



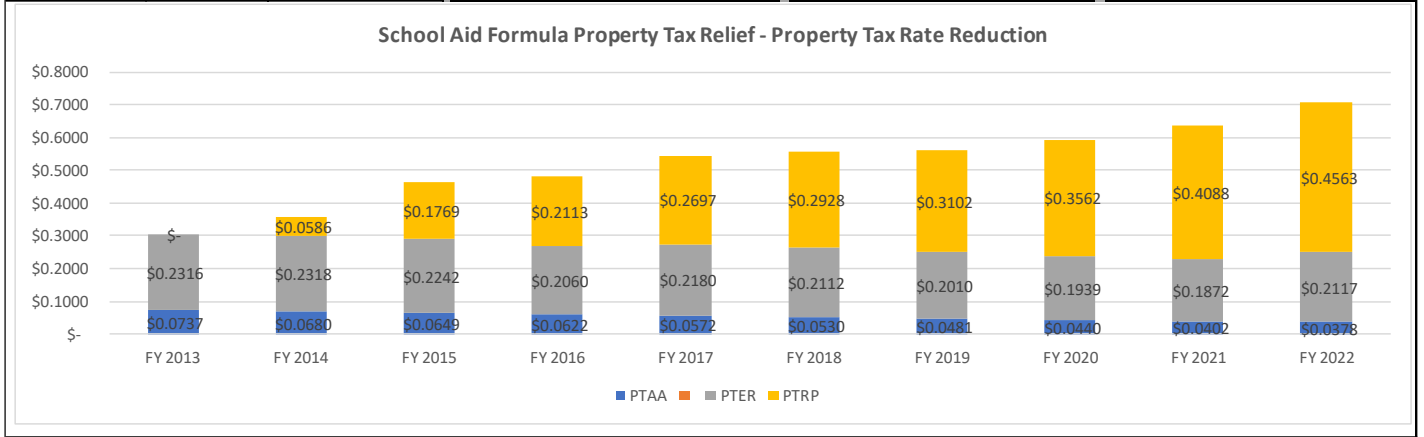
School Aid Formula Property Tax Relief and the Impact on School District Property Tax Rates

The Iowa school aid formula has three separate property tax relief provisions that replace a district's additional levy property tax dollars with state aid. These calculations are made in Section 8 of the Department of Management's aid and levy worksheet. In FY 2022, these three provisions totaled \$134.0 million and decreased property tax rates by \$0.7058/\$1,000 of taxable valuations (based on the statewide average). These provisions include:

- **Property Tax Adjustment Aid (PTAA):** This provision was created in FY 1992 and has a gradual phase-out. In FY 2022, 279 of 327 districts (85.3%) received property tax relief through this provision totaling \$7.2 million.
- **Property Tax Equity and Relief (PTER) Fund:** This provision was created in FY 2006 and includes a state General Fund appropriation of \$24.0 million and excess funds (\$16.2 million) from Secure an Advanced Vision for Education (SAVE) funds after the per pupil allocations for school infrastructure are made. There were 70 districts (21.4%) that received property tax relief through this provision totaling \$40.2 million in FY 2022. This amount will increase significantly over time as more SAVE revenue will be shifted to the PTER fund as a result of the SAVE extension enacted during the 2019 legislative session.
- **Property Tax Replacement Payment (PTRP):** This provision was created in FY 2014 and provides that the entire increase in the per pupil amounts resulting from the SSA state percent of growth rate is paid from state aid and eliminates the property tax portion of the increase. In FY 2022, the total per pupil property tax relief amount was \$153, and all school districts received property tax relief through this provision totaling \$86.6 million.

