed in compliance with this section, or that one will be
7 installed within thirty days of the date the filing for the
8 credit exemption is made. The state fire marshal shall adopt
9 rules and establish appropriate procedures to administer this
10 subsection.

11 Sec. 162. Section 216.12, subsection 5, Code 2005, is
12 amended to read as follows:

13 5. The rental or leasing of a housing accommodation in a
14 building which contains housing accommodations for not more
15 than four families living independently of each other, if the
16 owner resides in one of the housing accommodations for which
17 the owner qualifies for the homestead tax credit exemption
18 under section 425.1.

19 Sec. 163. Section 331.401, subsection 1, paragraph g, Code
20 2005, is amended by striking the paragraph.

21 Sec. 164. Section 331.512, subsection 3, Code 2005, is
22 amended to read as follows:

23 3. Carry out duties relating to the homestead tax credit
24 ~~and agricultural land tax credit~~ exemptions and the military
25 tax exemption as provided in chapters 425 and ~~426~~ 426A.

26 Sec. 165. Section 331.512, subsection 4, Code 2005, is
27 amended by striking the subsection.

28 Sec. 166. Section 331.559, subsections 12, 13, and 14,
29 Code 2005, are amended by striking the subsections.

30 Sec. 167. Section 404.3, subsection 1, Code 2005, is
31 amended to read as follows:

32 1. All qualified real estate assessed as residential
33 property is eligible to receive an exemption from taxation
34 based on the actual value added by the improvements. The
35 exemption is for a period of ten years. The amount of the

1 exemption is equal to a percent of the actual value added by
2 the improvements, determined as follows: One hundred fifteen
3 percent of the value added by the improvements. However, the
4 amount of the actual value added by the improvements which
5 shall be used to compute the exemption shall not exceed twenty
6 thousand dollars and the granting of the exemption shall not
7 result in the actual value of the qualified real estate being
8 reduced below the ~~actual value on which~~ amount of the
9 homestead ~~credit is computed~~ exemption under section 425.1.

10 Sec. 168. Section 425.1, Code 2005, is amended by striking
11 the section and inserting in lieu thereof the following:

12 425.1 HOMESTEAD ASSESSMENT REDUCTION.

13 For valuations established pursuant to section 441.21, as
14 of January 1, 2006, and for subsequent assessment years, the
15 actual value at which an eligible homestead is assessed shall
16 be reduced by five thousand dollars. The reduction allowed
17 under this part is in addition to the reduction in section
18 441.21, subsection 4.

19 Sec. 169. Section 425.2, Code 2005, is amended to read as
20 follows:

21 425.2 QUALIFYING FOR ~~CREDIT~~ EXEMPTION.

22 A person who wishes to qualify for the ~~credit exemption~~
23 allowed under this chapter shall obtain the appropriate forms
24 for filing for the ~~credit exemption~~ from the assessor. The
25 person claiming the ~~credit exemption~~ shall file a verified
26 statement and designation of homestead with the assessor for
27 the year for which the person is first claiming the ~~credit~~
28 exemption. The claim shall be filed not later than July 1 of
29 the year for which the person is claiming the ~~credit~~
30 exemption. A claim filed after July 1 of the year for which
31 the person is claiming the ~~credit exemption~~ shall be
32 considered as a claim filed for the following year.

33 Upon the filing and allowance of the claim, the claim shall
34 be allowed on that homestead for successive years without
35 further filing as long as the property is legally or equitably

1 owned and used as a homestead by that person or that person's
2 spouse on July 1 of each of those successive years, and the
3 owner of the property being claimed as a homestead declares
4 residency in Iowa for purposes of income taxation, and the
5 property is occupied by that person or that person's spouse
6 for at least six months in each of those calendar years in
7 which the fiscal year begins. When the property is sold or
8 transferred, the buyer or transferee who wishes to qualify
9 shall refile for the credit exemption. However, when the
10 property is transferred as part of a distribution made
11 pursuant to chapter 598, the transferee who is the spouse
12 retaining ownership of the property is not required to refile
13 for the credit exemption. Property divided pursuant to
14 chapter 598 shall not be modified following the division of
15 the property. An owner who ceases to use a property for a
16 homestead or intends not to use it as a homestead for at least
17 six months in a calendar year shall provide written notice to
18 the assessor by July 1 following the date on which the use is
19 changed. A person who sells or transfers a homestead or the
20 personal representative of a deceased person who had a
21 homestead at the time of death, shall provide written notice
22 to the assessor that the property is no longer the homestead
23 of the former claimant.

24 In case the owner of the homestead is in active service in
25 the armed forces of this state or of the United States, or is
26 sixty-five years of age or older, or is disabled, the
27 statement and designation may be signed and delivered by any
28 member of the owner's family, by the owner's guardian or
29 conservator, or by any other person who may represent the
30 owner under power of attorney. If the owner of the homestead
31 is married, the spouse may sign and deliver the statement and
32 designation. The director of human services or the director's
33 designee may make application for the benefits of this chapter
34 as the agent for and on behalf of persons receiving assistance
35 under chapter 249.

1 Any person sixty-five years of age or older or any person
2 who is disabled may request, in writing, from the appropriate
3 assessor forms for filing for the homestead tax **credit**
4 exemption. Any person sixty-five years of age or older or who
5 is disabled may complete the form, which shall include a
6 statement of homestead, and mail or return it to the
7 appropriate assessor. The signature of the claimant on the
8 statement shall be considered the claimant's acknowledgment
9 that all statements and facts entered on the form are correct
10 to the best of the claimant's knowledge.

11 Upon adoption of a resolution by the county board of
12 supervisors, any person may request, in writing, from the
13 appropriate assessor forms for the filing for the homestead
14 tax **credit** exemption. The person may complete the form, which
15 shall include a statement of homestead, and mail or return it
16 to the appropriate assessor. The signature of the claimant on
17 the statement of homestead shall be considered the claimant's
18 acknowledgment that all statements and facts entered on the
19 form are correct to the best of the claimant's knowledge.

20 Sec. 170. Section 425.3, unnumbered paragraph 4, Code
21 2005, is amended to read as follows:

22 The county auditor shall forward the claims to the board of
23 supervisors. The board shall allow or disallow the claims.
24 If the board disallows a claim, it shall send written notice,
25 by mail, to the claimant at the claimant's last known address.
26 The notice shall state the reasons for disallowing the claim
27 for the **credit** exemption. The board is not required to send
28 notice that a claim is disallowed if the claimant voluntarily
29 withdraws the claim.

30 Sec. 171. Section 425.6, Code 2005, is amended to read as
31 follows:

32 425.6 WAIVER BY NEGLECT.

33 If a person fails to file a claim or to have a claim on
34 file with the assessor for the **credits** exemption provided in
35 this chapter, the person is deemed to have waived the

1 homestead credit exemption for the year in which the person
2 failed to file the claim or to have a claim on file with the
3 assessor.

4 Sec. 172. Section 425.7, subsection 3, Code 2005, is
5 amended to read as follows:

6 3. If the director of revenue determines that a claim for
7 the homestead credit exemption has been allowed by the board
8 of supervisors which is not justifiable under the law and not
9 substantiated by proper facts, the director may, at any time
10 within thirty-six months from July 1 of the year in which the
11 claim is allowed, set aside the allowance. Notice of the
12 disallowance shall be given to the county auditor of the
13 county in which the claim has been improperly granted and a
14 written notice of the disallowance shall also be addressed to
15 the claimant at the claimant's last known address. The
16 claimant or board of supervisors may appeal to the state board
17 of tax review pursuant to section 421.1, subsection 4. The
18 claimant or the board of supervisors may seek judicial review
19 of the action of the state board of tax review in accordance
20 with chapter 17A.

