



**LEGISLATIVE  
SERVICES AGENCY**

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# LEGISLATIVE GUIDE

## *Legal Services Division*



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Legislative Guides, prepared in an objective and nonpartisan manner, provide a general survey of a particular area of the law and are intended for use primarily by members of the Iowa General Assembly and their staffs.

Legislative Guides are updated periodically to reflect changes in the law. The reader is cautioned against using information contained in a Legislative Guide to draw conclusions as to the legality of a particular behavior or set of circumstances.

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## LOCAL PROPERTY TAX

### Table of Contents

- I. Introduction..... 1**
- II. Structure of Property Tax ..... 1**
  - A. Levy Rates ..... 1
  - B. County Levies ..... 2
  - C. City Levies ..... 2
  - D. Education Levies..... 3
    - 1. School District Levies ..... 3
    - 2. Community College Levies..... 3
  - E. Township Levies ..... 4
  - F. Other Levies..... 5
    - 1. Local Assessment Levy..... 5
    - 2. County Hospitals and Area Hospitals..... 5
    - 3. Benefited Districts ..... 6
- III. Local Assessment Officials..... 7**
- IV. Assessment of Property ..... 8**
  - A. Classification and Assessment of Property ..... 8
  - B. Assessment of Agricultural Property..... 10
  - C. Exempt Property ..... 12
    - 1. Military Service Tax Exemption (effective 1886)..... 13
    - 2. Tax Exemption in Urban Revitalization Areas..... 13
    - 3. Industrial Property Exemption (effective 1981) and Cattle Facilities Exemption (effective 1987) ..... 13
    - 4. Wind Energy Conversion Property Exemption (effective 1993) ..... 14
    - 5. Value-Added Exemption (effective 1994)..... 14
    - 6. Forest and Fruit-Tree Reservations Exemption (effective 1924) ..... 14
    - 7. Enterprise Zone Property Exemption (effective 1997) ..... 15
    - 8. Other Property Eligible for Exemption From Property Taxation Under Iowa Code Chapter 427..... 15
  - D. Computers and Industrial Machinery and Equipment..... 16
  - E. Centrally Assessed Property ..... 16
- V. Appealing an Assessment..... 18**
  - A. Informal Review ..... 18

B. Local Board of Review .....	19
C. Property Assessment Appeal Board .....	20
<b>VI. Computations Following Assessment.....</b>	<b>20</b>
A. Equalization .....	20
B. Rollback.....	21
<b>VII. Credits Applied to Property Tax.....</b>	<b>23</b>
A. Homestead Credit .....	23
B. Elderly and Disabled Property Tax Credit and Rent Reimbursement .....	23
C. Manufactured or Mobile Home Tax Credit .....	24
D. Agricultural Land Property Tax Credit .....	24
E. Family Farm Property Tax Credit .....	25
F. Business Property Tax Credit.....	25
<b>VIII. State Replacement of Revenue Payments for Commercial         and Industrial Property Tax Rollbacks .....</b>	<b>26</b>
<b>IX. The Tax Collection Process .....</b>	<b>27</b>
A. Payment of Taxes .....	27
B. Tax Sale .....	27
C. Redemption of Property and Issuance of Tax Deed .....	29
<b>X. Limitations on Property Tax .....</b>	<b>29</b>

## I. Introduction

The property tax is the mainstay of local government revenues in Iowa. This Legislative Guide provides an overview of the property tax system and endeavors to provide the reader with a basic understanding of the property tax system. The Guide addresses the property tax from several different perspectives, including the assessment and collection process, the tax as revenue to local governments, and property tax credits and exemptions. References in this Guide to the Iowa Code are to the 2014 Iowa Code. References to the Iowa Administrative Code and case law are to references published as of October 2013.

The property tax in Iowa is used solely by those local government entities expressly permitted by state statute to impose the tax. The power to authorize a local government entity to levy a property tax is expressly reserved to the state in the local government Home Rule Amendments of the Iowa Constitution.<sup>1</sup> The property tax is levied against the assessed value of real property. The consolidated tax rate differs in each locality and is a composite of county, city, special district, school district, and special levies.

## II. Structure of Property Tax

### A. Levy Rates

Local governments that have statutory authority to certify property taxes for budgeted expenditures are required to certify their budgets to the county auditor in order that taxes may be levied and collected by the county. Once collected, the county treasurer disburses the property tax revenues to the appropriate local government.

The tax levy rates are expressed in dollars and cents per \$1,000 of assessed valuation. The amount of property tax due and payable in a fiscal year is determined by taking the property's assessed value determined as of January 1 of the year preceding the year in which the fiscal year begins, i.e., 18 months prior, adjusted by statutory exemptions and the applicable rollback, and multiplying this amount by the consolidated levy rate, i.e., the total levy rates of all jurisdictions in which the property is located. In many instances, the Iowa Code uses the terms "assessed value" and "taxable value" interchangeably when referring to the amount of value subject to the imposition of the levy rate after statutory exemptions and the assessment limitation (i.e., the rollback) have been applied. To avoid confusion, this Legislative Guide uses the term "assessed value" to mean the value against which a levy rate is applied to determine property taxes due and payable.<sup>2</sup>

At one time, tax levy rates were expressed in mills per dollar, i.e., millage rate. One mill equals one-tenth of a cent or one-thousandth of a dollar. Converting the millage rate to dollars and cents per \$1,000, 1 mill equals \$1 per \$1,000 of assessed value. However, at the time the millage rate was used, property was assessed for taxation at 27 percent of its market value, but the millage rate conversion was applied to property assessed at 100 percent of market value. Therefore, the millage rate had to be adjusted down to 27 cents per \$1,000 of assessed value to reflect the proportion of property value subject to tax. This

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<sup>1</sup> Iowa Const. art. III, §§38A (municipalities) and 39A (counties).

<sup>2</sup> Iowa Code §441.21(1)(a) defines the terms "taxable value" or "assessed value" as the "value of the property upon which the levy shall be made."



## Local Property Tax

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explains why a number of property tax levies are multiples of 27 cents. For example, the \$5.40 school levy was once 20 mills and the \$8.10 city general fund levy was once 30 mills. It also may explain why proposed new levies and increases to existing levies are often in multiples or fractions of 27 cents.

### **B. County Levies**

A county is permitted by state statute to impose two primary, or basic, levies. The rural services levy is imposed only against property located in the unincorporated areas of the county and is deposited in the rural services fund to pay for those services provided primarily to the residents of the unincorporated areas of the county.<sup>3</sup> The rural services levy may not exceed \$3.95 per \$1,000 of assessed value. The general services levy, which is imposed countywide, may not exceed \$3.50 per \$1,000 of assessed value and is deposited in the general fund to pay for those services provided to all county residents.<sup>4</sup> A county is also permitted to levy a supplemental property tax levy for only those purposes specified in Iowa Code section 331.424. The amount of the supplemental levy rate is not limited by statute.

Under Iowa Code section 331.426, a county board of supervisors may also certify additions to each of the basic levies (general services levy and rural services levy), if the county has experienced unusual circumstances which create a need for additional property taxes in excess of what can be raised under the basic or supplemental levies. The Iowa Code specifies what those unusual circumstances are. Special notice of an addition to a basic levy is required to be given simultaneously with notice of the required public hearing on the county budget.<sup>5</sup>

A county may certify an addition to a levy in excess of the amounts permitted under the basic levy and any additions to the basic levy if the additional levy is approved at a special election by a simple majority of votes cast.<sup>6</sup>

Counties are also required to levy property taxes for the partial funding of mental health and disability services.<sup>7</sup> Under Iowa Code section 331.424A, each county's levy authority is based upon a statutory per capita expenditure target amount multiplied by the county's general population. However, county revenues from such taxes may not exceed a specified base year expenditure amount. Unlike other county property tax levies, a county's mental health and disability services levy may not be increased or allowed to exceed the statutory limits pursuant to Iowa Code section 331.425 or 331.426.

### **C. City Levies**

A city is permitted by state statute to impose a property tax levy rate for the city general fund not to exceed \$8.10 per \$1,000 of assessed value.<sup>8</sup> A city is permitted to certify supplemental levies for only those purposes, and at only those rates, specified by Iowa Code section 384.12. Some of the additional levies authorized under Iowa Code section 384.12 require initiation by petition and approval at election. Both the \$8.10 levy

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<sup>3</sup> Iowa Code §331.423(2).

<sup>4</sup> Iowa Code §331.423(1).

<sup>5</sup> Iowa Code §331.426(2).

<sup>6</sup> Iowa Code §331.425.

<sup>7</sup> Iowa Code §331.424A.

<sup>8</sup> Iowa Code §384.1.



and the supplemental levies are general fund levies. A city may certify a tax levy which exceeds that permitted by statute if the additional levy is approved at a special election by a simple majority of votes cast.<sup>9</sup>

In addition to the general fund levies, cities are allowed to levy property taxes for the following funds established by state statute: 1) debt service fund;<sup>10</sup> 2) trust and agency funds;<sup>11</sup> and 3) capital improvements fund.<sup>12</sup> Cities are also allowed to establish an emergency fund, for which property taxes not to exceed 27 cents per \$1,000 of assessed value may be levied each year. Transfers from the emergency fund to the city general fund are governed by rules promulgated by the City Finance Committee, a committee of city officials and others, staffed by the Department of Management.<sup>13</sup>

## D. Education Levies

### 1. School District Levies

Since 1971, K-12 school districts in Iowa have been funded using a school foundation formula that combines state foundation aid and local property taxes. The formula generates funding for each school district on a per pupil basis. The school foundation level is the specified percentage of state cost per pupil for which the state will provide a maximum of funding.<sup>14</sup> The foundation level for the regular program is 87.5 percent of the state cost per pupil minus the amount per pupil generated under the school district foundation property tax levy. For special education support services, the percentage is 79 percent of the state cost per pupil without subtraction for any foundation property tax levy. The school district foundation property tax levy is \$5.40 per \$1,000 of assessed value.<sup>15</sup> Since the foundation property tax levy and state aid do not fully fund the school district's basic allowable spending, the school district imposes an additional property tax levy.<sup>16</sup> School districts are allowed to levy income surtaxes and property taxes, in addition to the \$5.40 levy and the additional property tax levy, to fund specified needs. Some, but not all, of these funding mechanisms require district voter approval. A description of additional sources of school district revenue can be found in the Legislative Guide entitled "Basic Iowa Education Finance."<sup>17</sup>

### 2. Community College Levies

A community college board of directors must annually certify for levy a property tax of 20 and 1/4 cents per \$1,000 of assessed value in the community college's area to pay expenditures for operation of the community college.<sup>18</sup> A board of directors may certify for levy an additional 20 and 1/4 cents per \$1,000 of assessed value for a

<sup>9</sup> Iowa Code §384.12(19).