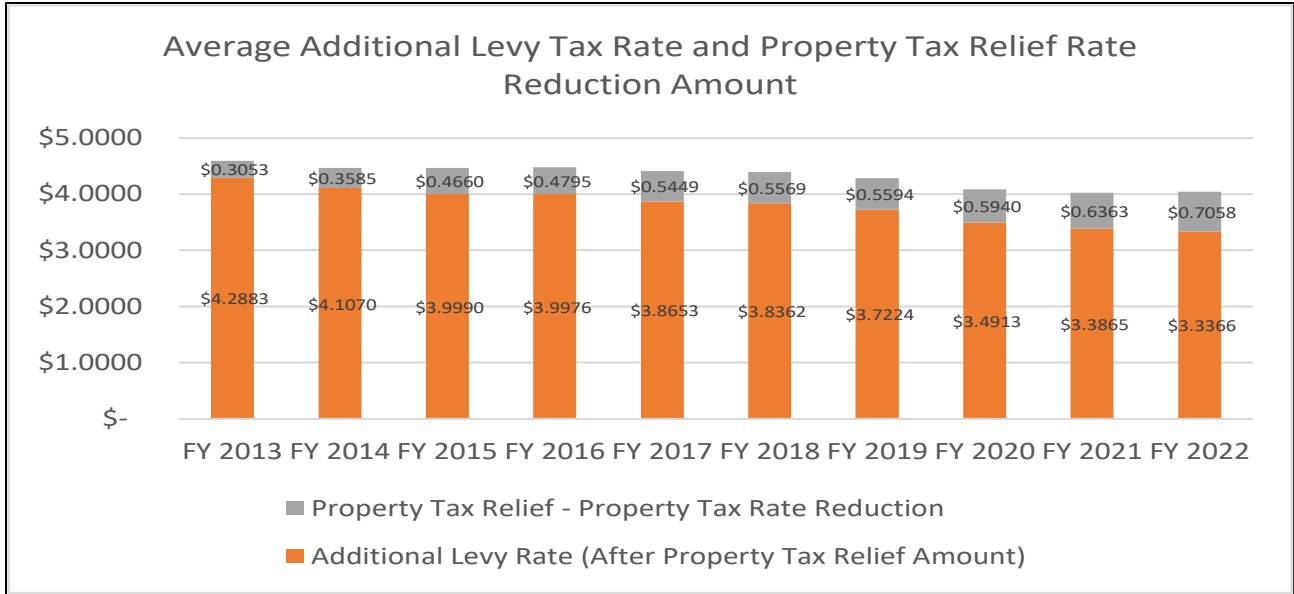
The following table and chart detail the school aid formula property tax relief provisions since FY 2013, including the overall tax rate reduction resulting from the provisions.

School Aid Formula Property Tax Relief Provisions: Funding Amounts and Statewide Average Property Tax Rate Reductions (FY 2013 to FY 2022)								
Fiscal Year	Prop. Tax Adjustment Aid (PTAA)		PTER Funds		PTRP Funds		Total Property Tax Relief	
	Total	Effective Prop. Tax Rate Reduction	Total	Effective Prop. Tax Rate Reduction	Total	Effective Prop. Tax Rate Reduction	Total	Effective Prop. Tax Rate Reduction
FY 2013	\$ 9,981,977	\$ 0.0737	\$ 31,380,842	\$ 0.2316	\$ -	\$ -	\$ 41,362,819	\$ 0.3053
FY 2014	\$ 9,579,942	\$ 0.0680	\$ 32,658,699	\$ 0.2318	\$ 8,256,992	\$ 0.0586	\$ 50,495,633	\$ 0.3585
FY 2015	\$ 9,330,089	\$ 0.0649	\$ 32,247,463	\$ 0.2242	\$ 25,445,360	\$ 0.1769	\$ 67,022,912	\$ 0.4660
FY 2016	\$ 9,146,074	\$ 0.0622	\$ 30,288,396	\$ 0.2060	\$ 31,078,566	\$ 0.2113	\$ 70,513,036	\$ 0.4795
FY 2017	\$ 8,780,537	\$ 0.0572	\$ 33,477,590	\$ 0.2180	\$ 41,405,579	\$ 0.2697	\$ 83,663,706	\$ 0.5449
FY 2018	\$ 8,460,494	\$ 0.0530	\$ 33,724,201	\$ 0.2112	\$ 46,764,210	\$ 0.2928	\$ 88,948,905	\$ 0.5569
FY 2019	\$ 8,079,309	\$ 0.0481	\$ 33,744,950	\$ 0.2010	\$ 52,081,306	\$ 0.3102	\$ 93,905,565	\$ 0.5594
FY 2020	\$ 7,731,002	\$ 0.0440	\$ 34,110,771	\$ 0.1939	\$ 62,648,930	\$ 0.3562	\$ 104,490,703	\$ 0.5940
FY 2021	\$ 7,389,832	\$ 0.0402	\$ 34,380,319	\$ 0.1872	\$ 75,084,077	\$ 0.4088	\$ 116,854,228	\$ 0.6363
FY 2022	\$ 7,172,360	\$ 0.0378	\$ 40,206,402	\$ 0.2117	\$ 86,643,432	\$ 0.4563	\$ 134,022,194	\$ 0.7058
Total Change	\$(2,809,617)	\$ (0.036)	\$ 8,825,560	\$ (0.0199)	\$ 86,643,432	\$ 0.4088	\$ 92,659,375	\$ 0.4005
Tot. % Change	-28.1%	-48.7%	28.1%	-8.6%	1049.3%	697.5%	224.0%	131.2%