21 If a claim is disallowed by the director of revenue and not
22 appealed to the state board of tax review or appealed to the
23 state board of tax review and thereafter upheld upon final
24 resolution, including any judicial review, ~~any-amounts-of~~
25 ~~credits-allowed-and-paid-from-the-homestead-credit-fund~~
26 ~~including-the-penalty,-if-any,~~ the taxes that would have been
27 due on the disallowed claim, if not otherwise paid, shall
28 become a lien upon the property on which ~~credit~~ the exemption
29 was originally granted, if still in the hands of the claimant,
30 and not in the hands of a bona fide purchaser, and any amount
31 ~~so-erroneously~~ of such taxes not paid including the penalty,
32 if any, shall be collected by the county treasurer in the same
33 manner as other taxes ~~and-the-collections-shall-be-returned-to~~
34 ~~the-department-of-revenue-and-credited-to-the-homestead-credit~~
35 ~~fund.~~ ~~The-director-of-revenue-may-institute-legal-proceedings~~

1 ~~against-a-homestead-credit-claimant-for-the-collection-of~~
2 ~~payments-made-on-disallowed-credits-and-the-penalty,if-any.~~
3 If a person makes a false claim or affidavit with fraudulent
4 intent to obtain the homestead credit exemption, the person is
5 guilty of a fraudulent practice and the claim shall be
6 ~~disallowed in full. If-the-credit-has-been-paid, the amount~~
7 ~~of-the-credit-plus-a-penalty-equal-to-twenty-five-percent-of~~
8 ~~the-amount-of-credit-plus-interest,at-the-rate-in-effect~~
9 ~~under-section-421.7,from-the-time-of-payment-shall-be~~
10 ~~collected-by-the-county-treasurer-in-the-same-manner-as-other~~
11 ~~property-taxes,penalty,and-interest-are-collected-and-when~~
12 ~~collected-shall-be-paid-to-the-director-of-revenue.~~ If a
13 homestead credit exemption is disallowed and the claimant
14 failed to give written notice to the assessor as required by
15 section 425.2 when the property ceased to be used as a
16 homestead by the claimant, a civil penalty equal to five
17 percent of the amount of the taxes that would have been due on
18 the disallowed credit exemption is assessed against the
19 claimant.

20 Sec. 173. Section 425.8, unnumbered paragraph 1, Code
21 2005, is amended to read as follows:

22 The director of revenue shall prescribe the form for the
23 making of verified statement and designation of homestead, the
24 form for the supporting affidavits required herein, and such
25 other forms as may be necessary for the proper administration
26 of this chapter. Whenever necessary, the department of
27 revenue shall forward to the county auditors of the several
28 counties in the state the prescribed sample forms, and the
29 county auditors shall furnish blank forms prepared in
30 accordance therewith with the assessment rolls, books, and
31 supplies delivered to the assessors. The department of
32 revenue shall prescribe and the county auditors shall provide
33 on the forms for claiming the homestead credit exemption a
34 statement to the effect that the owner realizes that the owner
35 must give written notice to the assessor when the owner

1 changes the use of the property.

2 Sec. 174. Section 425.9, Code 2005, is amended by striking
3 the section and inserting in lieu thereof the following:

4 425.9 EXEMPTION -- APPEAL -- CREDIT.

5 If any claim for exemption made under this chapter has been
6 denied by the board of supervisors, and such action is
7 subsequently reversed on appeal, the exemption shall be
8 allowed on the homestead involved in the appeal, and the
9 director of revenue, the county auditor, and the county
10 treasurer shall change their books and records accordingly.

11 If the tax has been levied on the exemption amount of the
12 homestead of the appealing taxpayer or the appealing taxpayer
13 has paid one or both of the installments of the tax payable in
14 the year or years in question on such homestead valuation, a
15 credit for such taxes shall be applied to the property if
16 still in the hands of the claimant.

17 Sec. 175. Section 425.10, Code 2005, is amended to read as
18 follows:

19 425.10 REVERSAL OF ALLOWED CLAIM.

20 In the event any claim is allowed, and subsequently
21 reversed on appeal, any credit exemption made thereunder shall
22 be void, and the amount of such-credit the taxes that would
23 have been due on the exemption shall be charged against the
24 property in question, and the director of revenue, the county
25 auditor, and the county treasurer are authorized and directed
26 to correct their books and records accordingly. The amount of
27 such taxes due on the erroneous credit exemption, when
28 collected, shall be returned distributed by the county
29 treasurer to the ~~homestead-credit-fund-to-be-reallocated-the~~
30 ~~following-year-as-provided-herein~~ other jurisdictions in the
31 same proportion as the other taxes.

32 Sec. 176. Section 425.11, subsection 3, paragraph a,
33 unnumbered paragraph 1, Code 2005, is amended to read as
34 follows:

35 The homestead includes the dwelling house which the owner,

1 in good faith, is occupying as a home on July 1 of the year
2 for which the credit exemption is claimed and occupies as a
3 home for at least six months during the calendar year in which
4 the fiscal year begins, except as otherwise provided.

5 Sec. 177. Section 425.11, subsection 3, paragraph c, Code
6 2005, is amended to read as follows:

7 c. It must not embrace more than one dwelling house, but
8 where a homestead has more than one dwelling house situated
9 thereon, the credit exemption provided for in this chapter
10 shall apply to the home and buildings used by the owner, but
11 shall not apply to any other dwelling house and buildings
12 appurtenant.

13 Sec. 178. Section 425.11, subsection 4, unnumbered
14 paragraph 1, Code 2005, is amended to read as follows:

15 The word "owner" shall mean the person who holds the fee
16 simple title to the homestead, and in addition shall mean the
17 person occupying as a surviving spouse or the person occupying
18 under a contract of purchase which contract has been recorded
19 in the office of the county recorder of the county in which
20 the property is located, or the person occupying the homestead
21 under devise or by operation of the inheritance laws where the
22 whole interest passes or where the divided interest is shared
23 only by persons related or formerly related to each other by
24 blood, marriage or adoption, or the person occupying the
25 homestead is a shareholder of a family farm corporation that
26 owns the property, or the person occupying the homestead under
27 a deed which conveys a divided interest where the divided
28 interest is shared only by persons related or formerly related
29 to each other by blood, marriage or adoption or where the
30 person occupying the homestead holds a life estate with the
31 reversion interest held by a nonprofit corporation organized
32 under chapter 504 or 504A, provided that the holder of the
33 life estate is liable for and pays property tax on the
34 homestead or where the person occupying the homestead holds an
35 interest in a horizontal property regime under chapter 499B,

1 regardless of whether the underlying land committed to the
2 horizontal property regime is in fee or as a leasehold
3 interest, provided that the holder of the interest in the
4 horizontal property regime is liable for and pays property tax
5 on the homestead. For the purpose of this chapter the word
6 "owner" shall be construed to mean a bona fide owner and not
7 one for the purpose only of availing the person of the
8 benefits of this chapter. In order to qualify for the
9 homestead tax credit exemption, evidence of ownership shall be
10 on file in the office of the clerk of the district court or
11 recorded in the office of the county recorder at the time the
12 owner files with the assessor a verified statement of the
13 homestead claimed by the owner as provided in section 425.2.

14 Sec. 179. Section 425.12, Code 2005, is amended to read as
15 follows:

16 425.12 INDIAN LAND.