<sup>10</sup> Iowa Code §384.4.

<sup>11</sup> Iowa Code §384.6.

<sup>12</sup> Iowa Code §384.7.

<sup>13</sup> Iowa Code §384.8. For composition and duties of the City Finance Committee, see Iowa Code §§384.13 through 384.15.

<sup>14</sup> Iowa Code §257.1.

<sup>15</sup> Iowa Code §257.3(1).

<sup>16</sup> Iowa Code §257.4.

<sup>17</sup> Legislative Services Agency, Legal Services Division, Basic Education Finance, *available at*

[https://www.legis.iowa.gov/DOCS/LSA/Legis\\_Guide/2011/LGLSL004.PDF](https://www.legis.iowa.gov/DOCS/LSA/Legis_Guide/2011/LGLSL004.PDF) (last visited October 2, 2013).

<sup>18</sup> Iowa Code §260C.17.



## Local Property Tax

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period of time not to exceed 10 years for specified purposes if approved by the voters at the regular school election or at a special election held in September of even-numbered years.<sup>19</sup> The revenues from the additional levy may be used for the purpose of maintaining, remodeling, improving, or expanding the community college, and specifically for the purchase of grounds, construction of buildings, payment of debt contracted for the construction of buildings, purchase of buildings and equipment for buildings, the acquisition of libraries, and payment of utilities. Proceeds from the tax are to be deposited in the voted tax fund and used solely for the purpose for which the tax was voted. A board of directors may enter into loan agreements in anticipation of the tax revenues.<sup>20</sup> Finally, the board of directors may certify for levy an annual tax of not more than 3 cents per \$1,000 of assessed value for equipment replacement for the community college.<sup>21</sup> However, the rate certified may, for a period of 10 years, exceed the 3 cent limit if the excess levy is approved at election and is used for purposes of program sharing between community colleges or for the purchase of instructional equipment. The excess certified for levy cannot cause the entire amount certified to exceed 9 cents.<sup>22</sup>

### E. Township Levies

The specific duties and activities of townships limit the types and scope of property tax levies that may be imposed. Township trustees may levy property taxes sufficient to pay for condemnation or purchase of lands for the use of cemeteries, a community center, or juvenile playgrounds and for necessary improvements to and maintenance of cemeteries in the township and in adjoining townships and for necessary improvements to and maintenance of public parks acquired by gift, devise, or bequest.<sup>23</sup> Township trustees may also levy a tax not to exceed 6 and 3/4 cents per \$1,000 of assessed value of taxable property to improve and maintain a cemetery not owned by the township if the cemetery is devoted to general public use.<sup>24</sup> Township trustees may also levy a tax not to exceed 20 and 1/4 cents per \$1,000 of assessed value to build or acquire a public hall.<sup>25</sup> Finally, township trustees may levy a tax to provide emergency services, i.e., emergency medical service and fire protection service, to the residents of the township.<sup>26</sup> Limits on the levy for emergency services are as follows:<sup>27</sup>

- For townships having a service agreement with a special charter city, 74 and 1/4 cents per \$1,000 of assessed value.
- For townships located in a county with a population of 300,000 or more, 87 and 3/4 cents per \$1,000 of assessed value.
- For all other townships, 60 and 3/4 cents per \$1,000 of assessed value.

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<sup>19</sup> Iowa Code §260C.22(1).

<sup>20</sup> Iowa Code §260C.22(1)(b).

<sup>21</sup> Iowa Code §260C.28(1).

<sup>22</sup> Iowa Code §260C.28(2).

<sup>23</sup> Iowa Code §§359.28 and 359.30.

<sup>24</sup> Iowa Code §359.33.

<sup>25</sup> Iowa Code §360.2.

<sup>26</sup> Iowa Code §359.43. In counties with a population of 300,000 or more, "emergency services" includes an emergency warning system. Iowa Code §359.42.

<sup>27</sup> Iowa Code §§359.43(1), (2). These limits include a levy of 20 and 1/4 cents that may be imposed if the basic levy for emergency medical service and fire protection service is insufficient.

A township may establish a reserve fund for the purchase or replacement of supplies and equipment needed to provide emergency services and may credit up to 30 cents per \$1,000 of its emergency services levy to the reserve fund.<sup>28</sup>

## **F. Other Levies**

### **1. Local Assessment Levy**

All expenses relating to assessment of property are payable from the assessment expense fund established in Iowa Code section 441.16.<sup>29</sup> Property taxes levied for purposes of assessment expenses are levied separately from other city and county property taxes. The local conference board, and not the board of supervisors or city council, certifies the assessment expense levy to the county auditor.<sup>30</sup> The assessment expense levy is only levied upon the property located in the particular assessing jurisdiction.<sup>31</sup> The amount of the assessment expense property tax levy is limited to 67 and 1/2 cents per \$1,000 of assessed value.<sup>32</sup>

### **2. County Hospitals and Area Hospitals**

If a county hospital is established, the board of supervisors may levy a tax not to exceed 54 cents per \$1,000 of assessed value for the erection and equipment of the hospital. The board may also levy a tax not to exceed 27 cents per \$1,000 of assessed value for the improvement, maintenance, and replacement of the hospital. However, in counties with a population of 225,000 or more, the levy for improvements and maintenance of the hospital cannot exceed \$2.05 per \$1,000 of assessed value.<sup>33</sup> An additional tax levy of 27 cents per \$1,000 of assessed value is also authorized for the support of ambulance service.<sup>34</sup> County hospitals supported by hospital revenue are also authorized by state statute. In the event revenues are insufficient to support the hospital, the board of supervisors is required to pay the deficiency from amounts available in other county funds or to levy a property tax not to exceed \$1.08 per \$1,000 of assessed value.<sup>35</sup>

Any political subdivision of the state may consolidate with other political subdivisions to acquire and operate an area hospital for the benefit of residents in the merged area.<sup>36</sup> The written plan for the area hospital must include the maximum amount of property taxes to be levied for debt service and for operation and maintenance of the area hospital.<sup>37</sup> Voters in the merged area may vote to increase the maximum levy under the plan for a period of five years to fund capital improvements, hospital expansion, or equipment purchases. The amount of the voted

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<sup>28</sup> Iowa Code §359.43(4).

<sup>29</sup> In addition to maintenance of the office of assessor, expenses incurred by the examining board and salaries and expenses of the local board of review are payable from the assessment expense fund. Iowa Code §441.16(2).

<sup>30</sup> For a description of the local conference board, see Part III of this Guide.

<sup>31</sup> Therefore, if a city has provided for the office of city assessor, the county assessor's levy cannot be imposed on property located in that city.

<sup>32</sup> Iowa Code §441.16(5).

<sup>33</sup> Iowa Code §347.7(1)(a).

<sup>34</sup> Iowa Code §347.7(3).

<sup>35</sup> Iowa Code §§347A.1 and 347A.3.

<sup>36</sup> Iowa Code §145A.1.

<sup>37</sup> Iowa Code §145A.3.



## Local Property Tax

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increase may not exceed 25 percent of the maximum levy amount approved under the plan.<sup>38</sup>

### 3. Benefited Districts

Residents of a county, or a particular portion of a county, may petition the board of supervisors to establish benefited districts to provide certain services.<sup>39</sup> Approval of the establishment of a district often includes approval of the levy of a property tax on property owners within the district. The property tax levies for benefited districts include the following:

- Water districts — 81 cents per \$1,000 of assessed value of property in the district if special assessments collected against the property are insufficient to pay bonded indebtedness.<sup>40</sup>
- Fire districts — not more than 60 and 3/4 cents per \$1,000 of assessed value of property in the district.<sup>41</sup>
- Street lighting districts — not more than 54 cents per \$1,000 of assessed value of property in the district.<sup>42</sup>
- Law enforcement districts — not more than \$1 per \$1,000 of assessed value of property in the district (agricultural land, centrally assessed property, and manufacturing property cannot be included in a district).<sup>43</sup>
- Recreational lake and water quality districts — for a combined recreational lake and water quality district, not more than \$4 per \$1,000 of assessed value of property in the district excluding property assessed as agricultural land; for a recreational lake district, not more than \$4 per \$1,000 of assessed value of property in the district; and for a water quality district only, not more than 25 cents per \$1,000 of assessed value of property in the district.<sup>44</sup>
- Emergency medical services districts — not more than \$1 per \$1,000 of assessed value of property in the district (agricultural land and centrally assessed property cannot be included in a district).<sup>45</sup>
- City emergency medical services districts — not more than \$1 per \$1,000 of assessed value of property in the district (agricultural land and centrally assessed property cannot be included in a district).<sup>46</sup>
- Rural improvement zones — a standby tax of not less than 50 cents per \$1,000 of assessed value of property in the district and not more than \$2.50 per \$1,000

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<sup>38</sup> Iowa Code §145A.19.

<sup>39</sup> For a general discussion of benefited districts see the Legislative Guide entitled "Special Districts," Legislative Services Agency, Legal Services Division, available at [https://www.legis.iowa.gov/DOCS/LSA/Legis\\_Guide/2010/LGLSL014.PDF](https://www.legis.iowa.gov/DOCS/LSA/Legis_Guide/2010/LGLSL014.PDF) (last visited October 30, 2013).

<sup>40</sup> Iowa Code §357.22.

<sup>41</sup> Iowa Code §357B.3.

<sup>42</sup> Iowa Code §357C.7.

<sup>43</sup> Iowa Code §§357D.3 and 357D.8.

<sup>44</sup> Iowa Code §357E.8.

<sup>45</sup> Iowa Code §§357F.3 and 357F.8.

