

FILED JAN 18 2006

WAYS & MEANS

SENATE FILE 2041
BY LAMBERTI

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

A BILL FOR

1 An Act relating to the increases in the amount of the military
2 service tax credit and exemption and the reimbursement amount
3 and including an applicability date provision.

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

WAYS & MEANS

SF 2041

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1 Section 1. Section 25B.7, subsection 2, paragraph c, Code
2 2005, is amended to read as follows:

3 c. Military service property tax credit and exemption
4 pursuant to chapter 426A, to the extent of ~~six-dollars-and~~
5 ~~ninety-two-cents~~ the dollar amount per thousand dollars of
6 assessed value of the exempt property specified in section
7 426A.2.

8 Sec. 2. Section 426A.2, Code 2005, is amended to read as
9 follows:

10 426A.2 MILITARY SERVICE TAX CREDIT.

11 The moneys shall be apportioned each year so as to replace
12 all or a portion of the tax which would be due on property
13 eligible for military service tax exemption in the state, if
14 the property were subject to taxation, the amount of the
15 credit to be not more than ~~six-dollars-and-ninety-two-cents~~
16 the dollar amount specified in this section per thousand
17 dollars of assessed value of property which would be subject
18 to the tax, except for the military service tax exemption.
19 The maximum amount of the tax credit per thousand dollars of
20 assessed value shall be as follows:

21 1. For taxes due and payable in the fiscal year beginning
22 July 1, 2007, the amount of eight dollars and thirty cents.

23 2. For taxes due and payable in the fiscal year beginning
24 July 1, 2008, the amount of nine dollars and sixty-nine cents.

25 3. For taxes due and payable in the fiscal year beginning
26 July 1, 2009, the amount of eleven dollars and seven cents.

27 4. For taxes due and payable in the fiscal year beginning
28 July 1, 2010, the amount of twelve dollars and forty-six
29 cents.

30 5. For taxes due and payable in the fiscal years beginning
31 on or after July 1, 2011, the amount of thirteen dollars and
32 eighty-four cents.

33 Sec. 3. Section 426A.11, subsections 1 and 2, Code
34 Supplement 2005, are amended to read as follows:

35 1. The property, not to exceed ~~two-thousand-seven-hundred~~

1 ~~seventy-eight-dollars~~ the dollar amount specified in this
2 subsection in taxable value of any veteran, as defined in
3 section 35.1, of the First World War. The maximum amount of
4 the exemption shall be as follows:

5 a. For taxes due and payable in the fiscal year beginning
6 July 1, 2007, the amount of three thousand three hundred
7 thirty-four dollars.

8 b. For taxes due and payable in the fiscal year beginning
9 July 1, 2008, the amount of three thousand eight hundred
10 eighty-nine dollars.

11 c. For taxes due and payable in the fiscal year beginning
12 July 1, 2009, the amount of four thousand four hundred forty-
13 five dollars.

14 d. For taxes due and payable in the fiscal year beginning
15 July 1, 2010, the amount of five thousand dollars.

16 e. For taxes due and payable in fiscal years beginning on
17 or after July 1, 2011, the amount of five thousand five
18 hundred fifty-six dollars.

19 2. The property, not to exceed ~~one-thousand-eight-hundred~~
20 ~~fifty-two-dollars~~ the dollar amount specified in this
21 subsection in taxable value of an honorably separated,
22 retired, furloughed to a reserve, placed on inactive status,
23 or discharged veteran, as defined in section 35.1. The
24 maximum amount of the exemption shall be as follows:

25 a. For taxes due and payable in the fiscal year beginning
26 July 1, 2007, the amount of two thousand two hundred twenty-
27 two dollars.

28 b. For taxes due and payable in the fiscal year beginning
29 July 1, 2008, the amount of two thousand five hundred ninety-
30 three dollars.

