



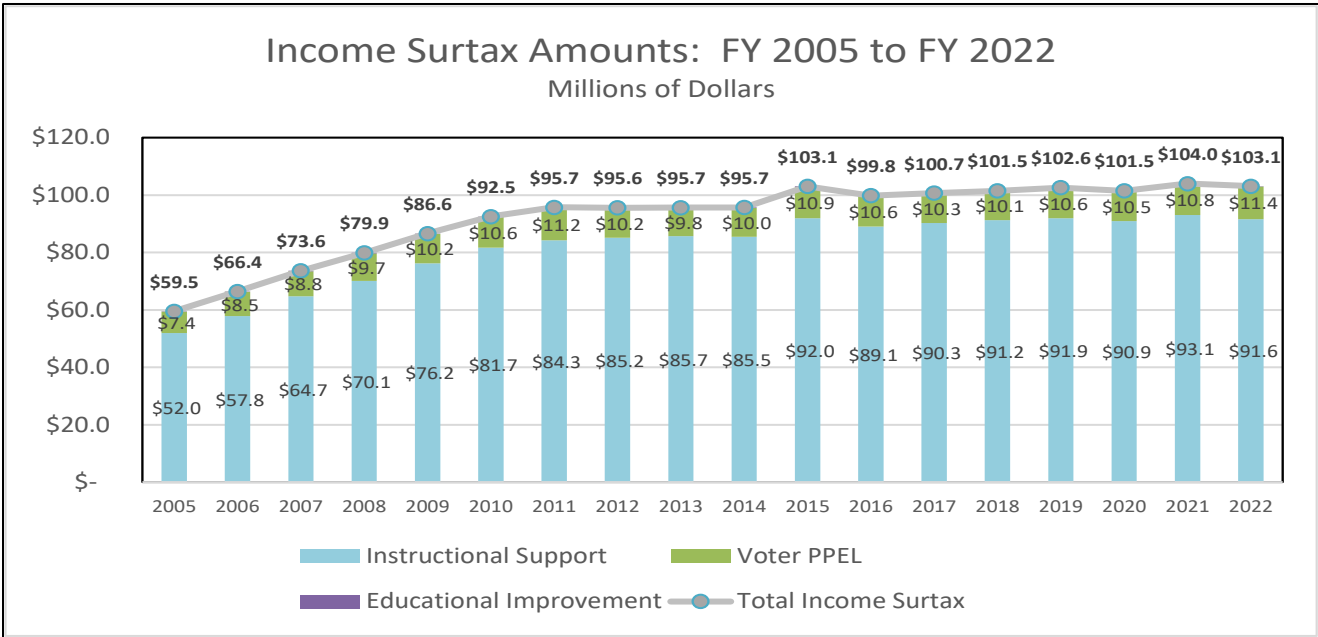
# School District Income Surtax and Impact on Property Taxes

Income surtax, with appropriate approval, can be used in combination with property taxes to fund the instructional support program (ISL), the educational improvement program, and the voter-approved physical plant and equipment levy (PPEL). Usage of income surtax replaces property tax dollars and provides reductions in the school district property tax rates. The aggregate total income surtax rate cannot exceed 20%. To use income surtax, the resolution (board approved or ballot) must specify the use of income surtax (and property taxes) as one of the funding sources for the following programs:

- **Voter Approved PPEL:** Use of income surtax for the voter-approved PPEL occurs when voters approve the use of PPEL. In FY 2022, 93 of the 272 districts (34.2%) that have a Voter Approved PPEL used income surtax that generated \$11.4 million in revenue.
- **Instructional Support Program:** Implementation of income surtax for this program occurs when the board adopts a resolution to implement the program (up to 5 years) or when voters approve implementation of the program (up to 10 years). In FY 2022, 277 districts of the 325 districts (85.2%) that had ISL, used income surtax that generated \$91.6 million in revenue.
- **Educational Improvement Program:** Implementation of income surtax for this program is approved by the board, but participation in this program was limited to a very few number of districts (and required voter approval) when it was created in the late 1980's. Currently, the program is limited to three districts. In FY 2022, one of those three districts implemented the income surtax totaling \$112,000 in revenue.

It should be noted that there is an 18-month lag time from the year income surtax is first authorized and receipt of the surtax. However, spending authority for the instructional support program is received in the first year.

The following chart provides the total income surtax amounts from FY 2005 through FY 2022 by program area. In FY 2005, the amount totaled \$59.5 million; since FY 2015, the amount has hovered around \$100 million. For FY 2022 the amount totaled \$103.1 million, down from its highest amount in FY 2021. For all years, the instructional support program accounted for the largest portion of the total income surtax amount.