<sup>46</sup> Iowa Code §§357G.3 and 357G.8.



of assessed value of property in the district, to be expended only if incremental taxes are insufficient to pay the amount of certificates sold for funding.<sup>47</sup>

- Sanitary districts — not more than 54 cents per \$1,000 of assessed value of property in the district for administrative expenses or for payment of deficiencies in special assessments.<sup>48</sup>
- Real estate improvement districts — not more than 54 cents per \$1,000 of assessed value of property in the district for administrative expenses or for payment of deficiencies in special assessments.<sup>49</sup>

### III. Local Assessment Officials

Most real property is assessed locally by either the county or city assessor. Any city having a population of 10,000 or more may provide by ordinance for the office of city assessor.<sup>50</sup> The local assessor is appointed by a conference board following receipt of a report prepared by the examining board.<sup>51</sup> The conference board also certifies the combined budgets of the local assessor, examining board, and board of review.<sup>52</sup> In counties, the conference board is comprised of the mayors of all incorporated cities in the county whose property is assessed by the county assessor, one representative from the board of directors of each high school district of the county,<sup>53</sup> and the members of the board of supervisors. In cities having an assessor, the conference board is comprised of the members of the city council, school board, and county board of supervisors. In counties, the chairperson of the conference board is the chairperson of the county board of supervisors. In cities, the chairperson of the conference board is the mayor. In any action taken by the conference board, the county representatives, city representatives, and school board representatives each comprise one voting unit and each voting unit has a single vote (i.e., three possible votes total). The majority vote of the members present of each unit determines the vote of that unit. Two out of the three unit votes are necessary to pass an action voted on by the conference board.<sup>54</sup>

In addition to appointing the local assessor, the conference board is charged with appointing the local examining board, which examines and reports on prospective appointees to the position of assessor, and the local board of review, which primarily hears protests of assessments.<sup>55</sup> Members of the local examining board are appointed to serve six-year terms and are required to be residents of the assessing jurisdiction. The examining board serves without compensation except for payment of expenses.<sup>56</sup> The local board of review may consist of three or five members each appointed to a six-year term. The Iowa Code provides that, as nearly as possible, membership on the board of

<sup>47</sup> Iowa Code §357H.8(4). A rural improvement zone may not include area that is part of an urban renewal area under Iowa Code chapter 403. Iowa Code §357H.4.

<sup>48</sup> Iowa Code §358.18.

<sup>49</sup> Iowa Code §358C.14.

<sup>50</sup> Iowa Code §441.1.

<sup>51</sup> Iowa Code §441.6.

<sup>52</sup> Iowa Code §441.16(4).

<sup>53</sup> The representative of the school board of directors must be a resident of the county. Iowa Code §441.2.

<sup>54</sup> Iowa Code §441.2.

<sup>55</sup> Iowa Code §§441.3, 441.6, and 441.31.

<sup>56</sup> Iowa Code §441.3.



## Local Property Tax

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review shall include one licensed real estate broker and one registered architect or person experienced in the building and construction field. In the case of a county, at least one member shall be a farmer. Members of the local board of review must also be residents of the assessing jurisdiction and no more than two members of the board of review shall be of the same profession or occupation.<sup>57</sup>

When there is a vacancy in the office of assessor, the local examining board requests the Director of Revenue to send a register containing the names of all persons eligible for appointment as assessor.<sup>58</sup> A person becomes eligible for appointment as assessor if the person has attained a score of 70 percent or greater on the written examination conducted by the Department of Revenue twice each year in Des Moines.<sup>59</sup> A person who passes the examination and possesses at least two years of appraisal-related experience is granted regular certification and is eligible for appointment to a six-year term as assessor. A person who passes the examination but lacks the requisite appraisal-related experience is granted temporary certification and is eligible for provisional appointment as assessor dependent upon completing a course of study prescribed and administered by the Department of Revenue.<sup>60</sup> The examining board may conduct a further examination of any person listed on the register and must submit the report of its examination and the register of names to the conference board.<sup>61</sup>

### IV. Assessment of Property

#### A. Classification and Assessment of Property

Local assessors are charged with classifying real property located in their jurisdictions.<sup>62</sup> The assessor classifies property according to its present use and not its highest and best use.<sup>63</sup> Real property is placed in one of four classes for assessment locally: agricultural, residential (including agricultural dwellings), commercial, or industrial.<sup>64</sup> The classification of real estate is determined as of January 1 of the year in which the assessment is made.<sup>65</sup> Residential property includes all lands and buildings which are primarily used or intended for human habitation, including those buildings located on agricultural land.<sup>66</sup> Industrial property includes land, buildings, structures, and improvements used primarily as a manufacturing establishment.<sup>67</sup> Agricultural property includes all tracts of land and the improvements and structures located on them which are in good faith used primarily for agricultural purposes. Land and the nonresidential improvements and structures located on it are considered to be used primarily for agricultural purposes if its principal use is devoted to the raising and harvesting of crops or forest or fruit trees, the rearing, feeding, and management of livestock, or horticulture, all

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<sup>57</sup> Iowa Code §441.31.

<sup>58</sup> Iowa Code §441.6.

<sup>59</sup> Iowa Code §441.5(1), (4).

<sup>60</sup> Iowa Code §441.5(4), (5).

<sup>61</sup> Iowa Code §441.6.

<sup>62</sup> See Iowa Code §427A.1 for a description of property that is subject to assessment and taxation as real property.

<sup>63</sup> Iowa Admin. Code 701-71.1(1).

<sup>64</sup> Iowa Code §441.21.

<sup>65</sup> Iowa Admin. Code 701-71.1(1) and Iowa Code §441.21.

<sup>66</sup> Iowa Admin. Code 701-71.1(4).

<sup>67</sup> Iowa Admin. Code 701-71.1(6).



for intended profit.<sup>68</sup> Commercial property is land, improvements, and structures that are primarily used or intended as a place of business where goods, wares, services, or merchandise is stored or offered for sale at wholesale or retail. Commercial property includes hotels, motels, and buildings containing three or more separate residences, except condominiums, multiple-housing cooperatives, and certain nonprofit housing.<sup>69</sup>

However, for assessment years beginning on or after January 1, 2015, a multiresidential property classification begins.<sup>70</sup> Multiresidential property largely includes property that prior to the assessment year beginning January 1, 2015, was classified as commercial property and includes mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, and property primarily used or intended for human habitation containing three or more separate dwelling units. In addition, multiresidential property includes that portion of a building that is used or intended for human habitation and a proportionate share of the land upon which the building is situated, regardless of the number of dwelling units located in the building, if the use for human habitation is not the primary use of the building and such building is not otherwise classified as residential property. This provision allows the assessor to assign to that portion of the parcel the classification of multiresidential property and to such other portions of the parcel the property classification for which such other portions qualify. The definition of multiresidential property, however, specifically excludes property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code or that is a hotel, motel, inn, or other building where rooms or dwelling units are usually rented for less than one month.

Taxable real property is assessed at 100 percent of market value, except for agricultural property.<sup>71</sup> Also, in determining the market value of property leased to low-income persons for purposes of the low-income housing credit under section 42 of the Internal Revenue Code, the assessor is required to take into account the actual rents received and the extent to which its restricted use reduces the market value of the property.<sup>72</sup>

“Market value” is defined in statute as “the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property.”<sup>73</sup> Sale prices of the property being assessed or those of comparable property are taken into consideration. Also, the probable availability or unavailability of purchasers is considered when arriving at market value. Sale prices of property in abnormal transactions are excluded from consideration or are adjusted to eliminate the effect of factors which distort market value.<sup>74</sup> If market value cannot readily be established based on sale prices and the considerations noted, the assessor may

<sup>68</sup> Iowa Admin. Code 701-71.1(3).

<sup>69</sup> Iowa Admin. Code 701-71.1(5).

<sup>70</sup> 2013 Iowa Acts, ch. 123, §§24-30 (SF 295).

<sup>71</sup> Iowa Code §441.21(1)(a), (e).

<sup>72</sup> Iowa Code §441.21(2).

<sup>73</sup> Iowa Code §441.21(1)(b).

<sup>74</sup> Factors which distort market value include sales to immediate family members, foreclosure or other forced sales, contract sales, discounted purchase transactions, or purchase of adjoining land or other land to be operated as a unit. Iowa Code §441.21(1)(b).



## Local Property Tax

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employ other appraisal methods as recognized and adopted by rule of the Department of Revenue.<sup>75</sup>

The assessment year commences January 1 of each calendar year.<sup>76</sup> Assessors have from January 1 to April 1 to complete assessments and to notify taxpayers.<sup>77</sup> The valuation of property determined as of January 1 of the assessment year is for taxes due and payable in the fiscal year beginning July 1 of the following calendar year, i.e., 18 months after the January 1 assessment date.<sup>78</sup> Thus, a building added to property during the 2013 calendar year will first be assessed for taxation and placed on the property tax rolls on January 1, 2014, and will have taxes levied upon it which are due and payable in the fiscal year beginning July 1, 2015.

Final abstracts of assessment are submitted by assessors to the Department of Revenue by July 1.<sup>79</sup> Every two years in the odd-numbered year, local assessors are required by statute to conduct a reassessment (revaluation) of all real property in their jurisdictions.<sup>80</sup> Also, every two years in the odd-numbered year, equalization orders are issued by the Department of Revenue.

### **B. Assessment of Agricultural Property**

The assessment of agricultural property, excluding agricultural dwellings, is based exclusively on its productivity, or net earning capacity per acre, capitalized at a statutory rate of 7 percent.<sup>81</sup> Agricultural dwellings are valued as rural residential property and are assessed at the same percentage of actual value as is all other residential property.<sup>82</sup> The land underneath the dwelling is assessed as agricultural land, i.e., based on productivity. Productivity is determined by a five-year average productivity study originally developed by Iowa State University. The productivity study is based on each county's actual crop yields, prices, and expenses and the resulting formula reflects the county average net income per acre for the applicable five-year period.<sup>83</sup> For example, the 2011 assessments were based on the years 2005-2009. The 2013 assessments were determined by replacing years 2005 and 2006 with 2010 and 2011.