17 Each forty acres of land, or fraction thereof, occupied by
18 a member or members of the Sac and Fox Indians in Tama county,
19 which land is held in trust by the secretary of the interior
20 of the United States for said Indians, shall be given a
21 homestead tax credit exemption within the meaning and under
22 the provisions of this chapter. Application for such
23 homestead tax credit exemption shall be made to the county
24 auditor of Tama county and may be made by a representative of
25 the tribal council.

26 Sec. 180. Section 425.13, Code 2005, is amended to read as
27 follows:

28 425.13 CONSPIRACY TO DEFRAUD.

29 If any two or more persons conspire and confederate
30 together with fraudulent intent to obtain the credit exemption
31 provided for under the terms of this chapter by making a false
32 deed, or a false contract of purchase, they are guilty of a
33 fraudulent practice.

34 Sec. 181. Section 425.15, Code 2005, is amended to read as
35 follows:

1 425.15 DISABLED VETERAN TAX CREDIT EXEMPTION.

2 If the owner of a homestead allowed ~~a credit~~ an exemption
3 under this chapter is a veteran of any of the military forces
4 of the United States, who acquired the homestead under 38
5 U.S.C. § 21.801, 21.802, or 38 U.S.C. § 2101, 2102, the ~~credit~~
6 exemption allowed on the homestead ~~from the homestead credit~~
7 ~~fund~~ shall be the entire amount of the ~~tax-levied~~ assessed
8 value on the homestead. The ~~credit exemption~~ allowed shall be
9 continued to the estate of a veteran who is deceased or the
10 surviving spouse and any child, as defined in section 234.1,
11 who are the beneficiaries of a deceased veteran, so long as
12 the surviving spouse remains unmarried. This section is not
13 applicable to the holder of title to any homestead whose
14 annual income, together with that of the titleholder's spouse,
15 if any, for the last preceding twelve-month income tax
16 accounting period exceeds thirty-five thousand dollars. For
17 the purpose of this section "income" means taxable income for
18 federal income tax purposes plus income from securities of
19 state and other political subdivisions exempt from federal
20 income tax. A veteran or a beneficiary of a veteran who
21 elects to secure the ~~credit exemption~~ provided in this section
22 is not eligible for any other real property tax exemption
23 provided by law for veterans of military service. If a
24 veteran acquires a different homestead, the ~~credit exemption~~
25 allowed under this section may be claimed on the new homestead
26 unless the veteran fails to meet the other requirements of
27 this section.

28 Sec. 182. Section 425.16, Code 2005, is amended to read as
29 follows:

30 425.16 ADDITIONAL TAX CREDIT EXEMPTION.

31 In addition to the homestead tax ~~credit exemption~~ allowed
32 under section 425.1, ~~subsections 1 to 4~~, persons who own or
33 rent their homesteads and who meet the qualifications provided
34 in this division are eligible for an extraordinary property
35 tax ~~credit or reimbursement~~ exemption.

1 For valuations established pursuant to section 441.21, as
2 of January 1, 2006, and for subsequent assessment years, the
3 actual value at which an eligible homestead under this part is
4 assessed shall be reduced by two thousand five hundred
5 dollars.

6 The reduction allowed under this part is in addition to the
7 reduction in section 441.21, subsection 4.

8 Sec. 183. Section 425.17, subsection 2, Code 2005, is
9 amended to read as follows:

10 2. "Claimant" means either of the following:

11 a. A person filing a claim for ~~credit-or-reimbursement~~
12 exemption under this division who has attained the age of
13 sixty-five years on or before December 31 of the base year or
14 who is totally disabled and was totally disabled on or before
15 December 31 of the base year and is domiciled in this state at
16 the time the claim is filed or at the time of the person's
17 death in the case of a claim filed by the executor or
18 administrator of the claimant's estate and whose income in the
19 base year was less than sixteen thousand five hundred dollars.

20 b. A person filing a claim for ~~credit-or-reimbursement~~
21 exemption under this division who has attained the age of
22 twenty-three years on or before December 31 of the base year
23 or was a head of household on December 31 of the base year, as
24 defined in the Internal Revenue Code, but has not attained the
25 age or disability status described in paragraph "a", and is
26 domiciled in this state at the time the claim is filed or at
27 the time of the person's death in the case of a claim filed by
28 the executor or administrator of the claimant's estate, and
29 was not claimed as a dependent on any other person's tax
30 return for the base year and whose income in the base year was
31 less than sixteen thousand five hundred dollars.

32 "Claimant" under paragraph "a" or "b" includes a vendee in
33 possession under a contract for deed and may include one or
34 more joint tenants or tenants in common. ~~in-the-case-of-a~~
35 ~~claim-for-rent-constituting-property-taxes-paid, the claimant~~

~~1 shall have rented the property during any part of the base~~
~~2 year.--in the case of a claim for property taxes due, the~~ The
3 claimant shall have occupied the property during any part of
4 the fiscal year beginning July 1 of the base year. If a
5 homestead is occupied by two or more persons, and more than
6 one person is able to qualify as a claimant, the persons may
7 each file a claim based upon each person's income and rent
8 ~~constituting property taxes paid or property taxes due.~~

9 Sec. 184. Section 425.17, subsection 3, Code 2005, is
10 amended by striking the subsection.

11 Sec. 185. Section 425.17, subsection 4, Code 2005, is
12 amended to read as follows:

13 4. "Homestead" means the dwelling owned ~~or rented~~ and
14 actually used as a home by the claimant during the period
15 specified in subsection 2, and so much of the land surrounding
16 it including one or more contiguous lots or tracts of land, as
17 is reasonably necessary for use of the dwelling as a home, and
18 may consist of a part of a multidwelling or multipurpose
19 building and a part of the land upon which it is built. It
20 does not include personal property except that a manufactured
21 or mobile home may be a homestead. ~~Any dwelling or a part of~~
22 ~~a multidwelling or multipurpose building which is exempt from~~
23 ~~taxation does not qualify as a homestead under this division.~~
24 ~~However, solely for purposes of claimants living in a property~~
25 ~~and receiving reimbursement for rent constituting property~~
26 ~~taxes paid immediately before the property becomes tax exempt,~~
27 ~~and continuing to live in it after it becomes tax exempt, the~~
28 ~~property shall continue to be classified as a homestead.~~ A
29 homestead must be located in this state. When a person is
30 confined in a nursing home, extended-care facility, or
31 hospital, the person shall be considered as occupying or
32 living in the person's homestead if the person is the owner of
33 the homestead and the person maintains the homestead and does
34 not lease, rent, or otherwise receive profits from other
35 persons for the use of the homestead.

1 Sec. 186. Section 425.17, subsections 8 and 9, Code 2005,
2 are amended by striking the subsections.

3 Sec. 187. Section 425.18, Code 2005, is amended to read as
4 follows:

5 425.18 RIGHT TO FILE A CLAIM.

6 The right to file a claim for ~~reimbursement-or-credit~~
7 exemption under this division may be exercised by the claimant
8 or on behalf of a claimant by the claimant's legal guardian,
9 spouse, or attorney, or by the executor or administrator of
10 the claimant's estate. ~~If-a-claimant-dies-after-having-filed~~
11 ~~a-claim-for-reimbursement-for-rent-constituting-property-taxes~~
12 ~~paid,-the-amount-of-the-reimbursement-may-be-paid-to-another~~
13 ~~member-of-the-household-as-determined-by-the-director.--If-the~~
14 ~~claimant-was-the-only-member-of-the-household,-the~~
15 ~~reimbursement-may-be-paid-to-the-claimant's-executor-or~~
16 ~~administrator,-but-if-neither-is-appointed-and-qualified~~
17 ~~within-one-year-from-the-date-of-the-filing-of-the-claim,-the~~
18 ~~reimbursement-shall-escheat-to-the-state.~~ If a claimant dies
19 after having filed a claim for ~~credit-for-property-taxes-due~~
20 exemption, the amount of ~~credit~~ the exemption shall be paid
21 allowed as if the claimant had not died.

