

## **SPECIAL REVENUE FUNDS**

### **EMERGENCY TAX LEVY**

#### **GENERAL INFORMATION:**

State statutes allow cities in the State of Iowa to levy an “emergency tax” of up to \$.27 per \$1,000 of valuation if the General Fund tax levy of a city is at its limit. This tax is required to be levied in a Special Revenue Fund and transferred to the General Fund. Until the 2001/2002 budget year, the City of Muscatine had not levied an emergency tax in more than twenty years.

The City implemented the emergency tax levy for 2001/2002 to help offset the loss of revenue from the State reimbursement for lost taxes on Machinery and Equipment (M&E) valuations. The State of Iowa eliminated taxes on machinery and equipment primarily used in manufacturing, effective with equipment and machinery acquired after January 1, 1994. The law provided that this M&E tax elimination plan would be phased in over a ten-year period. During the first five years of the plan, cities were reimbursed by the State for the reduced taxes due to the reduction in M&E values. Beginning in the sixth year (2001/2002 budget), however, the State reimbursement was also to begin to be phased out according to provisions in the state law. Cities were required to offset increases in commercial and industrial valuations since January 1, 1994 against the loss in M&E valuations before computing a state reimbursement. Since the City of Muscatine’s increase in commercial and industrial valuations since January 1, 1994 exceeded the loss of M&E tax values, the City was no longer eligible to receive a State reimbursement for lost M&E taxes beginning in 2001/2002. The State reimbursement for M&E taxes was \$415,419 for 2000/2001 and it was reduced to zero for 2001/2002.

After the City’s 2003/2004 budget was completed, the state eliminated funding to cities of the Population Allocation, General Allocation and Moneys and Credits. This was a direct reduction of \$360,000 in General Fund revenues for 2003/2004 and future years. Due to these funding reductions, the City continued to use the Emergency Tax to fund city services until the 2011/2012 fiscal year.

The emergency levy generated a total of \$196,964 of property tax and utility tax replacement excise tax revenue for 2009/2010. These amounts are usually transferred to the General Fund. In 2009/2010 \$80,000 of these funds were budgeted to remain in the Emergency Tax Levy fund. With economic uncertainties in the national, state and local economy, these funds were set aside for future General Fund needs or for future emergency events. These funds along with the interest earned on these funds will remain in the Emergency Tax Levy fund through the 2013/2014 fiscal year.

For 2010/2011 the City Council chose to implement a Utility Franchise Fee for Alliant Energy, the franchised provider of natural gas in the community. Changes were made in the State Code of Iowa which allow cities to impose franchise fees of up to 5% on providers of electricity and natural gas in cities. As Muscatine Power & Water is a municipal utility which furnishes electric service in the city, it is not under a franchise agreement and therefore is not eligible for a franchise fee. Implementation of this fee allowed the City to reduce the Emergency Levy rate for 2010/2011 from \$.27/\$1,000 to \$.08/\$1,000 which generated \$59,447. At the maximum of \$.27/\$1,000, this levy would have generated \$198,971 in 2010/2011.

The Emergency Tax levy was eliminated in the budget for 2011/2012 and was also not levied in either the 2012/2013 or 2013/2014 budgets. The \$80,000 from 2009/2010 that was set aside for future General Fund needs is budgeted to remain in the Emergency Tax Levy fund in 2013/2014.

## Emergency Tax Levy Fund

### Fund Statement

	<u>Actual</u> <u>2010/2011</u>	<u>Actual</u> <u>2011/2012</u>	<u>Budget</u> <u>2012/2013</u>	<u>Revised</u> <u>Estimate</u> <u>2012/2013</u>	<u>Budget</u> <u>2013/2014</u>
Beginning Balance, July 1	\$ 80,000	\$ 80,165	\$ 80,265	\$ 80,301	\$ 80,401
Revenues					
Property Tax	\$ 59,017	\$ 0 (2)	\$ 0	\$ 0 (2)	\$ 0 (2)
Utility Tax Replacement Excise Tax	265	0 (2)	0	0 (2)	0 (2)
Interest	<u>165</u>	<u>136</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total Revenues	<u>\$ 59,447</u>	<u>\$ 136</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>
Funds Available	\$ 139,447	\$ 80,301	\$ 80,365	\$ 80,401	\$ 80,501
Expenditures					
Transfers Out					
General Fund	<u>59,282</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance, June 30	<u>\$ 80,165 (1)</u>	<u>\$ 80,301 (1)</u>	<u>\$ 80,365</u>	<u>\$ 80,401 (1)</u>	<u>\$ 80,501 (1)</u>

Increase (Decrease) in					
Fund Balance	\$ 165	\$ 136	\$ 100	\$ 100	\$ 100

1. For the 2009/2010 budget, City Council chose to transfer all except \$80,000 of this levy to the General Fund. This was due to economic uncertainties in the national, state and local economies. These funds have been set aside for future General Fund needs or for future emergency events. These funds are budgeted to remain in this fund in the 2013/2014 budget.
2. An Emergency Levy was not included in the budgets for 2011/2012, 2012/2013, or 2013/2014.