

New Laws of Interest to Cities 2023 Legislative Session



Reminder:

The text of each bill is accessible from the General Assembly's website: www.legis.iowa.gov

The Iowa Legislature adjourned sine die on May 4, just a few days after the 110th calendar day, the expected end of session. This legislative session was the first of the 90th General Assembly, which will continue in 2024.

This year's themes largely revolved around education, tort reform and shrinking government. The trend from the last few years of passing "historic" tax bills continued this year by focusing on property taxes. Other topics that saw the Governor's signature included public safety changes, updates to the section of the *Code of Iowa* dealing with technology and reducing the bureaucracy of the state government.

Senate File 514, which made numerous changes to the organization and structure of state agencies, was a top priority for Governor Reynolds. In nearly 1,600 pages of legislation, the number of cabinet-level agencies was reduced from 37 to 16. The bill also made many changes on which agency will handle specific responsibilities. For instance, the Department of Inspection and Appeals will become the Department of Inspection, Appeals, and Licensing and handle licensing and regulation matters such as fire code related activities formerly held by the fire marshal and workers' compensation division formerly held by the Department of Workforce Development.

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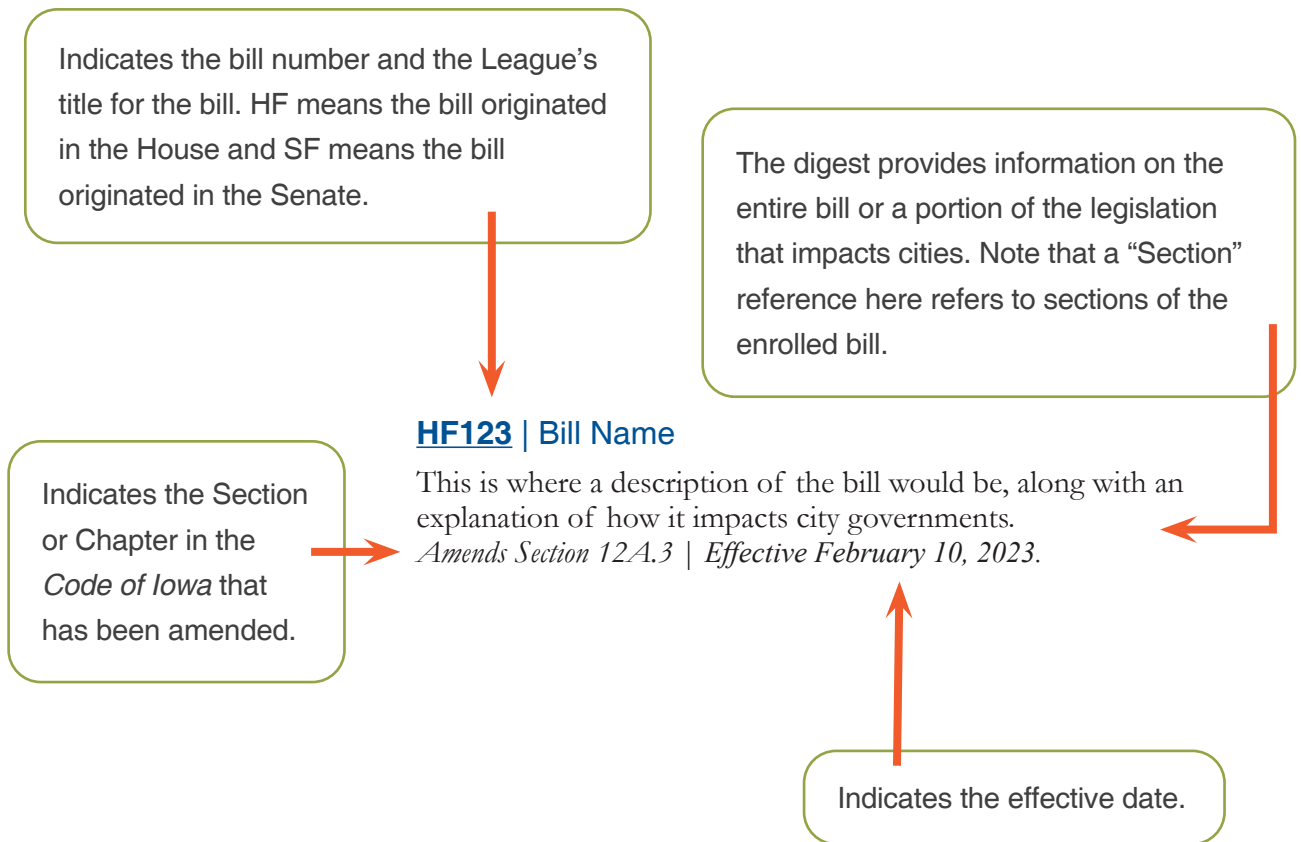
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Reader's Guide to New Laws Summaries