Agricultural land is assigned a corn suitability rating (CSR). A corn suitability rating measures suitability of the land for producing corn (i.e., row crops) and its yield potential. A corn suitability rating is an agronomist's way of measuring soil type. The assessor usually uses aerial photographs to identify various soil types and agricultural land use classifications present in the county. Soil maps are used to show variations in the soil that indicate differences in crop-producing ability.<sup>84</sup> Corn suitability ratings range from 5 to 100. A 100 rating is reserved for those soils located in areas of most favorable weather

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<sup>75</sup> Iowa Code §441.21(2).

<sup>76</sup> Iowa Code §§428.4 and 441.46.

<sup>77</sup> Iowa Code §441.28; 2013 Iowa Acts, ch. 123, §§53, 64, 65 (SF 295).

<sup>78</sup> Iowa Code §441.46.

<sup>79</sup> Iowa Code §441.45.

<sup>80</sup> Iowa Code §428.4.

<sup>81</sup> Iowa Code §441.21(1)(e)-(g).

<sup>82</sup> Iowa Code §441.21(6).

<sup>83</sup> Iowa Admin. Code 701-71.12(1).

<sup>84</sup> Iowa Code §441.21(1)(f) provides that "[i]n counties or townships in which field work on a modern soil survey has been completed since January 1, 1949, the assessor shall place emphasis upon the results of the survey in spreading the valuation among individual parcels of such agricultural property."

conditions for Iowa, that have high crop yield potential, and that can be continuously row cropped with little soil erosion.<sup>85</sup> A corn suitability rating based on soil type may be adjusted for a number of reasons, including when the use of the land for row crops is impractical due to limited accessibility, when the land is subject to overflow by streams, when drainage of the land is limited due to lack of an outlet, and when the land is covered with scattered timber or is heavily timbered.<sup>86</sup>

The following fictional example illustrates how the productivity value for agricultural land within a county is adjusted and distributed throughout the county:

Nation County, Iowa, has 2,000 taxable acres of agricultural land. The average productivity/net earning capacity, as determined under the productivity formula, of agricultural land in Nation County is \$700 per acre. The market value of agricultural land in Nation County for the same assessment year is \$2,100 per acre. The agricultural factor (ratio of productivity value to market value) for Nation County is 33 percent (\$700 per acre divided by \$2,100 per acre). The productivity value per acre is multiplied by the number of taxable acres to arrive at an aggregate whole (land and buildings) of \$1.4 million (\$700 times 2,000 acres). The agricultural buildings are assessed at their actual value of \$400,000 by the Nation County assessor. The assessor then applies the agricultural factor<sup>87</sup> to the actual value of the buildings to arrive at a productivity value of \$132,000 (\$400,000 times .33), which is spread out over the buildings. The productivity value of the buildings is subtracted from the aggregate whole to arrive at the amount of agricultural value that will be spread out over the agricultural land in the county (\$1.4 million minus \$132,000 = \$1,268,000). This amount is not assigned at an equal value per acre. That is, the assessor does not simply divide \$1,268,000 by 2,000 acres. Agricultural land that is timberland or pasture has less value as agricultural land (i.e., a lower CSR) than does land that is used to grow row crops. Therefore, the crop acres are assigned a higher value, in general, than the timberland or pastureland.

In 2013, the Department of Revenue adopted an administrative rule relating to the distribution of a county’s total agricultural value to each parcel in the county to provide an adjustment for value allocated to land not used to grow row crops.<sup>88</sup> The adjustment is applied to noncropland with a CSR that is greater than 50 percent of the average CSR for cropland for the county. The adjustment is determined for each county based upon the five-year average difference in cash rent between nonirrigated cropland and pasture land. Counties are required to implement the new adjustment requirement on or before the assessment year that begins January 1, 2017, with a hardship waiver available to extend the deadline to the assessment year beginning January 1, 2019. The following is an example included in the Department of Revenue’s administrative rule:

Average county CSR rating for cropland	80 CSR
50% of average cropland CSR	40 CSR

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<sup>85</sup> Iowa Department of Revenue, “Real Property Appraisal Manual,” p. 2-25.  
<sup>86</sup> Id. at 2-26.  
<sup>87</sup> Iowa Admin. Code 701-71.3(2).  
<sup>88</sup> Iowa Admin. Code 701-71.3(1).



# Local Property Tax

Example of noncropland soil CSR rating	58 CSR
Noncropland CSR points to be adjusted	58 - 40 = 18 CSR points
5-year average rent for nonirrigated cropland	\$163.60
5-year average rent for pasture land	\$48.30
Percent difference (rounded)	1 - (\$48.30/\$163.60) = 70%
Apply the percent difference to points to be adjusted	18 CSR points x (1 - .70) = 5.40 adjusted CSR points
Adjusted CSR noncropland	40 + 5.40 = 45.40 adjusted CSR points

### C. Exempt Property

The local assessor is responsible for determining the taxable status of all property.<sup>89</sup> In situations where no claim is required to be filed to obtain a tax exemption, taxable status is determined as of July 1 of the fiscal year commencing in the assessment year for which the determination is being made.<sup>90</sup> In situations where a claim is required to be filed, the status of property during the fiscal year for which the exemption is claimed determines the property's eligibility for tax exemption.<sup>91</sup> In the latter case, if an exemption has been claimed and received, taxes are prorated if the property was exempt for only a portion of the fiscal year.<sup>92</sup> The use of the property is the controlling factor in determining the taxable status of property.<sup>93</sup> If a claim for exemption is required to be filed but no specific filing deadline is provided in statute, the claim must be filed by July 1 of the assessment year.<sup>94</sup>

The exemption statutes are to be strictly construed in favor of the taxing body and the burden of proof is on the taxpayer to show that an exemption should be granted. If there is any doubt as to the taxable status of property, the property is subject to taxation.<sup>95</sup> The assessor's determination of the taxable status of property may be appealed to the local board of review.<sup>96</sup> The board of supervisors may abate taxes levied against property acquired by gift or purchase by a library; art gallery; religious, literary, or charitable society; or educational institution if the transfer took place after the deadline for filing for a tax exemption if such entity would have been entitled to the tax exemption on the property if the exemption had been filed for in a timely manner.<sup>97</sup>

Examples of property tax exemptions that are provided by statute include the following:

<sup>89</sup> Iowa Admin. Code 701-80.50(1).

<sup>90</sup> Iowa Admin. Code 701-80.55(1).

<sup>91</sup> Iowa Admin. Code 701-80.55(2).

<sup>92</sup> Iowa Code §427.19; Iowa Admin. Code 701-80.55(2).

<sup>93</sup> Iowa Admin. Code 701-80.50(1) (citing *Evangelical Lutheran G.S. Society v. Bd. of Review of Des Moines*, 200 N.W.2d 509, 511 (Iowa 1972); *Northwest Community Hospital v. Bd. of Review of Des Moines*, 229 N.W.2d 738, 741 (Iowa 1975)).

<sup>94</sup> Iowa Code §441.46.

<sup>95</sup> Iowa Admin. Code 701-80.50(2) (citing *Evangelical Lutheran G.S. Society at 511*; *Southside Church of Christ of Des Moines v. Des Moines Bd. of Review*, 243 N.W.2d 650, 654 (Iowa 1976); *Aerie 1287, Fraternal Order of Eagles v. Holland*, 226 N.W.2d 22, 24 (Iowa 1975)).

<sup>96</sup> Iowa Code §441.37(1).

<sup>97</sup> Iowa Code §427.3.



## 1. Military Service Tax Exemption (effective 1886)

A military service tax exemption of \$2,778 for World War I veterans and \$1,852 for other veterans is allowed for active or reserve duty service in the armed forces of the United States. Periods of “active duty” and length of reserve service are specified by statute.<sup>98</sup> Local governments are partially reimbursed by the state for providing the military service tax exemption in the form of a credit in an amount equal to the amount the local government would have collected had a consolidated levy rate not to exceed \$6.92 per \$1,000 of assessed value been levied against the exempted valuation.<sup>99</sup> However, the value of the exemption will vary if the amount of the state appropriation funding the exemption is insufficient to fund reimbursement at \$6.92 per \$1,000 of assessed value.<sup>100</sup>

## 2. Tax Exemption in Urban Revitalization Areas

Iowa Code chapter 404, “Urban Revitalization Tax Exemptions,” was enacted in 1979, and allows cities or counties to establish urban revitalization areas according to procedures outlined in the statute, including development of an urban revitalization plan and provision of notice and public hearings.<sup>101</sup> The city or county may then exempt portions of new assessed value added to qualified real property located in the urban revitalization area if the new value is the result of improvements made to the property as part of a revitalization project. “Improvements” includes new construction or rehabilitation of existing structures.<sup>102</sup>

The statute requires that a specified minimum amount of value be added to the property before subsequent new value can be exempted.<sup>103</sup> The value of the property for purposes of determining the amount of exempted value added is the lower of the assessed value of the property in the year the improvements are begun or the price paid by the owner of the property in an arm’s-length sale if the improvements were begun within one year of the date of sale.<sup>104</sup> Schedules setting out the percentage of new value which is exempt for each year and the duration of the exemption must be as prescribed in Iowa Code chapter 404, unless a different schedule is adopted in the required urban revitalization plan.<sup>105</sup>

## 3. Industrial Property Exemption (effective 1981) and Cattle Facilities Exemption (effective 1987)

A city council or county board of supervisors may enact an ordinance granting partial exemption from property taxation of the value added to industrial real estate as a result of the new construction of industrial real estate, research-service facilities, warehouses, distribution centers, and the acquisition of, or improvement to, industrial machinery, equipment, and computers. The ordinance may include a partial exemption from taxation of actual value added to owner-operated cattle facilities, not

<sup>98</sup> Iowa Code §§35.1 and 426A.11.

<sup>99</sup> Iowa Code §426A.2.

<sup>100</sup> Iowa Code §25B.7.

<sup>101</sup> Iowa Code §404.2.

<sup>102</sup> Iowa Code §404.3(8).

<sup>103</sup> Iowa Code §§404.2(i) and 404.3(8).

<sup>104</sup> Iowa Code §404.5.

<sup>105</sup> Iowa Code §§404.2, 404.3, 404.3A, and 404.3B.