In FY 2022, 285 of the 327 school districts (87.2%) used income surtax to fund at least one of the programs. Additionally in FY 2022, the income surtax replaced property taxes by a total of \$103.1 million and the average property tax rate equivalent (the amount income surtax offset property taxes) was \$0.5059 per \$1,000 of taxable valuations (see table below). The following IASB tools provide additional information specifically on income surtax:

- [Financial Focus – Income Surtax Usage and Impact](#)
- [FY 2022 Income Surtax Information by School District](#) - This file provides income surtax rates, estimated income surtax funding, and estimated impact on the school district's property tax rate for each school district.

The following table provides FY 2022 income surtax usage and property tax rate equivalent information broken down by enrollment size category. For each enrollment category less than 2,500, at least 90.0% of the districts implemented an income surtax.

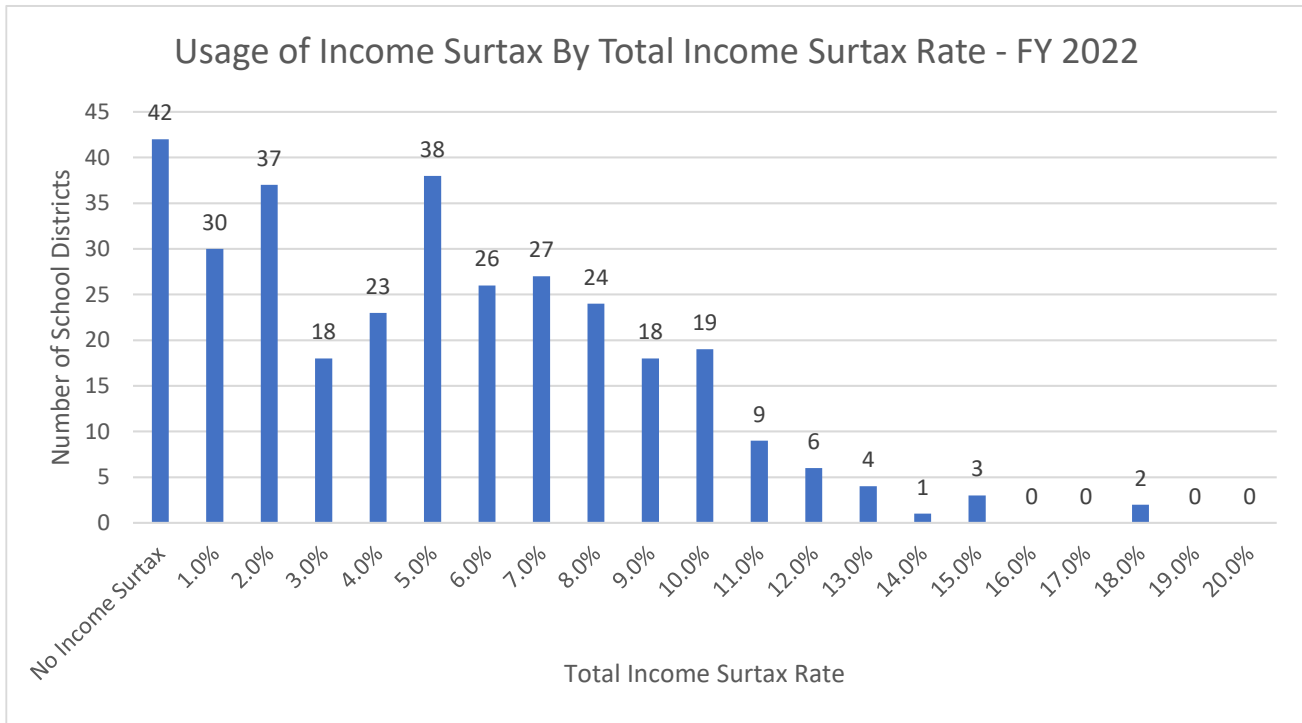
### FY 2022 Income Surtax Information by Enrollment Size Category

