



City Officials and Staff -

Senate File 181 (SF181) was signed into law by Governor Reynolds last night, February 20, 2023. This bill requires the Department of Revenue (IDR) to recalculate residential rollback for the 2022 Assessment Year (affecting Fiscal Year 2023-2024). The signing of SF181 into law has affected the city budget process in a few ways. First is that the rollback on residential property is being lowered from 56.4919% to 54.6501%. This will result in a reduction in taxable valuation in the residential, commercial, industrial and railroad property classes. The taxable valuations at the top of the city budget from on lines 2a, 2b, 3a, and 3b will be reduced due to this change. This means that the amount of property tax dollars that you can get at the same rate will be lower than under the previous taxable valuation.

This morning, February 21, 2023, IDR issued the revised assessment limitation order. County Auditors now have 15 days after the issuing of this new order to complete their resubmission of taxable valuations in the Department of Management (DOM) valuation and budget system. This means that not later than March 9, 2023 the revised taxable valuation should be present in your online budget forms. Please do not contact your County Auditor's Office for revised taxable valuations until after this date. The County Auditors have been given a very large task and will be working as fast as possible to get your revised valuations out as soon as possible. We can assist them in this task by not diverting their focus and energy for the calculation and reporting of values. DOM has reopened the online valuation system for all counties to refile revised taxable valuation figures. Until the County Auditor offices complete their refiling of the values, city budgets will have the following notice on the header: "Your data may change, valuations are in unfiled status." Once the County Auditor submits the revised valuations, the banner will go away and you will be able to complete your budget process in the online system.

SF181 also changes the submission deadlines for budgets to April 30 for this year only, in order to allow cities more time to complete their budget after the revised taxable valuation is reported. Attached is a guidance document to provide you with a path forward based on where you are in the process and this new submission deadline. If you have questions as you work through the budget process, please call me at 515-281-3705 or email me at ted.nellesen@iowa.gov.

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SF 181 Impact on City Budgets

Senate File 181 has changed the deadline for submission of the FY 2023-2024 budget to April 30, 2023. **This new deadline only applies to the FY 2023-2024 budget submission.** This change in submission deadline gives cities extra time after the revision of taxable values to complete the FY 2023-2024 budget process.

Below is guidance for completing the city budget under these new circumstances grouped by where a city is in the budget process:

- **Cities that have not published/posted the notice of public hearing for the max levy**
 - Wait until after the new taxable valuations have been filed on March 9 to create and publish/post notice of public hearing and begin the hearing processes.
- **Cities that have published/posted notice of hearing for the max levy**
 - Continue with your max levy hearing as scheduled.
 - SF181 reduces the taxable valuation available to be taxed against, so tax dollars requested will either be allowed to remain the same as published or will be forced to decrease due to maximum rate caps on individual levies. **If your property tax rate must increase over what was published on the max levy notice to generate the same dollars published on the notice, this will be allowed (to the extent that maximum individual levy rate caps will allow). No re-publication or re-hearing of max levies already in progress should be required.**
 - Once the max levy hearing is complete, best practice is to wait until after the revised taxable valuation has been submitted on March 9 to create and publish/post the notice of hearing for the full budget adoption. If it not possible for a city to wait until March 9 to create the hearing notice, a city is allowed to move forward with the notice and hearing under the current taxable valuation. **A signed copy of the budget showing the corrected valuation and rates will still be required to be submitted to the County Auditor after the hearing.**
- **Cities that have published/posted notice for the full budget adoption hearing**
 - If a city has already published notice of public hearing for the full budget adoption, it will not need to be redone. The full budget adoption hearing can proceed as scheduled. Any reductions in requested property tax dollars can be made after the new valuation has been filed.
 - Even though the budget hearing notice was created using the previous taxable valuations, **a signed copy of the budget showing the corrected valuation and rates will still be required to be submitted to the County Auditor.** Work with

Ted Nellesen at DOM to revise the budget as necessary after new valuations have been filed.

- **Cities that have completed both hearings and adopted their budget**
 - If a city has fully completed the full budget process, DOM will work with the County Auditor's Office and the city to make the necessary revisions to the budget. Again, this should not require the city to redo the hearing process, as the amount of requested property tax dollars will stay the same or be reduced.
 - Once the necessary revisions to taxes requested have been made, **a signed copy of the budget showing the corrected valuation and rates will still be required to be submitted to the County Auditor.**

Questions about these processes should be submitted to Ted Nellesen with the Iowa Department of Management at (515) 281-3705 or ted.nellesen@iowa.gov