## Local Property Tax

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including slaughter facilities, either by new construction or by the retrofitting of existing facilities. The actual value added to either industrial property or cattle facilities is eligible for a partial exemption from taxation for five years.<sup>106</sup>

### **4. Wind Energy Conversion Property Exemption (effective 1993)**

A city council or county board of supervisors may provide by ordinance for the special valuation of wind energy conversion property. The Iowa Code prescribes the special valuation schedule to be followed by the city or county. If the ordinance is repealed, the special valuation continues to apply through the nineteenth assessment year following the first year the property was assessed. Public utility property may also qualify for the special valuation.<sup>107</sup> This exemption may be claimed in lieu of the valuation provisions in Iowa Code section 441.21, subsection 8, paragraphs “b” through “d,” for the construction of a solar energy system. Those paragraphs provide that construction of a solar energy system shall not increase the value of the property for five full assessment years following construction. The exemption is also in lieu of Iowa Code sections 428.24 through 428.29, relating to valuation of certain public utilities.

### **5. Value-Added Exemption (effective 1994)**

Under the Economic Development Authority’s High Quality Jobs Program, the community in which the eligible business is locating or expanding may exempt from property taxation all or a portion of the actual value added by improvements to real property directly related to the new jobs created as a result of the location or expansion. The exemption period may not exceed 20 years.<sup>108</sup>

### **6. Forest and Fruit-Tree Reservations Exemption (effective 1924)**

Land not less than two acres in area containing a permanent forest reservation or land not less than one nor more than 10 acres and containing a fruit-tree reservation is exempt from taxation.<sup>109</sup> A forest reservation is to contain not less than 200 growing forest trees on each acre. One acre is excluded from the total reservation area if any buildings are located on the area.<sup>110</sup> Not more than one-fifth of the total number of trees in a forest reservation may be removed in any one year, except in cases where they die naturally.<sup>111</sup> “Forest trees” is defined by statute.<sup>112</sup>

A fruit-tree reservation must, at all times during the period of exemption, contain at least 40 apple trees, or 70 other fruit trees, per acre.<sup>113</sup> A fruit-tree reservation tax exemption may be granted for no more than eight years after planting.<sup>114</sup> “Fruit tree” is defined by statute.<sup>115</sup>

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<sup>106</sup> Iowa Code §§427B.1 through 427B.7.

<sup>107</sup> Iowa Code §427B.26.

<sup>108</sup> Iowa Code §15.332.

<sup>109</sup> Iowa Code §427C.2.

<sup>110</sup> Iowa Code §427C.3.

<sup>111</sup> Iowa Code §427C.4.

<sup>112</sup> Iowa Code §427C.5.

<sup>113</sup> Iowa Code §§427C.7 and 427C.9.

<sup>114</sup> Iowa Code §427C.7.

<sup>115</sup> Iowa Code §427C.8.



Forest and fruit-tree reservations cannot be used for economic gain other than the gain from raising fruit or forest trees. Livestock are not permitted on forest and fruit-tree reservations receiving a tax exemption.<sup>116</sup>

If a property ceases to meet the eligibility criteria for exempt status as a forest or fruit-tree reservation, the property is assessed for taxation and is subject to a recapture tax. The property is subject to taxes levied against the assessment made as of January 1 of the calendar year in which the property ceased to qualify for exemption. In addition, the property is subject to the tax which would have been levied against the assessment made as of January 1 of each of the five preceding years for which the property received an exemption. However, an area is not subject to the recapture tax if it was owned for at least 10 years by the owner or the owner's direct antecedents or descendants.<sup>117</sup>

## **7. Enterprise Zone Property Exemption (effective 1997)**

Cities and counties may exempt from taxation all or a part of the value added by improvements to property of eligible businesses located in designated economic development enterprise zones. The Economic Development Authority must approve establishment of the zones and eligibility of businesses within the zones to receive tax benefits. The exemption may be allowed for up to 10 years.<sup>118</sup>

## **8. Other Property Eligible for Exemption From Property Taxation Under Iowa Code Chapter 427**

Other types of property that are exempt from taxation in whole or in part under Iowa law include the following:<sup>119</sup>

- Federal and state property.
- Municipal and Iowa National Guard property.
- Public grounds and cemeteries and property of cemetery associations.
- Fire company buildings and grounds.
- Property of associations of war veterans.
- Public and private (not-for-profit for public use) library and art gallery buildings and grounds.
- Property of religious, literary, and charitable societies.<sup>120</sup>
- Property of educational institutions.
- Homes for soldiers.
- Agricultural produce.

<sup>116</sup> Iowa Code §427C.10.

<sup>117</sup> Iowa Code §427C.12.

<sup>118</sup> Iowa Code §15E.196(5).

<sup>119</sup> See generally Iowa Code §427.1.

<sup>120</sup> For a more detailed review of exempt property of religious, literary, and charitable societies, see the Legislative Guide entitled "Charitable Property Tax Exemption," available at [https://www.legis.iowa.gov/DOCS/LSA/Legis\\_Guide/2010/LGLSL007.PDF](https://www.legis.iowa.gov/DOCS/LSA/Legis_Guide/2010/LGLSL007.PDF).



## Local Property Tax

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- Government lands.
- Public airports.
- Property of rural water nonprofit corporations and municipal joint water utilities.
- Dwelling unit property owned by community housing development organizations.
- Public television station grounds and buildings.
- Storm shelters in mobile home parks.
- Property utilized by a web search portal site business or a data center business.

### D. Computers and Industrial Machinery and Equipment

Computers and industrial machinery and equipment acquired before January 1, 1995, were assessed at not more than 30 percent of the property's net acquisition cost through the 1998 assessment year.<sup>121</sup> Subsequent to the 1998 assessment year, these computers, machinery, and equipment were valued as follows:

- For the assessment year beginning January 1, 1999, at 22 percent of net acquisition cost.
- For the assessment year beginning January 1, 2000, at 14 percent of net acquisition cost.
- For the assessment year beginning January 1, 2001, at 6 percent of the net acquisition cost.
- For the assessment year beginning January 1, 2002, and subsequent assessment years, at 0 percent of net acquisition cost.<sup>122</sup>

Computers and industrial machinery and equipment first assessed for taxation in Iowa on or after January 1, 1995, are exempt from tax.<sup>123</sup> State reimbursement to local taxing jurisdictions for lost revenue due to the phaseout of taxation on computers and industrial machinery and equipment was provided for fiscal year 1996-1997 through fiscal year 2003-2004.<sup>124</sup>

### E. Centrally Assessed Property

All lands, buildings, machinery, and equipment belonging to electric companies (including rural cooperatives), gas companies (including pipelines), certain waterworks, railway companies, and telephone/telegraph companies are assessed by the Department of Revenue and subject to property taxation by local governments.<sup>125</sup> Real property and tangible personal property assessed by the department are not eligible for all of the same

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<sup>121</sup> Iowa Code §427B.17(1).

<sup>122</sup> Iowa Code §427B.17(3).

<sup>123</sup> Iowa Code §427B.17(2).

<sup>124</sup> Iowa Code §§427B.19A and 427B.19D. The state reimbursement time period was shortened by two years in 2003 Iowa Acts, ch. 178, §§5-7.

<sup>125</sup> Iowa Code §§428.24 through 428.29. See also, Iowa Code chs. 433, 434, 437, and 438.



statutory property tax exemptions available to locally assessed property.<sup>126</sup> Centrally assessed property is not, however, without statutory property exemptions. In 2013, the General Assembly established a partial exemption from taxation on the value of a telecommunications company's property that is subject to assessment and taxation under Iowa Code chapter 433. The amount of the exemption is phased in during the assessment years beginning January 1, 2013, and January 1, 2014, and is calculated based on the value of the telecommunications company property that exceeds certain statutory thresholds.<sup>127</sup>

Companies whose property is centrally assessed have property located throughout the state. Because of this, it is more efficient for the Department of Revenue to assess the property and assign the proportion of the property located within each county or other political subdivision. Central assessment also helps to prevent local disputes over how such property valuation is distributed.

If comparable sales data is available, that data is taken into consideration in arriving at the centrally assessed property's market value. If comparable sales data is not available, the department values the property using the three following unit value approaches in descending order of usefulness: 1) the stock and debt approach; 2) the income capitalization approach; and 3) the cost approach. However, in valuing pipeline company property, the unit values are used in the reverse order.<sup>128</sup> The stock and debt approach to unit value estimates the market value of the operating property by combining the market values of the common stock, preferred stock, debt, current liabilities, other liabilities, leases, and deferred credits associated with the operating property of the company.<sup>129</sup> The income capitalization approach estimates the market value of the operating property by dividing the income stream generated by the operating assets by a market-derived capitalization (or discount) rate based on the costs of the various sources of capital utilized, or available for use, to purchase the assets generating the income stream.<sup>130</sup> The cost approach to unit value is determined by combining the original cost of the operating properties of the company and deducting an allowance for depreciation.<sup>131</sup>

A company's total unit value is then allocated to the State of Iowa in the ratio that the company's property and activity in the State of Iowa bear to the company's total property and activity. In turn, that portion allocated to the State of Iowa is further allocated to counties and other political subdivisions in the ratio that the company's property and activity in the county or political subdivision bear to the State of Iowa's allocation.<sup>132</sup> For example, the unit value of a telephone or telegraph company under Iowa Code chapter 433 is allocated based on the amount of telephone or telegraph lines located in each such county or political subdivision.<sup>133</sup>

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<sup>126</sup> Iowa Code §427A.1(1)(h) (declaring all property of centrally assessed entities subject to assessment and taxation); Iowa Code §427B.17(8) (providing that the personal property exemption does not apply to centrally assessed property).

<sup>127</sup> Iowa Code §433.4(2); 2013 Iowa Acts, ch. 123, §§31, 38, 39 (SF 295).

<sup>128</sup> Iowa Admin. Code 701-77.7. The correlation of value for railway companies is 50 percent for stock and debt and 50 percent income. Iowa Admin. Code 701-76.7.

<sup>129</sup> See generally Iowa Admin. Code 701-77.4(1) and 701-76.4(1).

<sup>130</sup> Iowa Admin. Code 701-77.5(1) and 701-76.5(1).

<sup>131</sup> Iowa Admin. Code 701-77.6 and 701-76.6.