22 Sec. 188. Section 425.19, Code 2005, is amended to read as
23 follows:

24 425.19 CLAIM AND ~~CREDIT-OR-REIMBURSEMENT~~ EXEMPTION.

25 Subject to the limitations provided in this division, a
26 claimant may annually claim ~~a-credit-for-property-taxes-due~~ an
27 exemption during the fiscal year next following the base year
28 ~~or-claim-a-reimbursement-for-rent-constituting-property-taxes~~
29 ~~paid-in-the-base-year.~~ ~~The-amount-of-the-credit-for-property~~
30 ~~taxes-due-for-a-homestead-shall-be-paid-on-June-15-of-each~~
31 ~~year-by-the-director-to-the-county-treasurer-who-shall-credit~~
32 ~~the-money-received-against-the-amount-of-the-property-taxes~~
33 ~~due-and-payable-on-the-homestead-of-the-claimant-and-the~~
34 ~~amount-of-the-reimbursement-for-rent-constituting-property~~
35 ~~taxes-paid-shall-be-paid-to-the-claimant-from-the-state~~

1 ~~general-fund-on-or-before-December-31-of-each-year-~~

2 Sec. 189. Section 425.20, unnumbered paragraph 1, Code
3 2005, is amended by striking the unnumbered paragraph.

4 Sec. 190. Section 425.20, unnumbered paragraphs 2 and 3,
5 Code 2005, are amended to read as follows:

6 A claim for ~~credit-for-property-taxes-due~~ exemption shall
7 not be ~~paid-or~~ allowed unless the claim is filed with the
8 county treasurer between January 1 and June 1, both dates
9 inclusive, immediately preceding the fiscal year during which
10 the property taxes are due. However, in case of sickness,
11 absence, or other disability of the claimant, or if in the
12 judgment of the county treasurer good cause exists, the county
13 treasurer may extend the time for filing a claim for ~~credit~~
14 exemption through September 30 of the same calendar year. ~~The~~
15 ~~county-treasurer-shall-certify-to-the-director-of-revenue-on~~
16 ~~or-before-May-1-of-each-year-the-total-amount-of-dollars-due~~
17 ~~for-claims-allowed-~~

18 In case of sickness, absence, or other disability of the
19 claimant or if, in the judgment of the director of revenue,
20 good cause exists and the claimant requests an extension, the
21 director may extend the time for filing a claim for
22 ~~reimbursement-or-credit~~ exemption. However, any further time
23 granted shall not extend beyond December 31 of the year
24 following the year in which the claim was required to be
25 filed. Claims filed as a result of this paragraph shall be
26 filed with the director who shall provide for the
27 reimbursement of the claim to the claimant.

28 Sec. 191. Section 425.22, Code 2005, is amended to read as
29 follows:

30 425.22 ONE CLAIMANT PER HOUSEHOLD.

31 Only one claimant per household per year ~~shall-be-entitled~~
32 ~~to-reimbursement-under-this-division-and-only-one-claimant-per~~
33 ~~household-per~~ fiscal year shall be entitled to a ~~credit~~ an
34 exemption under this division.

35 Sec. 192. Section 425.23, Code 2005, is amended by

1 striking the section and inserting in lieu thereof the
2 following:

3 425.23 ANNUAL ADJUSTMENT TO INCOME.

4 1. For the base year beginning in the 2006 calendar year
5 and for each subsequent base year, the dollar amounts set
6 forth in section 425.17, subsection 2, shall be multiplied by
7 the cumulative adjustment factor for that base year.

8 "Cumulative adjustment factor" means the product of the annual
9 adjustment factor for the 2005 base year and all annual
10 adjustment factors for subsequent base years. The cumulative
11 adjustment factor applies to the base year beginning in the
12 calendar year for which the latest annual adjustment factor
13 has been determined.

14 2. The annual adjustment factor for the 2005 base year is
15 one hundred percent. For each subsequent base year, the
16 annual adjustment factor equals the annual inflation factor
17 for the calendar year, in which the base year begins, as
18 computed in section 422.4 for purposes of the individual
19 income tax.

20 Sec. 193. Section 425.26, subsections 2 and 3, Code 2005,
21 are amended by striking the subsections.

22 Sec. 194. Section 425.27, Code 2005, is amended to read as
23 follows:

24 425.27 AUDIT -- RECALCULATION OR DENIAL.

25 If on the audit of a claim for ~~credit-or-reimbursement~~
26 exemption under this division, the director determines the
27 ~~amount-of-the-claim-to-have-been-incorrectly-calculated-or~~
28 that the claim is not allowable, the director shall
29 ~~recalculate-the-claim-and~~ notify the claimant of the
30 ~~recalculation-or~~ denial and the reasons for it. The director
31 shall not adjust a claim after three years from October 31 of
32 the year in which the claim was filed. ~~If-the-claim-for~~
33 ~~reimbursement-has-been-paid,-the-amount-may-be-recovered-by~~
34 ~~assessment-in-the-same-manner-that-income-taxes-are-assessed~~
35 ~~under-sections-422-26-and-422-30.~~ If the claim for credit

1 exemption has been paid allowed, the director shall give
2 notification to the claimant and the county treasurer of the
3 ~~recalculation-or~~ denial of the claim and the county treasurer
4 shall proceed to collect the tax owed in the same manner as
5 other property taxes due and payable are collected, if the
6 property on which the credit exemption was granted is still
7 owned by the claimant, ~~and-repay-the-amount-to-the-director~~
8 ~~upon-collection~~. If the property on which the credit
9 exemption was granted is not owned by the claimant, the amount
10 may be recovered from the claimant by assessment in the same
11 manner that income taxes are assessed under sections 422.26
12 and 422.30. The recalculation of ~~the-claim~~ property taxes due
13 shall be final unless appealed as provided in section 425.31.
14 Section 422.70 is applicable with respect to this division.

15 Sec. 195. Section 425.28, unnumbered paragraph 2, Code
16 2005, is amended to read as follows:

17 The department of revenue may release information
18 pertaining to a person's eligibility ~~or-claim-for-or-receipt~~
19 ~~of-rent-reimbursement~~ to an employee of the department of
20 inspections and appeals in the employee's official conduct of
21 an audit or investigation.

22 Sec. 196. Section 425.29, Code 2005, is amended to read as
23 follows:

24 425.29 FALSE CLAIM -- PENALTY.

25 A person who makes a false affidavit for the purpose of
26 obtaining ~~credit-or-reimbursement~~ an exemption provided for in
27 this division or who knowingly receives the ~~credit-or~~
28 ~~reimbursement~~ exemption without being legally entitled to it
29 or makes claim for the ~~credit-or-reimbursement~~ exemption in
30 more than one county in the state without being legally
31 entitled to it is guilty of a fraudulent practice. The claim
32 for ~~credit-or-reimbursement~~ exemption shall be disallowed in
33 full and if the ~~claim~~ reduction in value has been paid made,
34 the amount of the exemption credited as taxes shall be
35 recovered in the manner provided in section 425.27. The

1 director of revenue shall send a notice of disallowance of the
2 claim.

