

FILED FEB 15 2006

STATE GOVERNMENT

SENATE FILE 2229
BY HANCOCK

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

A BILL FOR

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

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

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STATE GOVERNMENT

SE 2229

1 Section 1. Section 426A.11, subsection 4, Code Supplement
2 2005, is amended by striking the subsection and inserting in
3 lieu thereof the following:

4 4. For purposes of this chapter, unless the context
5 otherwise requires, "veteran" also means a resident of this
6 state who is a former member of the armed forces of the United
7 States, who served on active duty at any time and who was
8 discharged under honorable conditions.

9 Sec. 2. IMPLEMENTATION OF ACT. Section 25B.7 does not
10 apply to this Act.

11 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act takes
12 effect January 1, 2007, and applies to claims for military
13 service tax exemptions on file or filed on or after that date.

14 EXPLANATION

15 This bill provides that in addition to the current
16 definition of veteran for purposes of the military service
17 property tax exemption and credit, a "veteran" means an Iowa
18 resident who has served in the armed forces of the United
19 States on active duty at any time and who was honorably
20 discharged.

21 The bill makes inapplicable to this Act the requirement
22 that the state fully reimburse local jurisdictions for new
23 property tax exemptions.

24 The bill takes effect January 1, 2007, and applies to
25 claims for military service property tax exemptions on file or
26 filed on or after that date.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2229 - Military Property Tax Credit (LSB 5650 XS)
Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Senator Tom Hancock

Description

Senate File 2229 makes all military veterans who served on active duty and received an honorable discharge eligible for the military service property tax exemption.

Assumptions

1. There are 292,020 veterans in Iowa.
2. Iowa's homeownership rate is 72.3%. It is assumed homeownership is the primary reason veterans claim the property tax exemption.
3. There are an estimated 211,130 veteran homeowners in Iowa.
4. An estimated 192,652 veterans will receive the military service property tax exemption in FY 2007.
5. The change in this bill makes an additional 18,478 veterans eligible for the property tax exemption.
6. The exemption is \$1,852 of the veteran's property yielding a total exempt taxable valuation of \$34.2 million.
7. The consolidated tax rate is assumed to be \$33.46, and the State funding portion for the military service property tax exemption is \$6.92 per \$1,000 of taxable valuation.
8. The school foundation uniform levy is \$5.40 per \$1,000 of taxable valuation. State Foundation Aid will increase to offset the reduction in the uniform levy revenues associated with the reduced taxable valuation.
9. To the extent that tax rates are not at the maximum permitted level, local governments will be able to adjust tax rates to offset the estimated \$1.1 million in property taxes that would have been generated by the \$34.2 million in taxable property value that will become exempt.

Fiscal Impact

Senate File 2229 will increase the State General Fund payment to local governments for the military service property tax exemption by an estimated \$237,000 annually. The annual increase in State Foundation Aid is estimated to be \$185,000 for a total cost to the General Fund of \$422,000.

Sources

U. S. Census 2000
Department of Management
Department of Revenue

/s/ Holly M. Lyons

February 20, 2006