

EXPLANATION OF PROBLEM:

Under current law, cities are discouraged from economic development because any increase in valuation, whether from revaluation or new growth, can negatively impact local funding under HF 718.

The language from HF 2745 at page 3 successfully clarifies how to treat Urban Revitalization/Tax Abatement releases to government entities from Iowa Code Chapter 404/Chapter 427, but ignores Urban Renewal/TIF releases from Iowa Code Chapter 403. It is vital to calculate TIF releases outside of the 2% cap to continue incentivizing economic development because these funds:

- Are not “spendable” (i.e. cannot be used for general operating purposes)
- Are pledged or restricted to specific project costs
- Never “touch” the general fund until they are released

IMPACTS OF THE PROBLEM:

Without including TIF releases, a city would never realize any new valuation for new construction within an urban renewal area/TIF district. The suggested solution properly recognizes New Valuation from TIF only when it is released to the government entities within the TIF agreement — treating it the same as newly constructed valuations outside of an urban renewal area. It will also incentivize cities with TIF agreements to release as much increment annually as possible, maintaining only what is needed to fund the economic development within an urban renewal area, and alleviating state backfill of TIF agreements sooner.

SOLUTION: New Valuation Language Amendment

d. “*New valuation*” means the increase from the current fiscal year to the budget year in taxable valuation, as shown on the assessment roll, due to the following: the amount of each as reported under section 331.510 by the county auditor to the department of management:

- (1) New construction.
- (2) Additions or improvements to existing structures that are not normal and necessary repairs under section 441.21, subsection 8.
- (3) Net boundary adjustments, including annexation, severance, incorporation, consolidation, or discontinuance as those terms are defined in section 368.1.
- (4) Valuation exempt from property tax for the current fiscal year as the result of prior new construction, additions, or improvements under section 15.332, Code 2025, section 15.500, chapter 404, or chapter 427B, subchapter I, but which is not exempt from property tax in the budget year or funds subject to diversion of revenue under 403.19 at any point at the time that portion becomes taxable or no longer subject to diversion.
- (5) Any portion of new valuation that is exempt from taxation due to special tax provisions under Chapter 427 shall be included as “New Valuation” when that portion becomes taxable.