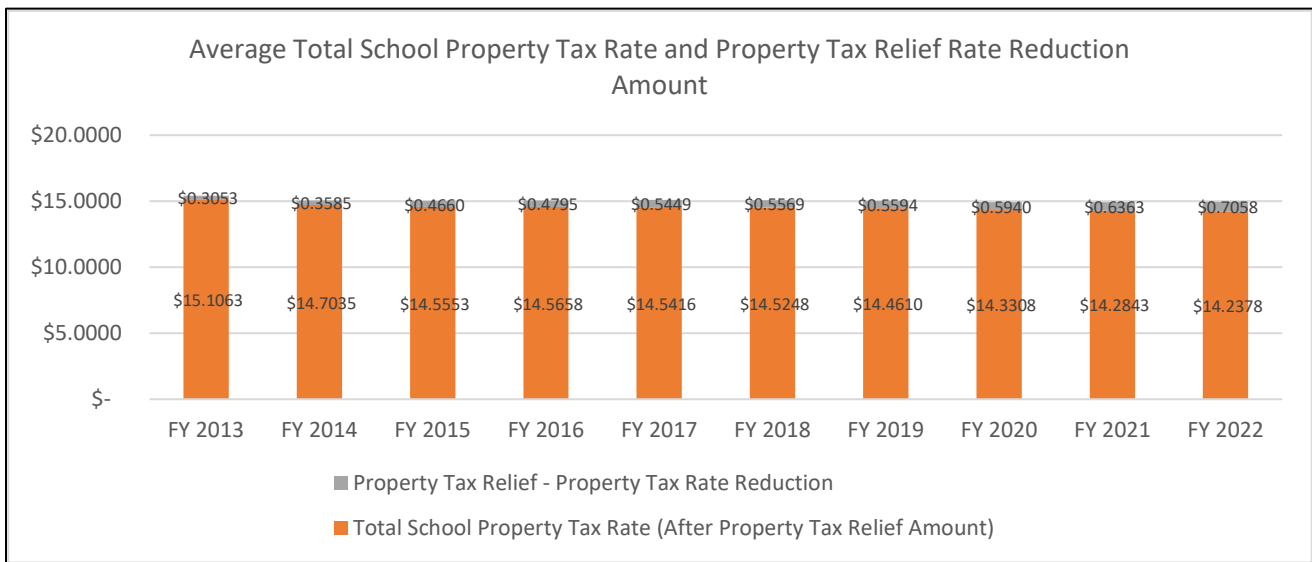
Property Tax Relief Impact on the Additional Levy Property Tax Rate

It should be noted that the property tax relief provisions are applied to the additional levy in the school aid formula. With the property tax relief provisions in place, the statewide additional levy rate has decreased from \$4.2883/\$1,000 in FY 2013 to \$3.3366/\$1,000 in FY 2022 (a reduction of \$0.9517 or -22.2%). However, even without the property tax relief provisions in place, the average statewide additional levy rate would have decreased from \$4.5936/\$1,000 of taxable valuation to \$4.0424/\$1,000 (a reduction of \$0.5512 or -12.0%). The following chart provides the average school aid formula additional levy rate (in orange) and the property tax relief property tax rate reduction amount (in gray). This chart shows the direct property tax rate impact (\$0.3053/\$1,000 of taxable valuation in FY 2013 and \$0.7058/\$1,000 in FY 2022) on the statewide additional levy rate resulting from the property tax relief provisions.