Budget Enrollment Size Category	Number of Districts	Number of Districts With Income Surtax	% of Districts with Surtax	Enrollment Amount	Median Income Surtax Rate	Maximum Income Surtax Rate	Average Property Tax Rate Equivalent*	Median Property Tax Rate Equivalent	Maximum Property Tax Rate Equivalent
<250	24	23	95.8%	4,691.4	6.0%	15.0%	\$ 0.5556	\$ 0.6150	\$ 1.0699
250-399	38	35	92.1%	12,139.9	5.0%	18.0%	\$ 0.5083	\$ 0.5186	\$ 1.7818
400-599	83	76	91.6%	41,839.8	5.0%	18.0%	\$ 0.5932	\$ 0.5461	\$ 2.2196
600-999	71	65	91.5%	54,770.3	5.0%	15.0%	\$ 0.6670	\$ 0.5802	\$ 1.7213
1,000-2,499	75	68	90.7%	110,929.9	5.0%	12.0%	\$ 0.7093	\$ 0.8280	\$ 1.8275
2,500-7,499	24	15	62.5%	97,978.0	1.5%	11.0%	\$ 0.4266	\$ 0.3059	\$ 1.3959
7,500 and up	12	3	25.0%	161,809.2	0.0%	5.0%	\$ 0.2931	\$ -	\$ 1.2033
<b>All Districts</b>	<b>327</b>	<b>285</b>	<b>87.2%</b>	<b>484,158.5</b>			<b>\$ 0.5059</b>	<b>\$ 0.6043</b>	<b>\$ 2.2196</b>

\*Property tax rate equivalent is the offset in the property tax rate due to the implementation of income surtax. Property tax rate amounts are based on \$1,000 of taxable valuations.

Budget enrollments displayed are for FY 2022 and are the certified enrollments from October 2020.

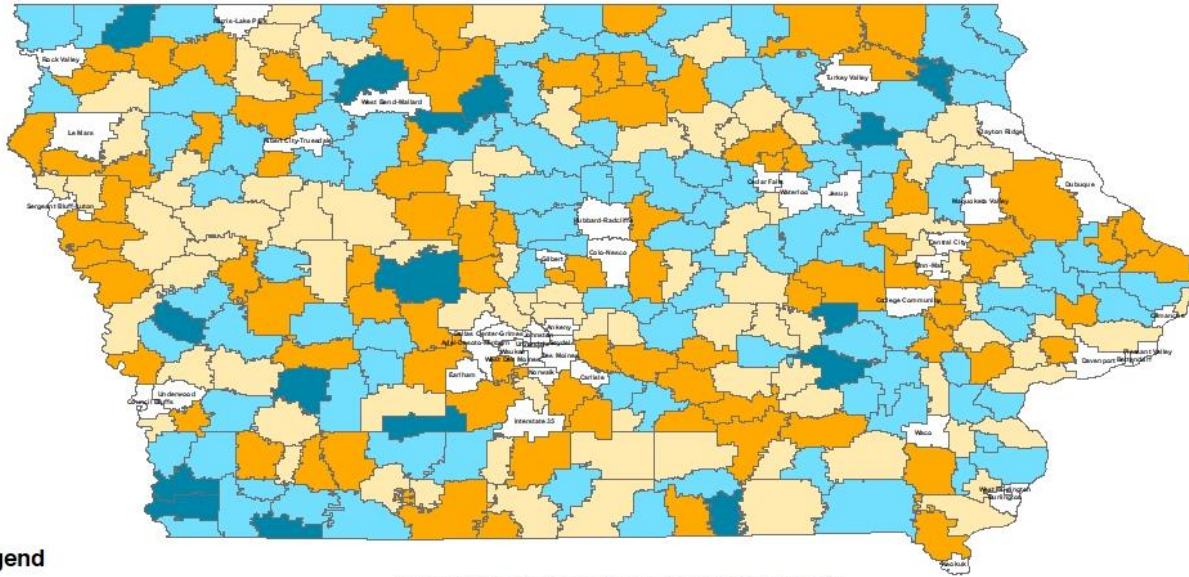
The following chart shows the number of districts at the specific total income surtax rate for FY 2022. Not including the number of districts with no income surtax (42 or 12.8% of all districts), the largest number was 38 districts with a total income surtax rate of 5.0%.



The following map provides total income surtax rates in FY 2022. To view a larger map, click [here](#).



## Iowa Association of School Boards FY 2022 Total Income Surtax Rate by School District



### Legend

#### Total Income Surtax Rate - FY 2022

- No Income Surtax (42 Districts)
- 1% to 3% (85 Districts)
- 4% to 6% (87 Districts)
- 7% to 11% (97 Districts)
- 12% to 18% (16 Districts)

Total income surtax rate is the aggregate total of a district's income surtax rates for (if applicable):

- Instructional Support (ISL) Program
- Voter Approved Physical Plant and Equipment Levy (PPEL)
- Educational Improvement Program (program is limited to three qualifying districts only)

Sources:  
Iowa Department of Management, School Aid file  
IASB analysis and calculations