<sup>132</sup> Iowa Admin. Code 701-77.8 and 701-76.8.

<sup>133</sup> Iowa Code §433.8.



## Local Property Tax

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As a result of legislation enacted in 1998, the central assessment procedures utilized by the Department of Revenue in valuing property for property tax purposes of entities involved in the generation, delivery, and transmission of electricity and natural gas in the state were replaced by excise taxes on generation, delivery, and transmission commencing with the assessment year beginning January 1, 1999. The adoption of the excise taxes to replace property tax on these centrally assessed properties was deemed necessary to maintain the competitiveness of Iowa electric and natural gas industries due to the advent of the restructuring of the electric and natural gas industries.<sup>134</sup> The methodology for setting the rates of tax for generation and transmission of electricity are set by statute.<sup>135</sup> The delivery tax rates by electricity or natural gas service area are calculated by the Department of Revenue based on a statutory formula and published annually by the department in the Iowa Administrative Bulletin.<sup>136</sup> In addition to the excise taxes, an annual statewide property tax is imposed at a rate of 3 cents per \$1,000 of assessed value on all property which is primarily and directly used in the generation, transmission, or delivery of electricity or natural gas and which is owned or leased by anyone subject to the excise tax.<sup>137</sup> The proceeds of the statewide property tax are to be used, as appropriated by the General Assembly, to administer and enforce the collection of the excise tax and the statewide property tax.<sup>138</sup>

In 2013, a similar excise tax system was enacted for rate-regulated water utilities based on the amount of gallons of water delivered to customers in specified service areas.<sup>139</sup> In addition, an annual statewide property tax of 3 cents per \$1,000 of assessed capitalization value is imposed to be used, as appropriated by the General Assembly, to administer and enforce the collection of the excise tax and the statewide property tax.

### **V. Appealing an Assessment**

#### **A. Informal Review**

The assessment conducted by the local assessor is required to be completed by April 1.<sup>140</sup> Beginning with the 2014 assessment year, any property owner or aggrieved taxpayer who is dissatisfied with the owner's or taxpayer's assessment may contact the local assessor by telephone or in writing by paper or electronic medium on or after April 1, to and including May 4, of the year of the assessment to inquire about the specifics and accuracy of the assessment.<sup>141</sup> Such an inquiry may also include a request for an informal review of the assessment by the assessor under one or more of the grounds for protest authorized under Iowa law for the same assessment year. If the assessor, following an informal review, determines that the assessment was incorrect under one or more of the grounds for protest, the assessor may recommend that the property owner or aggrieved taxpayer file a protest with the local board of review and may file a recommendation with the local board of review related to the informal review. A recommendation filed with the local board of

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<sup>134</sup> 1998 Iowa Acts, ch. 1194, §1.

<sup>135</sup> Iowa Code §§437A.6 and 437A.7.

<sup>136</sup> Iowa Code §§437A.4 and 437A.5.

<sup>137</sup> Iowa Code §437A.18.

<sup>138</sup> Iowa Code §437A.23.

<sup>139</sup> Iowa Code chapter 437B; 2013 Iowa Acts, ch. 94 (SF 451).

<sup>140</sup> Iowa Code §441.28; 2013 Iowa Acts, ch. 123, §§53, 64, 65 (SF 295).

<sup>141</sup> See 2013 Iowa Acts, ch. 123, §§54, 64, 65 (SF 295), enacting Iowa Code §441.30.

review is required to be utilized by the local board of review in the evaluation of all evidence properly before the local board of review.

## **B. Local Board of Review**

A property owner or taxpayer who is dissatisfied with the owner's or taxpayer's assessment may file a written protest against the assessment with the local board of review on or after April 7 to and including May 5 of the year of the assessment that is being protested.<sup>142</sup> An aggrieved taxpayer is not required to engage in the informal inquiry process with the local assessor in order to file a protest with the local board of review. Also, any local government official or a taxpayer of the political subdivision where the property is located may file a protest to an assessment of property in the same manner as a protest by the owner or taxpayer of the property.<sup>143</sup> For odd-numbered assessment years and even-numbered assessment years where the property was reassessed, the grounds for a protest must be one or more of the following:<sup>144</sup>

- That the assessment is not equitable compared with assessments of other like property in the taxing district.
- That the property is assessed at more than its actual value.
- That the property is not assessable, is exempt from taxes, or is misclassified.
- That there is an error in the assessment.
- That there is fraud in the assessment.

For even-numbered assessment years, when the property has not been reassessed in such even-numbered assessment year, the ground for assessment must be that there has been a decrease in the value of the property from the previous reassessment year. When this ground is relied upon, the protesting party must show the decrease in value by comparing the market value of the property as of January 1 of the current assessment year and the actual value of the property for the previous reassessment year.<sup>145</sup>

A property owner or aggrieved taxpayer may combine on one form protests of assessments on parcels separately assessed if the basis for the protest on each is the same.<sup>146</sup> And, beginning with assessment year 2014, protests may be filed by electronic means.<sup>147</sup>

The local board of review is in session from May 1 through May 31 to consider appeals of assessments. However, the Director of Revenue may extend the session of a local board of review to not later than July 15.<sup>148</sup> The action of the board of review may be appealed to the district court of the county in which the board holds its sessions. The

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<sup>142</sup> Iowa Code §441.37(1). A property owner or taxpayer may file a protest for previous years if the owner or taxpayer finds that a clerical or mathematical error has been made in the assessment of the owner's or taxpayer's property. The board of review may correct clerical or mathematical errors for any assessment year in which the taxes have not been fully paid or otherwise legally discharged. See Iowa Code §441.37(2).

<sup>143</sup> Iowa Code §441.42.

<sup>144</sup> Iowa Code §441.37(1)(a); 2013 Iowa Acts, ch. 123, §§56, 64, 65 (SF 295).

<sup>145</sup> Iowa Code §441.37(1)(a); 2013 Iowa Acts, ch. 123, §§56, 64, 65 (SF 295).

<sup>146</sup> Iowa Code §441.37(1)(c).

<sup>147</sup> Iowa Code §441.37(3); 2013 Iowa Acts, ch. 123, §§57, 64, 65 (SF 295).

<sup>148</sup> Iowa Code §441.33.



## Local Property Tax

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appeal to district court must be made within 20 days after the board's adjournment or May 31, whichever is later. The appeal to district court must be on the same grounds that the appeal to the local board of review was taken. However, additional evidence may be offered to support those grounds.<sup>149</sup> The district court's review of a decision of the local board of review is de novo, i.e., the court shall "determine anew all questions arising before the board" of review.<sup>150</sup> The assessor also has the right to appeal the board's action to district court.<sup>151</sup>

### C. Property Assessment Appeal Board

Effective with the assessment year beginning January 1, 2007, and subsequent assessment years beginning before January 1, 2018, the action of the local board of review may be appealed to a three-member Property Assessment Appeal Board created within the Department of Revenue.<sup>152</sup> Property Assessment Appeal Board members are appointed to staggered six-year terms by the Governor and subject to confirmation by the Senate. Each member of the Property Assessment Appeal Board is to be qualified by virtue of at least two years' experience in the area of government, corporate, or private practice relating to property appraisal and property tax administration. Two members of the board are to be certified real property appraisers and one member is to be an attorney practicing in the area of state and local taxation or property tax appraisals.<sup>153</sup> However, an aggrieved taxpayer or property owner or other appellant (including the assessor) may bypass the state board and appeal a decision of the local board of review directly to district court. The appeal to the Property Assessment Appeal Board must be made within 20 days after the adjournment of the local board of review or May 31, whichever is later. A decision of the Property Assessment Appeal Board may be appealed to district court.<sup>154</sup> The appeal to district court must be taken within 20 days after the letter of disposition of the appeal by the Property Assessment Appeal Board is postmarked to the appellant.<sup>155</sup> The district court's review of a decision of the Property Assessment Appeal Board is limited to the correction of errors at law.<sup>156</sup>

## VI. Computations Following Assessment

### A. Equalization

In each odd-numbered year, the Department of Revenue is directed by statute to conduct a statewide review of the level of assessment of property within each class and is directed to order the equalization of the levels of assessment of any class of property if the aggregate assessed valuation of that class of property is at least 5 percent above or below the valuation of that class of property statewide, as determined by the Director of Revenue. Equalization is accomplished by increasing or decreasing the aggregate valuations of certain classes of property within jurisdictions by the percentage necessary to adjust the

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<sup>149</sup> Iowa Code §441.38.

<sup>150</sup> Iowa Code §441.39.

<sup>151</sup> Iowa Code §441.38.

<sup>152</sup> Iowa Code §441.37A. The Property Assessment Appeal Board will sunset effective July 1, 2018. See 2013 Iowa Acts, ch. 123, §62 (SF 295) (amending 2005 Iowa Acts, ch. 150, §134).

<sup>153</sup> Iowa Code §421.1A.

<sup>154</sup> Iowa Code §441.37A.

<sup>155</sup> Iowa Code §441.38.

<sup>156</sup> Iowa Code §441.39.



level of assessment to actual value.<sup>157</sup> These “equalization orders” are intended to prevent wide variations between assessments statewide of real property in any one class. Equalization also ensures that each class of property in each assessing jurisdiction is assessed at actual value as required by law.<sup>158</sup> An important reason for equalization is to ensure a uniform basis for the distribution of state aid to schools under the school foundation formula in Iowa Code chapter 257. It also provides a comparable base between jurisdictions for determining the constitutional limitation on local government bonded indebtedness.<sup>159</sup>

Final equalization orders are issued by the department to county auditors on October 1 of the odd-numbered year. After receiving the final equalization order, a local assessor must adjust the targeted class of property up or down by the percentage specified for that class of property in accordance with the order. Equalization orders are restricted to equalizing the aggregate valuations of entire classes of property and may not adjust the valuations of individual properties. An alternative method of equalization may be approved by the department; however, the overall result of the reassessment must be an adjustment by the percentage amount specified by the department.<sup>160</sup> The local board of review is required to convene in special session from October 15 to November 15 to hear assessment protests from affected owners or taxpayers whose valuations have been adjusted by the equalization order.<sup>161</sup>

The property tax equalization order published by the county auditor must contain the following statement: “Assessed values are equalized by the Department of Revenue every two years. Local taxing authorities determine the final tax levies and may reduce property tax rates to compensate for any increase in valuation due to equalization.”<sup>162</sup>

## **B. Rollback**

The assessed value subject to taxation may be a percentage of the assessed value as a result of statewide limitations on annual growth in assessed values or as the result of statutory limits on certain classifications of property. These statewide assessment limitations, or rollback provisions, were enacted for residential and agricultural property in 1977 to apply to assessments beginning with the 1978 assessment year, and in 1978 for all other classes of property beginning with the 1979 assessment year. The limitation on growth was originally set at 6 percent for all classes except utilities (10 percent). Since the 1980 assessment year and until the 2012 assessment year, the limitation has been 4 percent (8 percent for utilities).<sup>163</sup> Beginning with the 2013 assessment year, for residential and agricultural property the limitation is 3 percent. Also beginning with the 2013 assessment year, commercial and industrial property are subject to a statutorily established

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<sup>157</sup> Iowa Code §441.47; Iowa Admin. Code 701-71.11.

