

SF634 In Brief

The Iowa Legislature passed [SF634](#), a bill that relates to local government budgets and property taxes

- The bill leaves all levies and current limits from [Code of Iowa Chapter 384](#) in place, such as the general fund (known as \$8.10), emergency, and Trust and Agency levies. It also leaves all rollbacks, property classes and structures in place.
- The new law **requires ALL cities** to pass a new resolution establishing their maximum property tax dollars to certify for levy, post notification, and hold a public hearing and vote, regardless of whether they need to exceed a newly specified 2% threshold for certain levies specified in the bill. The details of which levies are included in that threshold are covered in the second webinar, but note the use of the word “threshold” here instead of cap or limit that were associated with previous bills as the threshold can be exceeded. This is **in addition** to the existing budget certification process – with the resolution for budget certification, notification, public hearing, vote, and wait period for any potential protest. Now, those details in brief.....
- The bill requires cities to post notification of the new resolution and public hearing/vote by traditional means (meaning for cities with 200 or more in population publishing in a newspaper that is published at least once weekly and having general circulation in the city, with not less than 10 nor more than 20 days before the hearing; and cities with less than 200 in population, publication may be made by posting in 3 public places in the city) and then all cities in addition must post an electronic link to the notice of the public hearing on any and all existing city web sites and social media sites.
- The notice must include: the sum of the current fiscal year’s actual property taxes certified for levies under the levies specified to be impacted by the 2% threshold, the current fiscal year’s combined tax levy rate for such amount applicable to taxable property excluding ag or horticultural purposes; the effective tax rate calculated using the sum of the current FY’s actual property taxes certified for levy for the levies specified under the 2% threshold again

- applicable to property that is not ag or horticultural, and the sum of the proposed maximum property tax dollars that may be certified for levy under the levies subject to the new 2% threshold.
- The notice must also include a statement of the major reasons for the increase if the maximum dollars to certify for the proposed budget for the impacted levies will exceed the dollars certified in the previous year for those impacted levies.
- Proof of publication is to be filed with the county auditor, and IDOM will provide the forms for the resolution to be adopted.
- During the new public hearing and vote on the resolution establishing the maximum property tax dollars to certify for levy, those cities seeking to exceed the 2% “threshold” must pass the Council vote with a two-thirds majority vote of the Council. To be clear, the language calls for 2/3rds majority. Those not seeking to exceed the 2% “threshold” for the impacted levies need only pass the Council vote with a majority vote of the Council.
- The new process requires cities to hear oral or written objection to the proposed resolution during the public hearing. After hearing and considering objections, the Council can decide to proceed with the vote, or decrease, but not increase, the maximum property taxes to certify for levy. Upon approval, the city must post the resolution within 10 days to its internet site, if it has one, and post it alongside any resolutions for subsequent budget years.
- ALL cities will then still need to do their resolution, notice, vote by majority of the Council and wait period as they have traditionally to approve their budget for certification, in addition to the new process.

A few other things to keep in mind.....

- The ability to exceed the 2% threshold is still limited by the \$8.10 levy, emergency levy, and any other caps in [Chapter 384](#). The new law does not add additional limitations to existing levies.



- Assessments still matter: since previously existing levy caps, such as the \$8.10, were left in place, assessments still matter because they dictate how much revenue a levy rate will generate.
- Moves certification date of city budgets to March 31st. The League has prepared a sample, or template, of a budget timeline for cities.

The final bill does not contain:

- A reverse referendum.
- A separation or exclusion for “net new” calculations from the 2% threshold....meaning that Revaluation, new construction, expiring property tax abatements and expiring or released TIF increment are all considerations as all would still fall under the 2% threshold. Growing cities would very likely need to use the process to exceed the threshold with two-thirds majority council vote simply to keep the status quo for new property.
- Language on assigned (or otherwise) ending fund limitations, or commonly known as reserves.

You can find webinars and related information on SF634 as it is released on the Iowa League of Cities web site, at www.iowaleague.org. They can be found under the News & Events, Workshop & Events, Webinars page as well as under Member Resources, Finance. If you have any questions, please contact Erin Mullenix, Research Director at the League, at erinmullenix@iowaleague.org; or the Legislative Team at the League at legislativestaff@iowaleague.org.