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## BUDGET UNIT BRIEF – FY 2023

Fiscal Services Division

July 1, 2022



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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Commercial and Industrial Property Tax Replacement

### Background

One of the components of Senate File 295 (Property Tax Changes and Income Tax Credit Act of 2013) was a reduction in the taxable value of Iowa properties classified as commercial, industrial, or railroad. The reduction was accomplished by establishing a defined rollback<sup>1</sup> of 95.0% of the assessed value for those property classes for assessment year 2013 and 90.0% for assessment year 2014 and after.<sup>2</sup>

Senate File 295 also created a State General Fund standing appropriation to reimburse local governments for the reduced revenue that would result from the newly defined rollback. Although the new rollback applies to commercial, industrial, and railroad property, the local government reimbursement only applies to the revenue reduction associated with commercial and industrial property. Railroad property tax reductions are not reimbursed.

An additional provision of SF 295 created a property classification called "multiresidential." This new class of property is for business property that is used for human habitation (apartments, nursing homes, etc.) where the residency is for an extended period of time. The new class was created effective FY 2017, and beginning with that fiscal year, the property tax replacement payments to local governments no longer includes reimbursements for the reductions in taxable value associated with the new class of property.

For fiscal years 2015 through 2017, the standing appropriation was unlimited and equaled the total revenue reduction across all local governments. For FY 2018 and after, the standing appropriation is limited to no more than the amount of the actual FY 2017 appropriation. If the statewide local government revenue reduction in FY 2018 or after exceeds the FY 2017 level, the reimbursements to each local government are prorated. The standing appropriation is exempt from Iowa Code section 8.31(5) (Governor's authority to make across-the-board appropriation reductions).

The Department of Revenue is responsible for administering the appropriation and calculating any necessary proration. County treasurers and auditors assist in the calculations and administration of the reimbursements.

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<sup>1</sup> In Iowa's property tax system, a rollback is the percentage of a property's assessed value that is subject to property tax. A rollback of 90.0% would cause a property with an assessed value of \$100,000 to have a taxed value of \$90,000.

<sup>2</sup> Taxes for assessment year 2013 are paid in the fall of 2014 and the spring of 2015, so the rollback first impacts FY 2015 State and local government finances.

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### More Information

Iowa Department of Revenue: [tax.iowa.gov](http://tax.iowa.gov)  
Property Tax Changes Act of 2013: [www.legis.iowa.gov/legislation/BillBook?ga=85&ba=sf295](http://www.legis.iowa.gov/legislation/BillBook?ga=85&ba=sf295)  
LSA Staff Contact: Jeff W. Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)

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**Funding**

For FY 2015, local government reimbursements totaled \$78.2 million; for FY 2016 the total was \$162.1 million;<sup>3</sup> and for FY 2017 the total was \$152.1 million. For FY 2018 and after, the annual reimbursement appropriation is a standing limited appropriation of \$152.1 million.

**Related Statutes and Administrative Rules**

Iowa Code sections [8.31\(5\)](#) and [441.21A](#)  
Iowa Administrative Code [701–80.49](#)

**Budget Unit Number**

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Doc ID 1284922

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<sup>3</sup> For FY 2016, the reimbursement appropriation was made through a standing General Fund appropriation of \$152.6 million and an FY 2015 General Fund supplemental appropriation of \$9.5 million.