<sup>158</sup> Iowa Code §441.21.

<sup>159</sup> Iowa Constitution, article XI, section 3, provides as follows: “No county, or other political or municipal corporation shall be allowed to become indebted in any manner, or for any purpose, to an amount, in the aggregate, exceeding five per centum on the value of the taxable property within such county or corporation – to be ascertained by the last state and county tax lists, previous to the incurring of such indebtedness.”

<sup>160</sup> Iowa Code §441.49(1).

<sup>161</sup> Iowa Code §441.49(4).

<sup>162</sup> Iowa Code §441.49(2).

<sup>163</sup> 2013 Iowa Code §441.21(4), (5).



## Local Property Tax

percentage of value instead of a limitation on the growth in aggregate value of the two classes of property.<sup>164</sup>

In November of each year, the Director of Revenue certifies the limitation percentages to county auditors.<sup>165</sup> The rollback percentage is multiplied by the actual value to obtain the assessed value of the property subject to taxation.

Increases in the assessment of residential and agricultural property are tied to each other. The annual increase in each class of property is limited to the smaller of the two increases in either class of property.<sup>166</sup> For example, if in the same year the increase in residential property valuations was 3 percent and the increase in agricultural property valuations was only 2 percent, then the increase in the residential valuations would be reduced to 2 percent, resulting in an increase of only 2 percent for each of the two classes of property (i.e., the lower percentage increase of the two classes).

The rollback percentages, expressed as a percentage of assessed value, for the past several fiscal years are as follows:<sup>167</sup>

<u>Assessment Year</u>	<u>Fiscal Year Taxes Due</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Agricultural</u>
2004	2005-2006	47.96	--	--	--
2005	2006-2007	46.00	--	99.15	--
2006	2007-2008	45.56	--	--	--
2007	2008-2009	44.08	--	99.73	90.10
2008	2009-2010	45.59	--	--	93.86
2009	2010-2011	46.91	--	--	66.27
2010	2011-2012	48.53	--	--	69.02
2011	2012-2013	50.75	--	--	57.54
2012	2013-2014	52.82	--	--	59.93
2013	2014-2015	54.40	95.00	95.00	43.40

On January 1, 2015, a new multiresidential property classification takes effect that will have an assessment limitation established by statute.<sup>168</sup> For the assessment year beginning January 1, 2015, multiresidential property is assessed at the greater of 86.25 percent of its actual value or the percentage for residential property times its actual value. The percentage of actual value at which multiresidential property is assessed is then reduced by 3.75 percentage points each year until the assessment year beginning January 1, 2022, at which time and for subsequent assessment years, multiresidential property is

<sup>164</sup> Iowa Code §441.21(5)(b), (c).

<sup>165</sup> Iowa Code §441.21(9).

<sup>166</sup> Iowa Code §441.21(4).

<sup>167</sup> Dashed lines in this table indicate 100 percent of assessed value. The figures in this table are rounded to the hundredths. The Department of Revenue calculates the percentages to the ten thousandths. Federal law requires that railroad property be assessed at the same level as commercial and industrial property. See 49 U.S.C. §11501. Therefore, the actual value of railroad property is rolled back to the same extent as commercial property for the same assessment year. See Iowa Code §441.21(5)(a).

<sup>168</sup> 2013 Iowa Acts, ch. 123, §24-30 (SF 295).

assessed at the same percentage of actual value as residential property is assessed for the same assessment year, unless for any assessment year beginning before January 1, 2022, the percentage of actual value at which residential property is assessed exceeds the percentage for multiresidential property.

## **VII. Credits Applied to Property Tax**

Beginning with property taxes payable in the 1998-1999 fiscal year, the state is required to fully reimburse local governments for all newly enacted property tax credits granted to taxpayers on or after January 1, 1997, and for certain current property tax credits. If full reimbursement is not made, the amount of the credits granted to taxpayers will be prorated.<sup>169</sup> Prior to fiscal year 1998-1999, only the agricultural land property tax credit and the family farm property tax credit had been prorated by statute.<sup>170</sup>

### **A. Homestead Credit**

The homestead credit was enacted in 1937 to provide property tax relief and to encourage home ownership. The current credit is equal to the actual levy on the first \$4,850 of value.<sup>171</sup> To be eligible for the credit for each year, the taxpayer must own and occupy the property as a homestead on July 1 of each year, declare residency in Iowa for income tax purposes, and occupy the property for at least six months each calendar year. Persons in military service or residing in nursing homes who would otherwise qualify are also eligible for the credit.<sup>172</sup>

Claims for the homestead property tax credit must be filed on or before July 1 in the first assessment year for which the credit is claimed. In other words, if a homestead credit is to be allowed for taxes payable in the 2014-2015 fiscal year, the claim must be filed by or be on file as of July 1, 2013. A claim is allowed for successive years without further filing as long as the taxpayer is eligible.<sup>173</sup>

### **B. Elderly and Disabled Property Tax Credit and Rent Reimbursement**

The elderly and disabled property tax credit and rent reimbursement provisions were incorporated into the homestead tax credit law in 1974 to provide additional relief to the low-income elderly and low-income persons with disabilities.<sup>174</sup> The credit was also intended to provide property tax relief to all low-income homeowners (beginning 1994), and to low-income renters in the form of reimbursement payments (beginning 1995), but moneys have never been appropriated to fund that portion of the statute. To be eligible for the low-income elderly and disabled property tax credit and rent reimbursement, the taxpayer must have a household income of less than \$16,500 and must be 65 or older or totally disabled. To be eligible for the low-income rent reimbursement or low-income property tax credit, a claimant must be at least 23 years of age or a head of household and have household income of less than \$16,500.<sup>175</sup> Beginning with claims filed in calendar

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<sup>169</sup> Iowa Code §25B.7.

<sup>170</sup> Iowa Code §§425A.6 and 426.7.

<sup>171</sup> Iowa Code §425.1.

<sup>172</sup> Iowa Code §425.2.

<sup>173</sup> Iowa Code §425.2.

<sup>174</sup> Iowa Code §425.16.

<sup>175</sup> Iowa Code §425.17(2) and 425.23.



## Local Property Tax

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year 2000, the \$16,500 income limitation has been annually adjusted for inflation.<sup>176</sup> If a person has attained the age or disability status to qualify for the elderly and disabled credit or reimbursement, that person is not eligible for the low-income tax credit. A rent reimbursement claimant who lives in Iowa and pays rent during any portion of the base year (the calendar year preceding the year in which the claim is filed) qualifies for reimbursement for the entire amount of rent paid while living in Iowa. A person who occupies the homestead during any part of the fiscal year beginning July 1 of the base year and incurs a liability to pay property taxes due in the fiscal year beginning after conclusion of the base year qualifies for the property tax credit.<sup>177</sup> For both the credit and the reimbursement, “household” includes only the claimant and the claimant’s spouse, if living with the claimant.<sup>178</sup> Each eligible person living in the same residence (excluding a husband and wife) may file a separate claim for rent reimbursement or property tax credit using their individual income and proportionate share of the rent paid or property taxes due.<sup>179</sup>

Property tax credit claims must be filed with the county treasurer by June 1 preceding the fiscal year in which the property taxes are due. Rent reimbursement claims must be filed with the Department of Revenue by June 1 following the year in which the rent is paid.<sup>180</sup>

### C. Manufactured or Mobile Home Tax Credit

The manufactured or mobile home tax credit was enacted as a supplement to the elderly and disabled property tax credit.<sup>181</sup> The credit’s objective is to provide those homeowners whose manufactured or mobile homes are taxed by square footage rather than assessed value with equivalent property tax relief. A claimant must be age 23 or older with household income of less than \$16,500. Beginning with claims filed in calendar year 2000, the \$16,500 has been annually adjusted for inflation.<sup>182</sup> The credit is provided in the form of a rate reduction based upon income. Claims for the manufactured or mobile home tax credit must be filed on or before June 1 of each year.<sup>183</sup>

### D. Agricultural Land Property Tax Credit

The agricultural land property tax credit was established in 1946 to partially offset the school property tax burden borne by agricultural real estate.<sup>184</sup> Current law allows a credit for any school general fund tax in excess of \$5.40 per \$1,000 of assessed value.<sup>185</sup> Land used for agricultural or horticultural purposes in tracts of 10 acres or more is eligible for the credit. Buildings or other structures are excluded.<sup>186</sup> Landowners are not required to file a claim for the agricultural land property tax credit. The county auditor determines the

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<sup>176</sup> Iowa Code §425.23(4). The inflation-adjusted income limitation for 2012 was \$21,335.

<sup>177</sup> Iowa Code §425.17(2), (8).

<sup>178</sup> Iowa Code §425.17(5).

<sup>179</sup> Iowa Code §425.17(2), (8).

<sup>180</sup> Iowa Code §425.20.

<sup>181</sup> Iowa Code §435.22.

<sup>182</sup> Iowa Code §435.22(1)(b)(3).

<sup>183</sup> Iowa Code §435.22(4).

<sup>184</sup> Iowa Code §426.3.

<sup>185</sup> Iowa Code §426.6.

