
Iowa Department of Revenue

Appropriated Tax Credit Funds to Local
Governments and Other Standing
Appropriations



Iowa Department of
REVENUE

Department's Role

- As the administrator of State taxes and credits, the Department has been assigned the task of administering various property tax credits for which appropriations are required
 - Homestead Property Tax Credit
 - Property Tax Credit/Rent Reimbursement for Elderly and Disabled
 - Ag Land and Family Farm Property Tax Credits
 - Military Service Property Tax Exemption and Credit
 - Business Property Tax Credit
 - Industrial and Commercial Replacement Tax Claim

 - The Department requires an appropriation to cover the cost of cigarette stamps which are necessary to enforce the excise tax on cigarettes

 - The Department also receives an appropriation to cover the enforcement costs of the Tobacco Master Settlement
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History of Appropriated Funds

Percent Paid: FY 2004 through 2015

<i>History of % PAID</i>	<i>Homestead</i>	<i>Elderly Credit</i>	<i>Ag Land</i>	<i>Family Farm</i>	<i>Military Service</i>
Estimated FY15	100.0%	100.0%	21.4%	15.2%	100.0%
FY14	100.0%	100.0%	19.7%	14.0%	100.0%
FY13	78.2%	100.0%	18.3%	12.9%	100.0%
FY12	63.5%	100.0%	14.2%	13.2%	100.0%
FY11	64.0%	100.0%	16.5%	15.47%	100.0%
FY10	69.0%	100.0%	19.4%	12.8%	100.0%
FY09	72.0%	100.0%	20.7%	17.5%	100.0%
FY08	73.0%	100.0%	21.3%	18.0%	100.0%
FY07	77.0%	94.0%	22.1%	18.7%	100.0%
FY06	78.0%	100.0%	21.6%	18.2%	100.0%
FY05	81.0%	100.0%	19.8%	16.9%	100.0%
FY04	79.0%	40.0%	20.4%	17.1%	98.0%

Homestead Property Tax Credit

- Homestead Property Tax Credit provides a credit against the property tax levied on each eligible homestead in the state
 - Homeowners need only apply once for the credit on a homestead
 - The credit is a standing unlimited appropriation in Code Section 425
 - Credits should cover the taxes owed on the first \$4,850 of property value if fully funded
 - FY 2015 -- \$131.4 million at 100% of requested
 - FY 2014 -- \$131.7 million at 100% of requested
 - FY 2013 -- \$107.0 million at 78% of requested
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Homestead Credit – Timeline

- The credit is a standing unlimited appropriation; however, the General Assembly may choose to cap the appropriation
 - If capped §25B.7 requires the Department to estimate the amount of the credit available for the coming fiscal year and to prorate claims
 - The Department is required to notify counties of the prorate percentage no later than June 15; the prorate is used by the counties to determine the credit available to each taxpayer
 - By October 1 each county treasurer certifies the amount of dollars eligible for the homestead credit in their county
 - Two homestead payments are made to each county treasurer
 - First half is issued by November 15
 - Second half is issued by March 15
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Property Tax Credit/Rent Reimbursement for Elderly and Disabled

- Elderly and Disabled Property Tax Relief Program provides rent reimbursement and property tax credits for low-income elderly and disabled individuals through a standing unlimited appropriation
 - Authorized in Code Section 425.16
 - Rent reimbursement claims are filed with the Department of Revenue
 - Property tax credit claims are filed with county treasurers
 - In some years the General Assembly has chosen to cap the appropriation
 - In those years §25B.7 requires the Department to estimate the amount of the credit available for the coming fiscal year and to prorate claims
 - Department of Revenue will notify each county if a prorated amount for property tax credit claims will be required for the coming fiscal year
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Elderly Credit – County Property Tax Credit

- Provides a property tax credit for low-income homeowners who are 65 or older or disabled
 - The maximum credit is \$1,000 and is further reduced based on household income
 - Tax Management Division encumbers funds for distribution of the property tax credit in December
 - County treasurer's file aggregate claim requests in May for eligible claimants
 - Local Government Services verifies the claim amounts from each county and issues payments to each county by June 15

 - FY 2015 -- \$5,004,775
FY 2014 -- \$5,100,346
FY 2013 -- \$5,900,919
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Elderly Credit - Rent Reimbursement

- Applicants must be at least 65 or totally disabled, low income and living in a rental property
- Maximum reimbursement is \$1,000
- In January the Department mails Rent Reimbursement Claims forms to individuals that received a reimbursement in the prior year
- In the period of January through June of each year the Department receives, processes, and issues payments to qualifying claimants

