

## **HF 718 Webinar Q&A Follow-up**

Many Q&A questions were answered during the webinar. However, there are understandably many questions on this subject, and in order to fit the webinar content in, the League pivoted to collecting the questions that were not answered during the webinar to make available after the webinar. Below are the speakers' attempts to answer those questions. As always, please feel free to contact a member of the League's team or the Iowa Department of Management with additional questions.

### **Division 2**

How do the rollback changes impact the taxable valuation growth or reduction?

There is no change to the rollback mechanism/process. Each year, the rollback will continue to apply. The structure in HF 718 will work in conjunction with the existing rollback process. Noting that the residential rollback is predicted to decrease over the short term, this may have some impact on the overall taxable valuation growth.

This is in place for four years, correct?

The Adjusted/Combined General Fund Levy (ACGFL) "ratcheting process" under Division II or HF 718 will impact the ACGFL for four years (FYs 25-28). Then, beginning in FY 29 and forward, all cities will be subject to a maximum \$8.10 ACGFL levy rate.

You have mentioned calculations based on gas/electric. If you have a lot of solar installs going on in your city, does this change anything?

The valuations used to determine whether or not the city's growth rate meets or exceeds the levels that "trigger" an impact on your new ACGFL will not change. These have been the non-TIF taxable valuations, including gas and electric utility valuation but less ag. Unless the solar going in is part of a project for an energy company (Mid-American, for example,) it should not impact the figure.

To be clear, if we are ratcheted down in one year, do we start with that new levy rate when calculating the levy rate the next year or do we get re-set at the \$8.10 and ratcheted down again from there?

You start with the ACGFL rate from the previous year through FY 28.

Are we held to that tax rate or below, the dollars, and the types of levies we indicated?

I'm not quite sure I understand this question in its entirety. Cities will be held to the maximum tax rates calculated under Division II (or below). The tax rate modifications will operate to lower revenue growth (dollars). The valuations process itself will remain unchanged under this new law.

Do I understand it correctly that: A city may calculate below 8.10, but they will not be taken below 8.10 and by FY 29, everyone will snap to 8.10 no matter what their calculation is?

No. For FYs 25-28, the newly calculated maximum ACGFL will be their maximum and they can be below \$8.10. In FY 29, all cities will have a maximum of \$8.10. Any city still above \$8.10 in FY 29 will be lowered to a maximum ACGFL of \$8.10. In FY 29, any city below \$8.10 will be able to go up to \$8.10. Cities can always use a rate less than their maximum.

You show the ACGFL; what is the corresponding property taxes generated?

The corresponding property taxes generated (for these example purposes) would be found by taking the ACGFL rate calculated and multiplying by the Line 2a valuation from the budget cert pages (Line 2a is shorthand for - non-TIF taxable valuation including gas & electric utilities but excluding ag). The League also plans to cover this in more detail at our Budget Workshop Series and potentially a follow-up webinar or video later this year.

## **Divisions 5 & 6**

Pertaining to the "existing homestead credit," doesn't this also work like an exemption of reducing taxable valuation by up to \$4,850 for everyone?

The "existing homestead credit" is a credit to tax. Credits and exemptions are different, but have a similar purpose. The existing credit applies an amount equal to up to the property tax that would otherwise be paid on \$4,850 to each homestead that has applied.

Will the Homestead exemption be applied before or after the rollback?

The exemption will be applied after the rollback.

If someone misses the July 1 exemption deadline, can they fill it out for next year or is that a one and done?

It will remain a July 1 deadline annually.

Are the exemptions (such as over 65) figured prior to the other calculations or afterward? We have 5,000 owner-occupied units with head of household over 65, so we'll see a reduction in assessed value of \$32.5M in FY 24 when we hit the \$6500 level.

The exemptions will be included in the assessed value but excluded from the taxable value in the same manner as they currently are.

## **Division 7**

Division VII - Urban Revitalization: Will this impact TIF reimbursable agreements?

This may only have an effect on the TIF calculation if your city has a TIF that overlaps an Urban Revitalization Area, which should not be done. Urban Revitalization removes the value of improvements from the TIF formula, so the impact of the new resolution would potentially increase the amount going to TIF if you have overlapping TIF and Urban Revitalization Areas.

May a school opt to stay in on the tax abatement?

No. An excerpt from Division VII states-

*"Sec. 58. NEW SECTION. 404.3D Exemptions for residential property.*

*For revitalization areas established under this chapter on or after the effective date of this division of this Act and for first-year exemption applications for property located in a revitalization area in existence on the effective date of this division of this Act filed on or after the effective date of this division of this Act, an exemption authorized under this chapter for property that is residential property shall not apply to property tax levies imposed by a school district."*

## Division 9

Will IX information be made available to cities?

Information from this mailing and hearing process that is required to be maintained by the city will be provided.

## Division 10

Is this hearing required to be at a separate meeting?

Yes, the Department of Management has advised that they may be held on the same date. They would need to be completely separate meetings, however.

