

School Infrastructure Local Option Tax

Iowa Code §§423E.1-6

The school infrastructure local option tax (SILO Tax) is comprised of a maximum one-cent tax on all non-exempt goods and services sold in the county in which the tax has been approved. Exempt goods and services include unprepared food, automobiles, motor fuel, prescription drugs, lottery tickets, hotels, Department of Transportation equipment, and agricultural and farm machinery and equipment, resale items, self-propelled building equipment or any other sales exempted from State of Iowa sales tax collection in Iowa Code §422.45.

A SILO tax can be adopted by:

1. Determine the amount of, not to exceed one cent, the time period, not to exceed, 10 years and the purposes for which the tax will be used in one of the following ways:
 - a. One or more school boards equal to one-half of the county's population or the board of supervisors by motion;
 - b. The board of supervisors by motion; or
 - c. The public through a petition signed by eligible voters equal to five percent of those voting in the last general election submitted to the board of supervisors.
2. Direct the county commissioner of elections to call an election to approve the levy for the amount and the length of time determined by the school boards, board of supervisors or the petition. The board of supervisors must within 30 days of receiving a petition direct county commissioner of elections to hold the election. The election is held at the state general election or a special election any time other than at the time of a city special election. The election may be held at any time but not sooner than 60 days following publication of the ballot proposition.
3. Each school district in the county may submit a Revenue Purpose Statement to the county auditor at least 60 days prior to the election. The statement may be more specific than the ballot language and may include property tax relief for debt or the Physical Plant and Equipment levy (PPEL). The statement must be made available at the polling place and published in a newspaper of general circulation no sooner than 20 days and no later than 10 days prior to the election. A change of use election may be undertaken to change the intended revenue purpose for a specific school district.
4. The effective date shall be either January 1 or July 1, but not sooner than 90 days following the favorable election.
5. Upon approval of a majority of the voters voting in the county, the tax is collected for the amount and the time period approved by the voters.
6. Repeal, increase or reduction of the tax, or the change of use election, must follow the same manner as the adoption and any outstanding bonds must be provided for prior to repeal.
7. Certifying the tax as approved by the voters to the county auditor and DE by April 15 as part of the school district's budget.

Uses for SILO Tax Funds

Uses for SILO tax funds and interest are limited to infrastructure purposes, including:

1. Construction, Reconstruction, Repair, or Demolition.
2. Purchasing or remodeling schoolhouses, stadiums, gyms, fieldhouses and bus garages.
3. Procurement of schoolhouse construction sites and making of site improvements.
4. Payment or retirement of bonds issued for school infrastructure purposes.
5. Payment of 10-year negotiable interest-bearing bonds issued by school board action.
6. Any lawful physical plant and equipment levy purpose (equipment, computers, buses, lease-purchase) or public education and recreation levy purpose (adult education, playgrounds, etc.)

Revenue Payments

School districts approving the SILO tax will receive funds from the Department of Revenue and Finance in monthly installments, with 95 percent of estimated revenues received prior to August 31 each year, and the final payment made prior to November 10 after the close of the fiscal year. The Department's Director may revise estimated revenue monthly. The funds are distributed among school districts in the county based on the county of residence for a school district's actual enrollment. Taxes may initially be collected beginning on January 1 or July 1, a minimum of 90 days following voter approval.

Supplemental payments from the state, if appropriated or paid into the Secure an Advanced Vision for Education (SAVE) Fund, may be made to districts with SILO revenue below the statewide average. Supplemental appropriations begin in the year beginning July 1, 2004. If sufficient funds are not available to bring every participating district up to the statewide average, the fund balance is prorated. The SAVE fund and all subsequent SILO taxes sunset on December 31, 2022, as specified by SF 445 enacted in the 2003 legislative session.

Exemptions

The SILO tax is applied to purchases the same way the state sales tax, meaning that everything taxed at the 5th penny for state sales tax is likewise taxed for local option. One major exception is residential utilities, taxed by local option, but the state sales tax for residential utilities is being phased out. As an example of excluded items, since farm machinery and equipment is excluded from state sales tax, it is also excluded from local option. There are a few items specifically excluded from SILO tax collection.

Collection of SILO tax on the following items is specifically excluded:

- Sales on motor vehicles (use tax, not a sales tax)
- Motor fuel or special fuel
- Hotel or motel room rental if a hotel/motel tax is assessed
- State lottery tickets
- Equipment sold by the Iowa Department of Transportation
- Unprepared Food and Pharmaceuticals
- Resale items
- Utilities if a Franchise Tax or User Fee already is assessed

***This document is provided for information purposes only. Prior to Board action on this matter, be sure to have your school attorney review any and all related documents.*