This Special Report outlines legislation passed during the 2023 legislative session that affects cities and is categorized in subject areas for easier reading. The sample entry below explains what type of information this report contains.

Note: The report is intended as a reference guide to new laws that may interest your community. This report should not act as a substitute for the actual final enrolled legislation, nor should it substitute for advice from an attorney.



Legislative Values

Legislative Values are more than just annual priorities. They are intended to represent what cities and the officials that govern them need, want, and expect to meet the challenges of their communities. Developed over time, they are reviewed before each General Assembly, which span two legislative sessions. The values below were reviewed by the Legislative Policy Committee, ratified by the Executive Board on August 11, 2022, then presented to and approved by League members at the League's Annual Conference on September 28, 2022.

Cities across the state value...

Local Control

Residents benefit from Home Rule: the Constitutional right to make local decisions at the local level - closest to those affected and tailored to fit unique conditions, needs, and concerns.

Public Safety

Safety is essential to the health, stability, and vitality of Iowa. Cities must have the human and economic resources, tools, and technology to provide public safety services for their communities.

Infrastructure

Cities of all sizes require the resources to meet infrastructure, technology, and human needs necessary to transport, connect, and thrive.

Financial Stability

Cities need financial stability to provide predictability and transparency for residents. This requires that the State maintain its commitment to hold cities harmless for state policies, not pass unfunded mandates, and ensure that local governments have diversified revenue options.

Economic Development

The Iowa League of Cities, in partnership with the State of Iowa, supports the use of various tools and funding to promote quality of life, community vitality, economic development, and to address housing needs. Maintaining the flexibility of economic development tools is essential to cities of all sizes.

Like our membership, the Iowa League of Cities is a non-partisan, service oriented organization that does not participate in elections, make campaign contributions, or have a political action committee (PAC).



Legislation Passed In 2023

Technology

HF 143 | Prohibition of Ransomware Attack

Creates definitions and prohibitions around ransomware with a specific prohibition against the use of ransomware against a city, city utility or city service.

Amends Chapter 715 | Effective July 1, 2023

HF 250 | Franchise of Video Services

States that video programming provided by direct-to-home satellite services are not considered video services as defined in the *Code of Iowa* Chapter 477A

Amends Section 477A.1 | Effective May 28, 2023

Miscellaneous

HF 337 | Refrigerants in Building Codes

Preempts building codes from restricting refrigerants deemed acceptable pursuant to Federal Safe Alternative Policy, U.S.C. §7671K.

Adds Section 103A.24 | Effective July 1, 2023

SF 399 | Regulation of Spray Pads

Defines a spray pad as an area that has a water play feature that sprays water onto people, has no standing water, and recirculates the water back onto people rather than discarding water after it touches people. Requires spray pads to follow *Code of Iowa* Chapter 135I.

Amends Chapter 135I | Effective May 3, 2023

HF 478 | Alcohol License Permit Changes

Makes changes to the definition of a manufacturer in regards to holding a special class A permit. Clarifies that one manufacturer can use the equipment and space of another manufacturer, given that an alternating proprietorship arrangement has been approved by the Alcohol and Tobacco Tax and Trade Bureau of the United States Department of Treasury .

Amends Sections 123.30 and 123.130 | Effective July 1, 2023

Preemption

HF 202 | Retail Sale of Fireworks

Updates the Health, Safety, and Welfare Chapter of the *Code of Iowa* to stipulate that the retail sale of fireworks shall be done in accordance with the National Fire Protection Association Standard, 2006 edition.

Amends Section 727.2 | Effective March 22, 2023

HF 605 | Energy Benchmarking Preemption

Prohibits a city and county from benchmarking, which is defined in the bill as requiring a property to decrease its average energy usage in comparison to a similarly situated property.