Property Tax Relief Impact on the School Property Tax Rate

While the property tax relief is targeted at the school aid formula additional levy, it also has an impact on the overall school property tax rate. With the property tax relief provision in place, the statewide average total school district property tax rate has decreased from \$15.1063/\$1,000 in FY 2013 to \$14.2378/\$1,000 in FY 2022 (a reduction of \$0.8685 or -5.7%). However, even without the property tax relief provisions in place, the average statewide total school property tax rate would have decreased from \$15.4115/\$1,000 of taxable valuation to \$14.9436/\$1,000 (a reduction of \$0.4679 or -3.0%). The following chart provides the average school total school property tax rate (in orange) and the property tax relief property tax rate reduction amount (in gray).



Analysis of the Property Tax Relief Amounts and the Impact on Property Tax Rates

The impact of the property tax relief provisions will vary greatly between districts. District specific information on property tax relief and the impact on the school property tax rate is available [here](#). On a statewide basis based on the statewide averages:

- Prior to any property tax relief, the additional levy property tax rate would have decreased by \$0.5512 (-12.0%). Including the property tax relief amount the average additional levy property tax rate has decreased by \$0.9517 (-22.2%).
- Prior to any property tax relief, the total school property tax rate would have decreased by \$0.4679 (-3.0%). Including the property tax relief amount the average additional levy property tax rate has decreased by \$0.8685 (-5.7%).

	Property Tax Relief - Property Tax Rate Reduction	Additional Levy Property Tax Rate not Adjusted for Property Tax Relief*	Additional Levy Rate (After Property Tax Relief Amount)	Total School Property Tax Rate Not Adjusted for Property Tax Relief*	Total School Property Tax Rate (After Property Tax Relief Amount)
FY 2013	\$ 0.3053	\$ 4.5936	\$ 4.2883	\$ 15.4115	\$ 15.1063
FY 2014	\$ 0.3585	\$ 4.4654	\$ 4.1070	\$ 15.0620	\$ 14.7035
FY 2015	\$ 0.4660	\$ 4.4650	\$ 3.9990	\$ 15.0213	\$ 14.5553
FY 2016	\$ 0.4795	\$ 4.4771	\$ 3.9976	\$ 15.0453	\$ 14.5658
FY 2017	\$ 0.5449	\$ 4.4102	\$ 3.8653	\$ 15.0865	\$ 14.5416
FY 2018	\$ 0.5569	\$ 4.3931	\$ 3.8362	\$ 15.0818	\$ 14.5248
FY 2019	\$ 0.5594	\$ 4.2817	\$ 3.7224	\$ 15.0204	\$ 14.4610
FY 2020	\$ 0.5940	\$ 4.0853	\$ 3.4913	\$ 14.9248	\$ 14.3308
FY 2021	\$ 0.6363	\$ 4.0228	\$ 3.3865	\$ 14.9206	\$ 14.2843
FY 2022	\$ 0.7058	\$ 4.0424	\$ 3.3366	\$ 14.9436	\$ 14.2378
	Change in Tax Rate	\$ (0.5512)	\$ (0.9517)	\$ (0.4679)	\$ (0.8685)
	% Change in Tax Rate	-12.0%	-22.2%	-3.0%	-5.7%
*Calculated average tax rate prior to adjustment for the Property Tax Adjustment Aid (PTAA), Property Tax Equity and Relief (PTER) funds, and Property Tax Replacement (PTRP) funds.					

Foundation Level Change Starting in FY 2023

During the 2021 legislative session, the legislature eliminated the commercial and industrial rollback backfill payment to school districts and increased the regular program foundation level from 87.5% to 88.4% beginning in FY 2023. The overall result of this change will be revenue neutral on a statewide basis, but the impact will vary between districts. Increasing the foundation level to 88.4% will provide additional property tax relief through the school aid formula, replacing additional levy tax dollars with state aid dollars.

To learn more about school aid property tax relief, watch the [SBO Webinar Series recording on property tax relief](#).