



---

[HF 206](#) – Property Tax Assessments, Aboveground Storage Tanks (LSB1206HV)  
Staff Contact: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)  
Fiscal Note Version – New

---

**Description**

[House File 206](#) exempts an aboveground storage tank of any size from property taxation if the storage tank is not attached to real property described in Iowa Code section [427A.1\(3\)](#). The change is retroactive and applies to assessment years (AY) 2023 and after (FY 2025).

The Bill makes Iowa Code section [25B.7](#) (State funding of property tax credits and exemptions) inapplicable to the new exemption.

**Background**

Iowa Code section 427A.1 specifies that structures and improvements that are attached to land or buildings shall be considered real property and subject to property tax. The definition of “attached” is provided in Iowa Code section 427A.1(2). Iowa Code section 427A.1(3) provides an exception to the definition of “attached” by stating:

*...property is not “attached” if it is...ordinarily removed when the owner of the property moves to another location.*

The Bill adds another exception to the meaning of the word “attached” as it relates specifically to aboveground storage tanks by incorporating the language in Iowa Code section 427A.1(3) and by adding that the size of the tank in question is not a factor in determining whether the tank is real property that is subject to property tax.

The Department of Revenue’s [Iowa Real Property Appraisal Manual](#) specifies how aboveground storage tanks are to be assessed and valued by assessors. The portion that pertains to the assessment and value of aboveground tanks begins with tank capacities as low as 1,000 gallons (133.7 cubic feet).

**Assumptions**

- Iowa law currently includes an aboveground storage tank as real property and subject to property tax as long as the tank is not determined to be property that is “ordinarily removed when the owner of the property moves to another location.”
- Aboveground storage tanks are classified as commercial or industrial (C/I) property for property tax purposes.
- A review of 16 assessor areas in Iowa conducted by the Iowa State Association of Assessors and representing 40.4% of the statewide C/I taxed value in the State determined that assessed aboveground storage tanks represent 0.58% of all the C/I value within those assessor areas. This percentage is assumed to apply to all 106 assessor areas within the State.
- The statewide total C/I taxed value for FY 2023 is \$50.7 billion. Aboveground storage tanks are assumed to represent 0.58% of that statewide amount, or \$291.9 million.
- The statewide average C/I property tax rate for FY 2023 is \$35.03 per \$1,000 of taxed value. Of that \$35.03 tax rate, \$5.40 represents the school finance basic levy.

- By action of the State school aid formula, property tax exemptions increase the State General Fund appropriation to schools by \$5.40 per \$1,000 of exempted value.
- The preceding three assumptions combined result in the following fiscal impact, should the full value of all currently taxed aboveground storage tanks become exempt from property tax (beginning with FY 2025):
  - A projected decrease in annual property taxes owed by owners of aboveground storage tanks of \$10.2 million.
  - A projected increase in the annual State General Fund appropriation for school aid of \$1.6 million.
  - A projected decrease in annual local government property tax revenue of \$8.6 million.

**Fiscal Impact**

The Bill will increase the annual State General Fund appropriation for school aid and decrease annual local government property tax revenue, although the level of impact cannot be projected without knowledge as to how the law change will be implemented by the Department of Revenue and local assessors. The Bill leaves in place the requirement that to qualify for the exemption, the aboveground tank must be property that is ordinarily removed when the owner of the property moves to another location. However, the Bill expands the existing exemption by allowing it to apply to a tank of any size.

To have a fiscal impact, the implementation of the Bill by the Department of Revenue and local assessors must result in tanks qualifying for the property tax exemption that do not qualify under current law. If the enactment of this Bill results in a property tax exemption applicable to all aboveground storage tanks regardless of size, the annual State General Fund appropriation for school aid is projected to increase \$1.6 million and annual local government property tax revenue is projected to decrease \$8.6 million. The annual fiscal impacts would begin with FY 2025.

**Sources**

Iowa State Association of Assessors  
 Department of Revenue  
 Department of Management property tax rate and value files  
 Legislative Services Agency calculations

/s/ Jennifer Acton

---

February 14, 2023

Doc ID 1369065

---

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.