3 Sec. 197. Section 426A.6, Code 2005, is amended to read as
4 follows:

5 426A.6 SETTING ASIDE ALLOWANCE.

6 If the director of revenue determines that a claim for
7 military service tax exemption has been allowed by a board of
8 supervisors which is not justifiable under the law and not
9 substantiated by proper facts, the director may, at any time
10 within thirty-six months from July 1 of the year in which the
11 claim is allowed, set aside the allowance. Notice of the
12 disallowance shall be given to the county auditor of the
13 county in which the claim has been improperly granted and a
14 written notice of the disallowance shall also be addressed to
15 the claimant at the claimant's last known address. The
16 claimant or the board of supervisors may appeal to the state
17 board of tax review pursuant to section 421.1, subsection 4.
18 The claimant or the board of supervisors may seek judicial
19 review of the action of the state board of tax review in
20 accordance with chapter 17A. If a claim is disallowed by the
21 director of revenue and not appealed to the state board of tax
22 review or appealed to the state board of tax review and
23 thereafter upheld upon final resolution, including judicial
24 review, ~~the credits-allowed-and-paid-from-the-general-fund-of~~
25 ~~the-state~~ taxes that would have been due on the disallowed
26 claim, if not otherwise paid, shall become a lien upon the
27 property on which the credit was originally granted, if still
28 in the hands of the claimant and not in the hands of a bona
29 fide purchaser, and the amount so-erroneously of such taxes
30 not paid shall be collected by the county treasurer in the
31 ~~same manner as other taxes,-and-the-collections-shall-be~~
32 ~~returned-to-the-department-of-revenue-and-credited-to-the~~
33 ~~general-fund-of-the-state.~~ The director-of-revenue county
34 attorney may institute legal proceedings against a military
35 service tax exemption claimant for the collection of payments

1 made on disallowed exemptions.

2 Sec. 198. Section 426A.8, Code 2005, is amended by
3 striking the section and inserting in lieu thereof the
4 following:

5 426A.8 APPEALS.

6 If any claim for exemption made has been denied by the
7 board of supervisors, and the action is subsequently reversed
8 on appeal, the exemption shall be allowed on the assessed
9 valuation, and the county auditor and the county treasurer
10 shall change their books and records accordingly.

11 If the appealing taxpayer has paid one or both of the
12 installments of the tax payable in the year or years in
13 question on such military service tax exemption valuation, a
14 credit for such taxes shall be applied to the property if
15 still in the hands of the claimant.

16 Sec. 199. Section 426A.9, Code 2005, is amended to read as
17 follows:

18 426A.9 ~~ERRONEOUS CREDITS~~ EXEMPTIONS.

19 If any claim is allowed, and subsequently reversed on
20 appeal, any ~~credit exemption~~ shall be void, and the amount of
21 the ~~credit taxes~~ that would have been due on the exemption
22 shall be charged against the property in question, and the
23 ~~director-of-revenue,~~ the county auditor and the county
24 treasurer shall correct their books and records. The amount
25 of taxes due on the erroneous credit exemption, when
26 collected, shall be returned distributed by the county
27 treasurer to the ~~general-fund-of-the-state~~ other jurisdictions
28 in the same proportion as the other taxes.

29 Sec. 200. Section 426A.11, Code 2005, is amended to read
30 as follows:

31 426A.11 MILITARY SERVICE -- EXEMPTIONS.

32 The following exemptions from taxation shall be allowed:

33 ~~1.--The property, not to exceed two thousand seven hundred~~
34 ~~seventy-eight dollars in taxable value of any veteran, as~~
35 ~~defined in section 35.17, of the First World War.~~

1 2- 1. The property, not to exceed one two thousand eight
2 hundred-fifty-two dollars in taxable value of an honorably
3 separated, retired, furloughed to a reserve, placed on
4 inactive status, or discharged veteran, as-defined-in-section
5 35-1 or a person currently serving in the armed forces of the
6 United States.

7 3- 2. ~~Where the word "veteran" appears in this chapter,~~
8 it Service in the armed forces of the United States includes,
9 without limitation, the-members service as a member of the
10 United States air force, merchant marine, and coast guard,
11 reserve forces, Iowa national guard, and women's air force and
12 army corps.

13 4- 3. For the purpose of determining a military tax
14 exemption under this section, property includes a manufactured
15 or mobile home as defined in section 435.1.

16 Sec. 201. Section 426A.13, unnumbered paragraphs 1 through
17 3, Code 2005, are amended to read as follows:

18 A person named in section 426A.11, who is a resident of and
19 domiciled in the state of Iowa, shall receive a reduction
20 equal to the exemption, to be made from any property owned by
21 the person or owned by a family farm corporation of which the
22 person is a shareholder and who occupies the property and so
23 designated by proceeding as provided in the section. To be
24 eligible to receive the exemption the person claiming it shall
25 have recorded in the office of the county recorder of the
26 county in which is located the property designated for the
27 exemption, evidence of property ownership by that person or
28 the family farm corporation of which the person is a
29 shareholder and the military certificate of satisfactory
30 service, order transferring to inactive status, reserve,
31 retirement, order of separation from service, honorable
32 discharge or a copy of any of these documents of the person
33 claiming or through whom is claimed the exemption. In the
34 case of a person claiming the exemption for currently serving
35 in the armed forces, the person shall file a statement signed

1 by the person's immediate commanding officer.

2 The person shall file with the appropriate assessor on
3 forms obtained from the assessor the claim for exemption for
4 the year for which the person is first claiming the exemption.
5 The claim shall be filed not later than July 1 of the year for
6 which the person is claiming the exemption. The claim shall
7 set out the fact that the person is a resident of and
8 domiciled in the state of Iowa, and a person within the terms
9 of section 426A.11, and shall give the volume and page on
10 which the certificate of satisfactory service, order of
11 separation, retirement, furlough to reserve, inactive status,
12 or honorable discharge or certified copy thereof is recorded
13 in the office of the county recorder, and may include the
14 designation of the property from which the exemption is to be
15 made, and shall further state that the claimant is the
16 equitable or legal owner of the property designated or if the
17 property is owned by a family farm corporation, that the
18 person is a shareholder of that corporation and that the
19 person occupies the property. In the case of a person
20 claiming the exemption for currently serving in the armed
21 forces, the person shall file a statement signed by the
22 person's immediate commanding officer.

23 Upon the filing and allowance of the claim, the claim shall
24 be allowed to that person for successive years without further
25 filing. However, in the case of a person currently serving in
26 the armed forces, such person shall file each year to be
27 eligible to obtain the exemption. Provided, that
28 notwithstanding the filing or having on file a claim for
29 exemption, the person or person's spouse is the legal or
30 equitable owner of the property on July 1 of the year for
31 which the claim is allowed. When the property is sold or
32 transferred or the person wishes to designate different
33 property for the exemption, a person who wishes to receive the
34 exemption shall refile for the exemption. A person who sells
35 or transfers property which is designated for the exemption or

1 the personal representative of a deceased person who owned
2 such property shall provide written notice to the assessor
3 that the property is no longer legally or equitably owned by
4 the former claimant.

