



IOWA DEPARTMENT OF EDUCATION

Equalization Levy

Updated 2014

1. What is an equalization levy?

It is a property tax levy authorized by Iowa Code Section 275.31 that a district may utilize following a dissolution, voluntary or involuntary, or a reorganization.

2. When may it be utilized?

There are two possible situations that justify use of the equalization levy, beyond the mandatory levy required in section 76.2 related to bonded indebtedness.

Situation A: It may be used when assets cannot otherwise be equitably distributed among recipient districts, e.g., districts receiving buildings, cash, and/or other assets of a dissolving district.

Situation B: It may be used when a dissolving district's liabilities exceed its assets in any tax fund, and a mechanism is needed to collect revenue from the dissolved district to balance assets and liabilities in each fund.

	Situation A	Situation B
Reorganization	Unlikely	Unlikely
Dissolution	District A receives a usable building valued \$50,000. District B receives all cash in the amount of \$10,000. \$40,000 of equalization levy is distributed to District B. The levy is applied only to Dissolving District C.	Dissolving District C has \$100,000 in assets and \$250,000 in liabilities. Equalization Levy: \$150,000 is distributed to District A and B pursuant to the agreed upon division of assets and liabilities. (\$75,000 to District A and \$75,000 to District B if it is determined by the joint boards that the division of assets is 50/50). The levy is applied only to Dissolving District C.

3. When will the equalization levy be certified and how many years may a district have an equalization levy?

For the mandatory levy required in section 76.2 for bonded indebtedness, the equalization levy may be certified for as many years as necessary to retire the indebtedness.

For the situations A and B above, the levy will normally be implemented only once on the budget certified by the boards of each district receiving territory from the dissolved district on April 15 following the effective date of the dissolution or the date on which the distribution of assets and liabilities was determined, whichever occurs later. However, if the districts receiving territory agree to spread the total amount necessary for equalization over a short but reasonable time period of a few years due to the tax levy that would be created being unreasonably high, the recipient districts will include this in a written agreement.

4. Which boards may utilize the equalization levy?

As part of the joint board action on equitable distribution of liabilities and division of assets of the affected districts (those receiving territory of the dissolving district), a determination will be made if an equalization levy is necessary. If so, the levy will apply to all territory of the dissolving district. In the written joint board action agreement, the boards of the affected districts will determine how they will distribute the equalization levy proceeds, when received, to the appropriate recipient district. This method might be that all districts receiving money shall transmit equalization levy proceeds to the district serving as the fiscal agent for the dissolved district. If so, transmitting proceeds within thirty days of receipt would be reasonable. The districts might instead establish a method to distribute the levy directly to other affected districts as appropriate and outlined in the agreement.

5. To what territory is the equalization levy applied?

The levy is applied to all of the territory of the dissolved district without regard to where it is now attached.

6. What fund is used to receipt the equalization levy in the levying districts?

It is a special revenue fund (fund 25). Appropriate expenditures from that fund are limited to transfers to the funds, in the same proportion, for which equalization was necessary and for which the taxes were levied (IAC 281—92.112(2)).

7. What if this occurs too late to be considered in the equalization levy?

Scenario A: If within three years of reorganization or dissolution, the district may request use of its unexpended General Fund balance for the demolition costs of an unused school building or the costs of converting an unused school building for community use. This would be funded from the General Fund unexpended fund balance rather than an equalization levy and must be approved by the School Budget Review Committee (SBRC) pursuant to section 257.31(7)"a"(2)

Scenario B: If beyond three years of the reorganization or dissolution, the asset belongs to the district and would be demolished in the same way as any other district facility using PPEL or SAVE funds. Converting the unused school building for community use would no longer be an appropriate use of district funds, unless the building will be used for public recreation in a district that has implemented the educational and recreational tax (PERL) under chapter 300.

In either scenario A or B, requesting modified supplemental amount approval from the SBRC for the costs of abatement of asbestos or other hazardous material in the General Fund is permitted by section 257.31(6).