Since the max levy process ends, does this mean all past data on the internet/social media can be removed in FY 25 and instead replaced with new forms?

Code section 384.15A, which requires that all previous max levy resolutions be maintained, is repealed completely by this bill. That would remove the requirement to keep all past max levy resolutions. I would still highly suggest keeping these notices on the website. New Code of Iowa section 24.2A(2)(b)(9) requires that all future notice documents be maintained on the website in a similar fashion as required for the previous max levy, so I think that the intent is to have one continuous chain between the old and the new.

This replaces the max levy process entirely, correct?

Correct.

This info seems like it will be late to the county, we usually hold our Max Levy Hearing in Feb if the budget is adopted by late March. Wouldn't the mailing from the county be after we likely held our hearing?

The budget timeline will shift under this new law. The new budget deadline will be April 30. The hearings for the new statements and the budget adoption should be held after March 20 (annually).

When will we see the template of the mailing that will be sent by the counties? Is there an opportunity for cities to help inform how that document is formatted, etc. Will there be a corresponding online site built/maintained by the counties with the same information?

DOM has a working group of county auditors and their programmers working on this at present. We should have a format available for review in August/September. At that time, the notice documents will go through the City Finance Committee for review and critique. The Code states very specifically what is to be included, so there is little room for variation.

Could we have that special meeting at 3 a.m.?

The same rules of public meetings apply to this meeting as all other public meetings. *Code of Iowa 21.1* states that the intent of an open meeting is to be "easily accessible to the people." This would not be considered easily accessible to any reasonable person.

Are there any new requirements for budget amendments?

Budget amendment requirements remain unchanged.

Did I hear correctly that we will need to hold a separate meeting for the budget notice? Could we not hold it at the beginning of a regular council meeting?

You will need to hold a completely separate meeting for the new process. However, the Department of Management has advised that they may be held on the same date. For example, you could hold a meeting preceding your normal council meeting, and completely adjourn that meeting before your normal council meeting. Separate meeting notice, and requirements, etc., must be done.

Does the Council need to attend the hearing?

Yes. An excerpt from Division X states, *“At the hearing, **the governing body** of the political subdivision shall receive oral or written testimony from any resident or property owner of the political subdivision. This public hearing shall be separate from any other meeting of the governing body of the political subdivision, including any other meeting or public hearing relating to the political subdivision’s budget, and other business of the political subdivision that is not related to the proposed property tax amounts and the information in the statements shall not be conducted at the public hearing. After all testimony has been received and considered, **the governing body** may decrease, but not increase, the proposed property tax amount to be included in the political subdivision’s budget.”*

Our city’s normal council meetings in 2024 will be on March 4 and March 18. Since the county won't mail these until March 20, I assume we'll have to hold this hearing at the first meeting in April, which would be April 1. Can we hold the regular budget hearing also the same night as the regular meeting if we've held the special separate meeting prior to the regular meeting on April 1?

The budget timeline will shift under this new law. The new budget deadline will be April 30. The hearings for the new statements and the budget adoption should be held after March 20 (annually).

Can we set our budget hearing date before that special hearing about the mailed tax notice information?

No. *Code of Iowa* 384.16 has been amended by this bill to require the hearing and mailing required under the new Code 24.2A to be completed before the hearing date can be set.

Please reiterate the suggestion of when to schedule that public hearing meeting? I think you indicated 20 days from March 15 mailing date requirement. Is that correct?

The mailing date would be March 20, so I would strongly suggest that the city not hold their hearing on the levy until at least five days after this date, in order to allow time for the mailings to get to the citizens. The Code does not set a minimum, so I defer to the intent of the changes being to get citizens to the meeting.

I appreciate that DOM and the counties want to be collaborative with cities on the budget storytelling process. I'd be happy to help create/inform/review the DOM's draft mailing document and any website content that is created.

Thank you - we appreciate that and have passed that along to DOM.

A question I had was if we could maybe get a sample calendar of when we are supposed to send the levy information to the county, have the new separate hearing meeting, have the final hearing on the budget, publish the hearing notices, etc.

A sample calendar will be made available later this summer / early fall.

#### **Divisions 13 & 14**

Does the debt listing include interfund loans?

No, only debts owed outside of the city.

My understanding of the debt issuance changes is that we would likely initiate any bond proceedings subject to a reverse referendum early in the prior fall to allow for time for it to be petitioned and a vote held in the general election if necessary so that we would have the approval handled prior to the next budget process. Does this logically fit the new law?

I would suggest that you clear the timing of any bond proceedings with your Bond Counsel. There are a variety of situations that could occur based on the type of issuance.

Are the dollar amount cities can borrow effective July 1 also?

The new amounts allowed to be issued before a required vote for General Corporate Purpose debts is effective on **July 1, 2024**.

#### **Other**

Could a presentation like this be added to the League Conference this fall?

(TBD) The League is taking this into consideration.