Amends Section 414.1 | Effective July 1, 2023

SF 561 | Home and Community-based Services Building Code

Prevents a city from classifying a home and community-based service waiver recipient property as a residential group R-3 for the purpose of enforcing sprinkler system provisions specified in the international building or residential code.

Amends Sections 335.34 and 414.32 | Effective June 1, 2023

Public Safety

SF 329 | Civil Employee Leave of Absence in Military Code

Alters the definition of a workday for civil employees on military leave to include leaves for 24 continuous hours, regardless of whether this extends into two calendar days.

Amends Section 29A.28 | Effective July 1, 2023

HF 603 | Volunteer Public Safety Tire Purchase

Authorizes a municipality to grant permission to volunteer fire and emergency medical service providers to purchase up to four vehicle tires under a contract or negotiated rate that the city utilizes to purchase tires every three years. The volunteer must pay for the tires.

Creates Section 100B.46 | Effective July 1, 2023

HF 631 | Brady-Giglio List Alterations

Strikes the repeal of protections from the Brady-Giglio list in *Code of Iowa* Section 80F.1. Requires a prosecuting agency to keep confidential an officer's personnel file, medical records, and statements on complaints.

Amends Section 80F.1 | Effective July 1, 2023

SF 183 | Maximum Age of Volunteer Peace Officers

Exempts reserve peace officers and volunteer firefighters from the maximum retirement age that is dictated in *Code of Iowa* Section 362.10.

Amends Section 362.10 | Effective May 3 2023

Revenue, Taxes, Credits, Fees

HF 718 | Property Tax Omnibus

Makes large changes to city and county budgeting by consolidating and limiting levies, altering property tax credit eligibility, increasing General Corporate Purpose bonding thresholds and more. Visit the League's website for updated information.

Creates and amends numerous chapters, including 384,425,404,24,39 and more | Multiple effective dates | Editor's note: HF 718 is reviewed in detail in Appendix A

SF 418 | Restrictions on Investment of Public Funds

Prevents public funds, which is defined as IPERS, MFPRSI, Treasurer of State, State Board of Regents, and judicial retirement system, from investing in prohibited companies, which is defined as a business owned or controlled by the Chinese government, Chinese military, or businesses on one of several federal restricted lists outlined in the newly created Chapter 12K.

Amends Section 12.8, 12F.3 and creates Chapter 12K | Effective July 1, 2023

SF 445 | Local Board of Review Protests

Allows a 10-member board of review for contesting assessment and valuations of property to split into three-member subgroups to hear protests and make recommendations to the full board.

Amends Section 441.31 | Effective April 4, 2023

SF 181 | Re-calculation of the Residential Rollback

Changes the formula used to calculate the residential rollback by removing mobile home parks, manufactured housing, land lease communities, assisted living facilities, and commercial properties used for residential living that contains three or more dwelling units. This change altered the taxable values for budgets certified in 2023.

Amends Section 441.21 | Effective January 1, 2023

HF 318 | Extension of Filing for Property Tax Credit

Changes the date that a property taxpayer can file for an extension in the event that the payer is ill, disabled, absent, or for good cause as deemed by the county treasurer from September 30 of the same calendar year to March 31 in the year taxes are due.

Amends Sections 425.20 and 435.22 | Effective May 26, 2023

HF 270 | Appeal of Property Tax Assessment for Disaster

Allows an informal assessment review to be requested until May 25 if the property is covered by a federal or state declaration of emergency between March 1 and May 20 in the year of assessment.

Amends Sections 441.30 and 441.37 | Effective July 1, 2023

HF 590 | Flood Mitigation Fund Repeal Date

Strikes the repeal date for the allocation of “Flying our Colors” license plate revenues to the flood mitigation funds pursuant to *Code of Iowa* Section 418.10.

Amends Section 321.34 | Effective July 1, 2023

SF 565 | Department of Revenue Omnibus

Division 10 clarifies which forms of pensions or annuities are considered “income” in regards to the eligibility of the Elderly and Disabled Property Tax Credit. This may increase the number of individuals eligible who qualify though this language is intended to reflect current practices rather than change policy.