31 c. For taxes due and payable in the fiscal year beginning
32 July 1, 2009, the amount of two thousand nine hundred sixty-
33 three dollars.

34 d. For taxes due and payable in the fiscal year beginning
35 July 1, 2010, the amount of three thousand three hundred

1 thirty-four dollars.

2 e. For taxes due and payable in fiscal years beginning on
3 or after July 1, 2011, the amount of three thousand seven
4 hundred four dollars.

5 Sec. 4. APPLICABILITY DATE PROVISION. This Act applies to
6 property taxes due and payable in fiscal years beginning on or
7 after July 1, 2007.

8 EXPLANATION

9 This bill doubles the amount of the military service tax
10 credit and exemption. However, the increase is implemented
11 gradually over a five-year period. The amount of the
12 reimbursement from the state is also increased over a five-
13 year period from \$6.92 to \$13.84 per \$1,000 of the assessed
14 value of the exempt property.

15 The bill applies to property taxes due and payable in
16 fiscal years beginning on or after July 1, 2007.

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**EIGHTY FIRST GENERAL ASSEMBLY
2006 REGULAR SESSION
DAILY
SENATE CLIP SHEET**

FEBRUARY 22, 2006
Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2041 - Military Tax Exemption (LSB 5225 XS)
Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Senator William A. Dotzler, Jr.

Description

Senate File 2041 doubles the amount of the military service property tax exemption and the State reimbursement rate over a five-year period.

Assumptions

1. There are an estimated 192,652 veterans who receive the military service property tax credit.
2. The consolidated tax rate is assumed to be \$33.46 per \$1,000 of taxable valuation, and the school uniform levy is \$5.40 per \$1,000 of taxable valuation.
3. The decrease in revenue raised by the uniform levy will be offset by a corresponding increase in State Foundation Aid to school districts. The additional levy rates will increase to offset the decrease in taxable valuation for that portion of the school districts' budgets.
4. Other local property taxes will offset the valuation decreases with higher rates to the extent local taxing authorities are not at their limits or be absorbed within the local budgets.
5. The following are the exemption and reimbursement changes by SF 2041 and the projected impact on taxable valuation and local property taxes without offsetting rate increases.

	Current Law	Proposed Law				
	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Exempt Value per Veteran	\$ 1,852	\$ 2,222	\$ 2,593	\$ 2,963	\$ 3,334	\$ 3,704
State Reimbursement Rate	6.92	8.30	9.69	11.07	12.46	13.84
Exempted Taxable Value (\$ in millions)	356.8	428.1	499.5	570.8	642.3	713.6
Local Property Tax Value (\$ in millions)	11.9	14.3	16.7	19.1	21.5	23.9

Fiscal Impact

Senate File 2041 will increase the military service property tax reimbursement and the schools' State Foundation Aid, both of which are paid from the State General Fund. The estimated impact is:

(Dollars in Millions)

	Current Law	Proposed Law				
	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Military Service Tax Credit	\$ 2.5	\$ 3.6	\$ 4.8	\$ 6.3	\$ 8.0	\$ 9.9
State Foundation Aid	1.9	2.3	2.7	3.1	3.5	3.9
Total State General Fund	<u>\$ 4.4</u>	<u>\$ 5.9</u>	<u>\$ 7.5</u>	<u>\$ 9.4</u>	<u>\$ 11.5</u>	<u>\$ 13.7</u>

	Change from Current Law	Change from Previous Year				
Military Service Tax Credit	\$ 1.1	\$ 1.3	\$ 1.5	\$ 1.7	\$ 1.9	
State Foundation Aid	0.4	0.4	0.4	0.4	0.4	
Total State General Fund	<u>\$ 1.5</u>	<u>\$ 1.7</u>	<u>\$ 1.9</u>	<u>\$ 2.1</u>	<u>\$ 2.3</u>	

Sources

Department of Management
Iowa State Association of Counties

/s/ Holly M. Lyons

February 20, 2006

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