5 Sec. 202. Section 427.1, subsection 19, unnumbered
6 paragraph 3, Code 2005, is amended to read as follows:

7 This exemption shall be limited to the market value, as
8 defined in section 441.21, of the pollution-control or
9 recycling property. If the pollution-control or recycling
10 property is assessed with other property as a unit, this
11 exemption shall be limited to the net market value added by
12 the pollution-control or recycling property, determined as of
13 the assessment date. However, for pollution-control
14 exemptions on file as of July 1, 2006, or first applied for on
15 or after July 1, 2006, the exemption is limited to one hundred
16 thousand dollars of market value.

17 Sec. 203. Section 427.9, Code 2005, is amended to read as
18 follows:

19 427.9 SUSPENSION OF TAXES, ASSESSMENTS, AND RATES OR
20 CHARGES, INCLUDING INTEREST, FEES, AND COSTS.

21 If a person is a recipient of federal supplementary
22 security income or state supplementary assistance, as defined
23 in section 249.1, or is a resident of a health care facility,
24 as defined by section 135C.1, which is receiving payment from
25 the department of human services for the person's care, the
26 person shall be deemed to be unable to contribute to the
27 public revenue. The director of human services shall notify a
28 person receiving such assistance of the tax suspension
29 provision and shall provide the person with evidence to
30 present to the appropriate county board of supervisors which
31 shows the person's eligibility for tax suspension on parcels
32 owned, possessed, or upon which the person is paying taxes as
33 a purchaser under contract. The board of supervisors so
34 notified, without the filing of a petition and statement as
35 specified in section 427.8, shall order the county treasurer

1 to suspend the collection of all the taxes, special
2 assessments, and rates or charges, including interest, fees,
3 and costs, assessed against the parcels and remaining unpaid
4 by the person or contractually payable by the person, for such
5 time as the person remains the owner or contractually
6 prospective owner of the parcels, and during the period the
7 person receives assistance as described in this section. The
8 county board of supervisors shall annually send to the
9 department of human services the names and social security
10 numbers of persons receiving a tax suspension pursuant to this
11 section. The department shall verify the continued
12 eligibility for tax suspension of each name on the list and
13 shall return the list to the board of supervisors. The
14 director of human services shall advise the person that the
15 person may apply for an additional property tax credit
16 pursuant to sections 425.16 ~~to-425.39~~ through 425.37 which
17 shall be credited against the amount of the taxes suspended.

18 Sec. 204. Section 427C.12, unnumbered paragraph 2, Code
19 2005, is amended to read as follows:

20 The board of supervisors shall designate the county
21 conservation board or the assessor who shall inspect the area
22 for which an application is filed for a fruit-tree or forest
23 reservation tax exemption before the application is accepted.
24 Use of aerial photographs may be substituted for on-site
25 inspection when appropriate. The application can only be
26 accepted if it meets the criteria established by the natural
27 resource commission to be a fruit-tree or forest reservation.
28 Once the application has been accepted, the area shall
29 continue to receive the tax exemption during each year in
30 which the area is maintained as a fruit-tree or forest
31 reservation without the owner having to refile. If accepted
32 by the county, the application for a fruit-tree or forest
33 reservation tax exemption shall be stamped approved and the
34 assessor shall forward a copy of the application to the
35 recorder for recording. Acres in a forest reservation shall

1 be exempt from school district levies only.

2 PARAGRAPH DIVIDED. If the property is sold or transferred,
3 the seller shall notify the buyer that all, or part of, the
4 property is in fruit-tree or forest reservation and subject to
5 the recapture tax provisions of this section. The tax
6 exemption shall continue to be granted for the remainder of
7 the eight-year period for fruit-tree reservation and for the
8 following years for forest reservation or until the property
9 no longer qualifies as a fruit-tree or forest reservation.

10 The owner of the fruit-tree or forest reservation shall
11 annually certify to the county conservation board or the
12 assessor that the area is being maintained with proper fruit-
13 tree or forest management, including necessary pruning and
14 planting of trees. The area may be inspected each year by the
15 county conservation board or the assessor to determine if the
16 area is maintained as a fruit-tree or forest reservation. If
17 the area is not maintained or is used for economic gain other
18 than as a fruit-tree reservation during any year of the eight-
19 year exemption period and any year of the following five years
20 or as a forest reservation during any year for which the
21 exemption is granted and any of the five years following those
22 exemption years, the assessor shall assess the property for
23 taxation at its fair market value as of January 1 of that year
24 and in addition the area shall be subject to a recapture tax.
25 However, the area shall not be subject to the recapture tax if
26 the owner, including one possessing under a contract of sale,
27 and the owner's direct antecedents or descendants have owned
28 the area for more than ten years. ~~The~~ In the case of a fruit-
29 tree reservation, the tax shall be computed by multiplying the
30 consolidated levy for each of those years, if any, of the five
31 preceding years for which the area received the exemption for
32 fruit-tree or-forest reservation times the assessed value of
33 the area that would have been taxed but for the tax exemption.
34 ~~This~~ In the case of a forest reservation, the tax shall be
35 computed by multiplying the school district levy for each of

1 those years, if any, of the five preceding years for which the
2 area received the exemption for forest reservation times the
3 assessed value of the area that would have been taxed but for
4 the tax exemption. The tax shall be entered against the
5 property on the tax list for the current year and shall
6 constitute a lien against the property in the same manner as a
7 lien for property taxes. The tax when collected shall be
8 apportioned in the manner provided for the apportionment of
9 the property taxes for the applicable tax year.

10 Sec. 205. Section 441.22, Code 2005, is amended to read as
11 follows:

12 441.22 FOREST AND FRUIT-TREE RESERVATIONS.

13 Forest and fruit-tree reservations fulfilling the
14 conditions of sections 427C.1 to 427C.13 shall be exempt from
15 taxation, except as otherwise provided in section 427C.12. In
16 all other cases where trees are planted upon any tract of
17 land, without regard to area, for forest, fruit, shade, or
18 ornamental purposes, or for windbreaks, the assessor shall not
19 increase the valuation of the property because of such
20 improvements.

21 Sec. 206. Section 499A.14, Code 2005, is amended to read
22 as follows:

23 499A.14 TAXATION.

24 The real estate shall be taxed in the name of the
25 cooperative, and each member of the cooperative shall pay that
26 member's proportionate share of the tax in accordance with the
27 proration formula set forth in the bylaws, and each member
28 occupying an apartment as a residence, if eligible, shall
29 receive that member's proportionate homestead tax ~~credit~~
30 exemption and each veteran of the military services of the
31 United States identified as such under the laws of the state
32 of Iowa or the United States shall receive as a ~~credit~~ an
33 exemption that member's veterans tax benefit as prescribed by
34 the laws of the state of Iowa.

35 Sec. 207. Chapters 425A and 426, Code 2005, are repealed.

1 Sec. 208. Sections 425.4, 425.21, 425.24, 425.25, 425.33
2 through 425.36, 425.39, 425.40, 426A.1A through 426A.5, and
3 435.33, Code 2005, are repealed.

4 Sec. 209. EXEMPTIONS NOT CONSIDERED NEWLY ENACTED. The
5 homestead property tax exemption, extraordinary homestead
6 property tax exemption, and the military property tax
7 exemption are not considered newly enacted after January 1,
8 1997, for purposes of section 25B.7.

9 Sec. 210. CODE EDITOR DIRECTIVE. The Code editor is
10 directed to change the term "credit" to "exemption" anywhere
11 it occurs in the Code in reference to the homestead credit.
12 The Code editor is further directed to change the terms
13 "credit" and "credit or reimbursement" to "exemption" anywhere
14 those terms occur in the Code in reference to the
15 extraordinary property tax credit or reimbursement.