Amends Section 425.17 | Effective June 1, 2023

Appendix A: Analysis of HF 718

Division 2:

Consolidation of levies and creation of a newly-defined adjusted city general fund levy (ACGFL)

Levy limitation based on property tax valuation growth “tiers”

Division 2 creates a new combined ‘adjusted city general fund levy’ (ACGFL) that combines several current levies into one. This new ACGFL is then subject to potential limitation or reduction for Fiscal Years 25-28, depending upon the city’s non-TIF taxable valuation growth compared to the previous year. Beginning in FY 29, cities retain the new ACGFL levy, but all cities go to an \$8.10 ACGFL maximum going forward.

(Note that those cities under \$8.10 in FY 28 will be allowed to go up to the \$8.10 maximum beginning in FY 29; those cities above the \$8.10 in FY 28 will be reduced to a maximum of \$8.10).

The League anticipates that this division will have a significant financial impact. Please see the League’s website for more detail and a breakdown of impacted levies. The League will continue to update the website as more information is available.

Division 5:

New homestead exemption for residential property owners of age 65 or more

Division 5 creates a new homestead exemption for property owners aged 65 and over, in addition to the current homestead credit. This additional exemption is \$3,250 for FY 25 and increases to \$6,500 beginning FY 26 and forward. There is no state reimbursement for the exemption created in this division, which will reduce taxable value for local governments.

Division 6:

New military service exemption expansion

Division 6 increases the military service exemption for eligible property owners to \$4,000 beginning FY 25. The military exemption will not be funded by the state in any amount beginning FY 25 and forward. This will result in a reduction in taxable value for local governments.

Division 7:

Property tax abatement agreements and limits

Division 7 requires that minimum assessment agreements for commercial properties be created and agreed upon in writing with the municipality before the project is eligible for property tax abatement under a revitalization area established under Chapter 404. This applies to revitalization areas created in FY 25 and after and for first-year exemption applications in existing revitalization areas filed on or after July 1, 2024.

In addition, Division 7 prohibits property tax abatement for the school district portion of revitalization areas for residential projects established under Chapter 404, beginning with revitalization areas created in FY 25 and after, and for first-year exemption applications in existing revitalization areas filed on or after July 1, 2024.

Cities are encouraged to consult their bond counsel on the potential impact of this provision of the legislation.

Division 8:

Regional transit funding

Allows the city of Des Moines to go up to 7.5% franchise fees, with any portion above 5% required to be dedicated to regional transit (DART).

Division 9:

County auditor reports to distinguish revaluation and other additions to tax base

Beginning with assessment year 24 (AY 24 or FY 26), annual county auditor reports must distinguish such values as revaluation or other types of addition to the value within the abstract to be provided to the Iowa Department of Management.

Division 10:

Requires new statement to be mailed to each property owner

Changes to the budget timelines, forms, hearings and processes

Division 10 requires that county offices mail each property taxpayer an annual statement and changes the budget process and timelines. All political subdivisions, including cities, must file a report annually by **March 15** with the Iowa Department of Management (DOM) containing the information specified in HF 718 to be included in the mailings. Then, by **March 20**, annually, the county auditor must send to each property owner or taxpayer by regular mail an individual statement containing the required information. This division moves the city's budget certification deadline to **April 30**, annually, beginning with the FY 25 budget.

Division 10 requires political subdivisions to provide notice and hold a public hearing on the proposed property tax amounts for the budget year and new taxpayer statements. This is a hearing in addition to the public hearing required to approve the annual budget and must be separate from any other meeting of the governing body.

Notice of the hearing shall also be posted on all city internet sites and social media accounts beginning on the publication date and shall be maintained with all prior year notices and copies of the statements.

This division repeals Sections 331.433A and 384.15A related to the "Max Property Tax to Levy" requirements.

Division 13:

Single date annually for bond elections

Division 13 requires all elections on issuing bonds or other indebtedness to be held on the first Tuesday after the first Monday in November, beginning with elections occurring on or after July 1, 2023.

Division 14:

Bond financing and reporting requirements

Division 14 includes a 30% increase to the limits to enter into loan agreements payable from the general fund and a 30% increase for general corporate purpose reverse referendum thresholds, beginning in FY 25.

This division also adds the requirement that an estimate of the annual increase in property taxes as the result of the bond issuance of a residential property with an actual value of \$100,000 be added to the notice of proposed action to issue a bond for an essential corporate purpose.

In addition, this division adds reporting requirements to the Annual Financial Report, beginning with the December 2025 report.