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenditures	\$16,784,052	\$18,431,823	\$19,146,217
Recipients	29,558	29,969	30,588
Average Payment	\$568	\$615	\$626

Agricultural Land Property Tax Credit

- Ag Land Requested Funding
 - FY 2015 -- \$135,999,494
 - FY 2014 -- \$147,344,893
 - FY 2013 -- \$159,480,152
 - Ag Land Appropriation
 - FY 2015 -- \$29,051,600
 - FY 2014 -- \$29,053,800
 - FY 2013 -- \$29,168,920
 - Code § 426, Standing limited appropriation of \$39.1 million
 - \$10 million is allocated to Family Farm Tax Credit
 - Eligible property includes all land used for agricultural or horticultural purposes in tracts of 10 acres or more and land less than 10 acres if contiguous to qualifying land of 10 acres or more
 - Credit partially offsets the school tax burden on ag real estate in any district where the school levy rate exceeds \$5.40 per \$1,000 of assessed value
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Family Farm Property Tax Credit

- Receives first \$10 million of appropriation to the Agricultural Land Credit Fund
 - Family Farm Requested Funding
 - FY 2015 -- \$65,789,474
 - FY 2014 -- \$71,375,795
 - FY 2013 -- \$76,444,438
 - Appropriation Funds
 - FY 2015 -- \$10,000,000
 - FY 2014 -- \$10,000,000
 - FY 2013 -- \$9,876,814
 - Code Section 425A
 - Qualifications for Family farm tax credit is the same as Ag Land except the owner or designated person must be actively engaged in farming the land
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Ag Land / Family Farm Distribution Timeline for 2016

- In August 2015 Local Government Services obtains the consolidated tax rate data for each school district from the Department of Management
 - In October 2015 Local Government Services sends the Ag Land claim forms to the county auditor in each county
 - By April 1, 2016 counties submit claim requests to Local Government Services
 - Local Government Services will determine and calculate the program prorated value used by each county auditor in developing their annual levy values
 - Notice to county auditors is sent by June 15, 2016
 - Local Government Services will send notice to each county of their prorated Ag Land payment amount by July 1, 2016
 - Ag Land warrants are mailed to each county by July 15, 2016
 - Family farm warrants are mailed to each county by June 1, 2017
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Military Service Exemption and Tax Credit

- Provides property tax relief in the form of refunds or exemptions up to a maximum valuation on taxable property owned by a qualifying veteran
 - Code Section 426A
 - County treasurers send in fund requests by August 15
 - Department issues warrants by September 30
 - Program is usually funded at 100%

 - FY 2015 -- \$2,210,169
 - FY 2014 -- \$2,156,176
 - FY 2013 -- \$2,231,574
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Business Property Tax Credit

- Assessment Year 2013
 - Fiscal Year 2015
 - 93,074 Parcels
 - \$49,000,000
 - Assessment Year 2014
 - Fiscal Year 2016
 - 97,331 Parcels
 - \$98,982,160
 - Code Section 426C-Appropriation as a credit against tax for qualifying property owners as part of the overall property tax reform
 - Established by 2013 Property Tax Reform
 - Business Property Tax Credit is available for certain commercial, industrial, and railroad properties
 - Credit is applicable to individual parcels as well as 'property units'
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Commercial and Industrial Property Tax Replacement Claim

- Assessment Year 2013
 - Fiscal Year 2015
 - \$78,335,508
 - Code Section 426C
 - Established by 2013 Property Tax Reform
 - Claims by local governments offset the rollback allowed for commercial and industrial classed properties
- Assessment Year 2014
 - Fiscal Year 2016
 - \$161,078,338
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Cigarette Tax Stamps

	<u>FY 2014</u>	<u>FY 2015</u>
Cost of Cigarette Stamps	\$120,261	\$124,325
Cigarette Taxes Collected	\$197.7 million	\$190.8 million

- Code Section 453A.7
 - Cost per stamp: 1,250 stamps per dollar
 - Collections deposited in the Health Care Trust Fund
 - Tax is imposed upon the sale of cigarettes and must be paid by the first person making the sale in Iowa
 - July 1, 2015 additional security features were introduced to prevent counterfeiting
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Tobacco Reporting Appropriation

- FY 2015 -- \$19,591
 - FY 2014 -- \$18,416
 - FY 2013 -- \$18,416

 - Code Section 425D.8

 - Tobacco Master Settlement required that a portion of the proceeds to the State from participating tobacco companies be used for MSA enforcement

 - Standing appropriation of \$25,000
 - Actual MSA enforcement costs for IDR and AG are substantially higher than appropriated amounts
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