16 Sec. 211. EFFECTIVE AND APPLICABILITY DATES.

17 1. This division of this Act takes effect January 1, 2006,
18 and, except as provided in subsections 2 and 3, applies to
19 assessment years beginning on or after that date.

20 2. The sections of this Act repealing chapters 425A and
21 426, and amending sections in chapters 425 and 426A, apply to
22 taxes due and payable in fiscal years beginning on or after
23 July 1, 2006.

24 3. The section of this Act amending section 427.1,
25 subsection 19, applies to exemptions on file or first applied
26 for on or after July 1, 2006.

27 DIVISION VIII

28 INTENT

29 Sec. 212. It is the intent of the general assembly to
30 adopt and submit for ratification an amendment to the
31 Constitution of the State of Iowa requiring that any increase
32 in state individual and corporate income tax rates and income
33 brackets, state sales and use tax rates, and property tax
34 percentage limitations shall be approved by a vote of the
35 people before taking effect.

EXPLANATION

1

2 This bill makes various changes to the law relating to
3 state taxes and fees, property taxes, assessment of property,
4 city and county budgets funded primarily by property taxes,
5 and school district budgets funded primarily by state and
6 local taxes.

7 Division I rewrites the state individual income tax by
8 setting three rates of 4 percent on taxable income of less
9 than \$30,000; 5 percent on taxable income of \$30,000 to
10 \$50,000; and 6 percent on taxable income in excess of \$50,000.
11 Most adjustments to federal adjusted gross income are
12 eliminated. In arriving at the taxable income, all of the
13 itemized deductions allowed for federal tax purposes are
14 eliminated. No standard deduction is provided. The deduction
15 for federal taxes paid is being eliminated. The present
16 personal credit remains the same. The current deduction for
17 social security benefits remains but all other pension income
18 is exempted. The alternative minimum tax is eliminated. The
19 division also retains the present credits that are allowed
20 except for the minimum tax credit. The division provides a
21 \$200 credit for premiums paid for long-term care insurance
22 that covers the taxpayer, taxpayer's spouse, dependent, or
23 parent or grandparent. The child and dependent care credit is
24 limited to \$200. A refundable low-income credit of up to \$400
25 is provided.

26 The division takes effect January 1, 2006, for tax years
27 beginning on or after that date.

28 Division II, relating to sales and use taxes, eliminates
29 most exemptions. Drugs, sales to nonprofits, vehicles used in
30 interstate commerce, sales to state and local subdivisions,
31 and construction materials for projects for state and local
32 subdivisions and certain nonprofits are the major exemptions
33 that are maintained. The tax on residential utilities is
34 reduced to 1 percent with the revenues used for an alternative
35 energy incentive program.

1 The division takes effect January 1, 2006.

2 Division III eliminates the tax on corporate income
3 effective with tax years beginning on or after January 1,
4 2006.

5 Division IV changes the motor vehicle registration fees for
6 model year 2006 and newer motor trucks with an unladen weight
7 of 7,000 pounds or less, except work trucks, from fixed rate
8 fees to fees based on vehicle weight and value. A truck
9 currently subject to a flat fee based on combined gross weight
10 will continue to be registered for the flat fee.

11 The division defines "work truck" and provides that both
12 current owners and new owners of work trucks will continue to
13 pay the flat fee. An applicant for registration of a work
14 truck may be asked to provide proof that the applicant is
15 engaged in farming or a business or trade that requires the
16 use of a motor truck to qualify for the work truck
17 registration rate. A copy of documentation filed by the
18 applicant for federal income tax purposes is satisfactory
19 evidence that a person is qualified for such registration
20 rate. If an owner who has registered a vehicle as a work
21 truck is found to be unqualified for the work truck
22 registration rate, the owner may be required to pay regular
23 registration fees in addition to any other penalties allowed
24 by law.

25 The division increases the portion of vehicle registration
26 fees which may be retained by a county from 4 to 10 percent.

27 Division V of the bill makes changes relating to local
28 budgets and property taxes. The division provides that if a
29 new state mandate is imposed on or after July 1, 2006, which
30 requires the performance of a new activity or service or the
31 expansion of a service beyond what was required before July 1,
32 2006, the state mandate must be fully funded. If the state
33 mandate is not fully funded, the affected political
34 subdivisions are not required to comply or implement the state
35 mandate. Also, no fines or penalties may be imposed on a

1 political subdivision for failure to comply or carry out an
2 unfunded state mandate.

3 The division strikes Code section 25B.2, subsection 3, and
4 rewrites it as a new section outside the 'intent section of
5 Code chapter 25B. The rewritten section removes a qualifying
6 phrase relating to specification of costs which provides that
7 a political subdivision may still be required to carry out an
8 unfunded state mandate. The rewritten section also strikes
9 the exception for federal mandates and for mandates relating
10 to public retirement systems. The rewritten section does not
11 include area education agencies and community colleges in the
12 definition of "political subdivision".

13 The division increases the regular program foundation base
14 per pupil from 87.5 percent to 95 percent, beginning with the
15 budget year commencing July 1, 2007, to offset the increase in
16 school property taxes due to the changed method of assessment.

17 The division provides that, beginning with the fiscal year
18 beginning July 1, 2007, a school district cannot levy property
19 taxes, other than foundation and additional property taxes, in
20 excess of .5 percent of the taxable value of residential and
21 agricultural property and 1 percent of commercial or
22 industrial property. The bill contains transition provisions
23 for tax levies for fiscal year 2007-2008, fiscal year 2008-
24 2009, and fiscal year 2009-2010. The bill also provides that
25 for the fiscal year beginning July 1, 2010, and subsequent
26 fiscal years, such school district property taxes by class
27 cannot increase by more than the consumer price index for the
28 preceding 12 months.

29 The division provides that, beginning with the fiscal year
30 beginning July 1, 2007, a county cannot levy property taxes in
31 excess of the following percentages:

32 For residential property, income residential property, and
33 agricultural property in the unincorporated area, three-
34 fourths of 1 percent of the taxable value.

35 For commercial property in the unincorporated area, 2

1 percent.

2 For industrial property in the unincorporated area, 3
3 percent.

4 For residential property in the incorporated area, three-
5 eighths of 1 percent.

6 For agricultural property in the incorporated area, one-
7 half of 1 percent.

8 For commercial property in the incorporated area, 1
9 percent. The 1 percent is lowered for successive years until
10 it reaches three-fourths of 1 percent.

11 For industrial property in the incorporated area, 1
12 percent.

13 For income residential property in the incorporated area,
14 three-fourths of 1 percent.

15 The bill contains transition provisions for tax levies for
16 fiscal year 2007-2008, fiscal year 2008-2009, and fiscal year
17 2009-2010.

18 The division requires that if a county's ending fund
19 balance for a budget year exceeds 25 percent of budgeted
20 expenditures, the excess over 25 percent must be explicitly
21 reserved or designated for a specific purpose. The bill
22 applies to ending fund balances in the general and general
23 supplemental funds and the rural services and rural services
24 supplemental funds. The bill defines "budget year", "current
25 fiscal year", and "item".

26 The division provides that if the amount of the ending fund
27 balance is protested to the state appeal board, the county has
28 the burden of proving that the amount over 25 percent is
29 reasonably likely to be appropriated for the reserved or
30 designated purpose. The limitation applies to fiscal years
31 beginning on or after July 1, 2010.

32 The division also provides that, beginning with the fiscal
33 year beginning July 1, 2007, a city cannot levy property taxes
34 in excess of 1 percent of the taxable value of residential
35 property and agricultural property, and 2 percent for

1 commercial property. The 2 percent is lowered for successive
2 years until it reaches 1 and one-half percent. For industrial
3 property, 2 percent.

4 The bill contains transition provisions for tax levies for
5 fiscal year 2007-2008, fiscal year 2008-2009, and fiscal year
6 2009-2010.

7 The division provides that the revenues from school
8 district property taxes imposed in an urban renewal area that
9 is utilizing tax increment financing shall not be paid to the
10 municipality implementing the urban renewal plan if more than
11 10 percent of the property in the urban renewal area is
12 assessed as residential, but shall be paid to the school
13 district imposing the taxes unless the school district revenue
14 is needed to pay indebtedness for the urban renewal area
15 incurred before July 1, 2006. The municipality must have
16 certified for the school revenue by July 1, 2006. The amount
17 certified is to be paid to the municipality by November 1 and
18 May 1 following certification.

19 The division requires that before tax increment financing
20 may be used in an urban renewal area, it must be approved by a
21 vote of the people.

22 The division increases from 50 percent to 75 percent the
23 portion of base year expenditures paid by the state for mental
24 health, mental retardation, and developmental disabilities.

25 The division removes the square footage tax on mobile homes
26 and manufactured homes and replaces it with the ad valorem tax
27 imposed on other residences. The bill provides that real
28 estate of a mobile home park or land-leased community shall be
29 assessed and taxed as improved residential property.

30 The division also provides that, beginning with the fiscal
31 year beginning July 1, 2010, and subsequent fiscal years, city
32 or county property taxes by class cannot increase by more than
33 the consumer price index for the preceding 12 months.

34 The division lowers the amount of interest that can be
35 charged against delinquent property taxes. The interest rate

1 is changed from 1 and one-half percent to 1 percent before tax
2 sale. The interest rate after the delinquent taxes are sold
3 at tax sale is changed from 2 percent to 1 and one-half
4 percent.

5 The section of the division amending Code section 403.19 on
6 tax increment financing takes effect July 1, 2005, and applies
7 to taxes due and payable in fiscal years beginning on or after
8 July 1, 2006. The sections of the division relating to
9 delinquent property tax interest rates take effect July 1,
10 2005, and apply to property taxes which become delinquent on
11 or after July 1, 2005, and to parcels sold for delinquent
12 taxes on or after July 1, 2005. The remainder of the division
13 takes effect July 1, 2006, and applies to fiscal years
14 beginning on or after July 1, 2007.

15 Division VI of the bill, relating to assessment of
16 property, removes the property tax assessment limitations on
17 residential, commercial, industrial, and agricultural property
18 and requires that all such property be valued at its fair
19 market value. The bill provides a reduction from actual value
20 of 50 percent up to a maximum of \$65,000 per farm unit. "Farm
21 unit" is defined in the bill. The bill also provides a
22 reduction from actual value of 50 percent up to a maximum of
23 \$20,000 for improved residential property and 50 percent up to
24 a maximum of \$25,000 for improved commercial and improved
25 industrial property. The bill creates a new class of
26 property, "income residential", and provides a reduction from
27 actual value of 50 percent up to the maximum of \$20,000. The
28 division provides that the reduction amounts shall be annually
29 increased for inflation.

30 The division allows counties to share in the employment of
31 a county assessor.

32 The division makes conforming amendments to sections
33 pertaining to valuation of property in an urban renewal area
34 and valuation of property owned by telegraph and telephone
35 companies, express companies, and electric cooperatives.

1 The division also provides that if the assessor is unable
2 to establish fair market value of newly constructed
3 residential property because of a lack of comparable sales,
4 the assessor shall use the replacement cost method to value
5 the property.

6 The division provides that agricultural land containing an
7 animal feeding operation structure shall be assessed as
8 agricultural land only if it is owned by a certain type of
9 owner and is operated by a person actively engaged in farming.
10 "Owner" and "actively engaged in farming" are defined in the
11 bill.

12 The division provides that agricultural land that is owned
13 by a certain type of owner and farmed by a person actively
14 engaged in farming shall, upon application of the owner, be
15 placed in an agricultural land reserve for purposes of
16 assessment and taxation if its assessed value exceeds by 25
17 percent the average assessed value for agricultural land in
18 the county. Land in an agricultural land reserve shall be
19 assessed at an amount equal to the average assessed value per
20 acre of agricultural land in the county. "Owner" and
21 "actively engaged in farming" are defined in the bill.

22 The division provides that attorney fees incurred by a
23 property owner or aggrieved taxpayer in an appeal of an
24 assessment to district court may be awarded by the court and
25 assessed against the board of review or any taxing body
26 involved in the appeal unless the court determines that the
27 protest of assessment was frivolous and, in that case, the
28 court may assess the costs of defending the protest against
29 the owner or taxpayer.

30 The division increases from three years to six years the
31 time period that subdivided property shall be assessed as
32 acreage or unimproved property.

33 The division takes effect January 1, 2006, and applies to
34 assessment years beginning on or after January 1, 2006.

35 Division VII of the bill, relating to property tax credits

1 and exemptions, strikes the state reimbursement for the
2 homestead property tax credit and military property tax credit
3 and changes the credits to exemptions from assessed value.
4 The homestead exemption amount is increased from \$4,850 to
5 \$5,000. The military exemption amount is increased from
6 \$1,852 to \$2,000. The amount of exemption for veterans of
7 World War I is reduced from \$2,778 to \$2,000. The military
8 tax exemption is expanded to all persons currently serving in
9 the armed forces of the United States and those honorably
10 discharged.

11 The division amends provisions relating to the elderly,
12 disabled, and low-income property tax credit by making it an
13 exemption from assessed value and by eliminating the sliding
14 scale for income and exemption amount and replacing it with a
15 flat exemption amount of \$2,500. Elderly persons, disabled
16 persons, and low-income persons all of whom have household
17 income of less than \$16,500 are eligible for the credit.

18 The division directs the Code editor to change "credit" and
19 "credit or reimbursement" to "exemption" wherever it occurs in
20 the Code in relation to the military tax credit and the
21 homestead tax credit. The bill also provides that all three
22 exemptions are not considered to be newly enacted for purposes
23 of state mandate funding requirements.

24 The division limits the pollution-control property tax
25 exemption to \$100,000 of value.

26 The division provides that any land in a forest reservation
27 is exempt from school district levies only. The bill requires
28 the owner of land in a forest or fruit-tree reservation to
29 annually certify that proper management techniques, such as
30 pruning and planting, are being followed.

31 The division repeals the family farm property tax credit
32 and the agricultural land property tax credit. The bill makes
33 conforming amendments pertaining to these repeals.

34 The sections of the division amending the homestead tax
35 credit, the elderly, disabled, and low-income tax credit, and

1 the military tax credit and repealing the family farm tax
2 credit and the agricultural land tax credit apply to taxes due
3 and payable in fiscal years beginning on or after July 1,
4 2006. The section of the division limiting the value of
5 pollution control that is exempt applies to exemptions on file
6 as of July 1, 2006, or first applied for on or after July 1,
7 2006. The remainder of the division applies to assessment
8 years beginning on or after January 1, 2006.

9 Division VIII of the bill states that it is the intent of
10 the general assembly to adopt and submit for ratification an
11 amendment to the Constitution of the State of Iowa requiring
12 that any increase in state individual and corporate income tax
13 rates and income brackets, state sales and use tax rates, and
14 property tax percentage limitations shall be approved by a
15 vote of the people before taking effect.

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