<sup>186</sup> Iowa Code §426.2.



amount of eligible credit applicable to each taxpayer.<sup>187</sup> Beginning with fiscal year 1994-1995, a standing appropriation of \$39.1 million is made each year to the Agricultural Land Credit Fund of which \$10 million is to be used for family farm property tax credits.<sup>188</sup> If state funds are insufficient to fully reimburse all credits, only a pro rata amount of the eligible credits is allowed.<sup>189</sup>

## E. Family Farm Property Tax Credit

The family farm property tax credit was established in 1990 to partially offset the school property tax burden borne by agricultural real estate owned by active farmers. Current law allows a credit for any school general fund tax in excess of \$5.40 per \$1,000 of assessed value.<sup>190</sup> Generally, the family farm property tax credit is only intended to benefit tracts of agricultural land that are owned by certain individuals or enumerated legal entities if the owner or other specified persons are actively engaged in farming the agricultural land for which the credit is claimed.<sup>191</sup> Land used for agricultural or horticultural purposes in tracts of 10 acres or more is eligible for the credit. Buildings or other structures are excluded.<sup>192</sup> A claim for the credit must be filed before November 1 preceding the fiscal year for which the credit is claimed. After the first filing and approval, the owner need not file again until the property is sold or transferred or there is a change in the person identified as actively engaged in farming the land.<sup>193</sup> The county auditor determines the amount of eligible credit applicable to each taxpayer.<sup>194</sup> Like the agricultural land property tax credit, if the money available is insufficient to fully fund the total eligible credits, only a pro rata amount of each eligible credit is allowed.<sup>195</sup>

The family farm property tax credit is funded entirely by the appropriation made for the agricultural land property tax credit.<sup>196</sup> Beginning with fiscal year 1994-1995, \$10 million in family farm tax credits has been paid each year by the state.

## F. Business Property Tax Credit

The business property tax credit, Iowa Code chapter 426C, was enacted in 2013 to provide a tax credit for commercial, industrial, and railway property for property taxes due and payable in fiscal years beginning on or after July 1, 2014.<sup>197</sup> To fund the business property tax credit, the state appropriates from the General Fund of the State \$50 million for the fiscal year beginning July 1, 2014, \$100 million for the fiscal year beginning July 1, 2015, and \$125 million for each fiscal year beginning on or after July 1, 2016.<sup>198</sup>

A person may claim one business property tax credit for each eligible parcel unless the parcel is part of a property unit. A property unit is defined as “contiguous parcels all of which are located within the same county, with the same property tax classification, are

<sup>187</sup> Iowa Code §426.6.

<sup>188</sup> Iowa Code §426.1.

<sup>189</sup> Iowa Code §§426.7 and 426.8.

<sup>190</sup> Iowa Code §425A.3.

<sup>191</sup> Iowa Code §§425A.2 and 425A.3.

<sup>192</sup> Iowa Code §425A.2(2).

<sup>193</sup> Iowa Code §425A.4.

<sup>194</sup> Iowa Code §425A.5.

<sup>195</sup> Iowa Code §§425A.6 and 425A.7.

<sup>196</sup> Iowa Code §§425A.1 and 426.1.

<sup>197</sup> See 2013 Iowa Acts, ch. 123, §§3-11, 13 (SF 295).

<sup>198</sup> Iowa Code §426C.2.



## Local Property Tax

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owned by the same person, and are operated by that person for a common use and purpose.”<sup>199</sup> A person may only claim one tax credit for each property unit. Certain property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code is not eligible for the business property tax credit. In addition, for credits claimed for the fiscal year beginning July 1, 2014, and the fiscal year beginning July 1, 2015, property that is a mobile home park, manufactured home community, land-leased community, assisted living facility, or that is property primarily used or intended for human habitation containing three or more separate dwelling units is not eligible for the business property tax credit.<sup>200</sup>

Application of and allowance for the credit is similar to the procedures used for the homestead credit. Upon allowance of a business property tax credit, the credit is allowed on the parcel or property unit for successive years without further filing as long as the parcel or property unit satisfies the requirements for the credit.<sup>201</sup> The amount of the credit for each eligible parcel or property unit is determined so as to provide a reduction in the property taxes equal to the difference between the amount of taxes otherwise due and payable on a statutorily determined amount of assessed value of the property and the amount of taxes due and payable if the property was classified, assessed, and taxed as residential property.<sup>202</sup>

### **VIII. State Replacement of Revenue Payments for Commercial and Industrial Property Tax Rollbacks**

In 2013, a system of property tax replacement payments was established in order for the state to replace revenues lost because of the reduction in taxable value resulting from the enactment of a permanent statutory assessment limitation percentage (rollback) for commercial and industrial property.<sup>203</sup>

For the fiscal year beginning July 1, 2014, and each fiscal year thereafter, there is appropriated from the General Fund of the State an amount necessary to pay all commercial and industrial property tax replacement claims for that fiscal year. However, for fiscal years beginning on or after July 1, 2017, the total amount of money appropriated from the General Fund of the State for the payment of commercial and industrial property tax replacement claims in that fiscal year is limited to the total amount of money necessary to pay all replacement payments for the fiscal year beginning July 1, 2016. Additionally, appropriations for the payment of commercial and industrial property tax replacement claims are not subject to a uniform reduction in appropriations pursuant to a determination by the Governor under Iowa Code section 8.31. If an amount appropriated for a fiscal year is insufficient to pay all replacement claims, the replacement payments are prorated.

The amount of the replacement claim for each taxing district is equal to the difference between the assessed valuation (after rollback) of all commercial and industrial property located in the taxing district that is subject to assessment and taxation and the total actual

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<sup>199</sup> Iowa Code §426C.1.

<sup>200</sup> Iowa Code §426C.4(1)(b).

<sup>201</sup> Iowa Code §426C.3(3).

<sup>202</sup> Iowa Code §426C.4.

<sup>203</sup> Iowa Code §441.21A.

value (before rollback) of all such property located in the taxing district multiplied by the tax rate specified for the taxing district, and then divided by \$1,000.

## **IX. The Tax Collection Process**

### **A. Payment of Taxes**

Property taxes in Iowa are collected locally by county governments and distributed by the county treasurers to the other tax-certifying bodies in the county. The county treasurer is required to mail a property tax statement to each taxpayer.<sup>204</sup> The tax may be paid in semiannual installments, the first of which becomes delinquent October 1 and the second which becomes delinquent April 1. However, if the last day of September or March is a Saturday or Sunday, the amount due becomes delinquent on the second business day in October or April, respectively. In order to avoid delinquency, the county treasurer must receive the tax payment on the last business day of September or March, or, if mailed, the payment envelope must bear a postmark date preceding October 1 or April 1. If the last calendar day of September or March is a Saturday, Sunday, or a holiday, the payment must be postmarked before the delinquent date. If paid by electronic means through a county treasurer's authorized Internet site only, if the last day of the month falls on a Saturday, Sunday, or a holiday, the electronic payment must be initiated by midnight on the first business day of the next month. All other electronic payments must be initiated by midnight on the last day of the month preceding the delinquent date.<sup>205</sup> Delinquent taxes draw interest at a rate of 1.5 percent per month until the parcel is sold at tax sale or the taxes are paid by the taxpayer.<sup>206</sup>

The county treasurer may allow property taxpayers to make partial payments of taxes. If the treasurer elects to permit partial payments, the authorization applies to all taxpayers in the county.<sup>207</sup> Partial payments of taxes may also be made on delinquent taxes as long as the parcel has not been sold at tax sale. A partial payment made on delinquent taxes cannot be in an amount less than the total of interest, fees, and costs accrued on the delinquent taxes.<sup>208</sup>

### **B. Tax Sale**

Each year on the third Monday in June, the county treasurer offers at public sale all parcels on which property taxes are delinquent, except those parcels specified in statute as being the subject of certain pending actions. However, a county treasurer may designate a date in June other than the third Monday on which to hold the annual tax sale if, for good cause, the sale cannot be held on the third Monday.<sup>209</sup> Besides publication in a newspaper, the county treasurer is required to mail notice by regular mail of the tax sale to the owner of a parcel on which taxes are delinquent. If requested, regular mail notice is also provided to any person who has an interest of record in the property.<sup>210</sup> Generally, service fees are included as a part of the costs of collecting the delinquent taxes. Service

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<sup>204</sup> Iowa Code §445.5.

<sup>205</sup> Iowa Code §445.37.

<sup>206</sup> Iowa Code §445.39.

<sup>207</sup> Iowa Code §445.36A(1).

<sup>208</sup> Iowa Code §445.36A(2).

<sup>209</sup> Iowa Code §446.7(1).

<sup>210</sup> Iowa Code §446.9.



## Local Property Tax

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fees and publication costs related to delinquent taxes, except the cost of publishing the tax sale notice, are assessed against the person redeeming the property.<sup>211</sup>

The sale must be for the total amount of taxes, interest, fees, and costs due.<sup>212</sup> Therefore, the amount bid for at a public tax sale is the percentage amount of undivided interest the tax sale certificate holder will have in the property if the property is not redeemed. The person bidding the total amount of taxes, interest, fees, and costs due for the smallest percentage (not less than 1 percent) of undivided interest in the property is issued the tax sale certificate which operates as a lien against the parcel.<sup>213</sup> Taxes for a subsequent year may not be paid by the purchaser at tax sale (tax sale certificate holder) until one month and 14 days following the date from which an installment becomes delinquent.<sup>214</sup>

If a parcel has been offered for sale at a tax sale for a period of one year or more, it then can be offered for sale at a public bidder sale where the county or a city may purchase the parcel.<sup>215</sup>

If authorized by county ordinance, a county or a city within the county may bid on certain parcels at the annual tax sale.<sup>216</sup> The parcel must be a vacant lot or must contain abandoned property assessed as residential or commercial multifamily housing property.<sup>217</sup> Cities and counties may also require the holder of a tax sale certificate for property declared to be abandoned or a vacant lot to assign the certificate to the city or county. If the holder refuses, the city or county may order the treasurer to issue a duplicate certificate and assign it to the city or county. Cities and counties may assign tax sale certificates for abandoned property or vacant lots to persons who pay the interest due on the delinquent taxes to the certificate holder and who demonstrate the intent to rehabilitate the abandoned property for habitation or build a residential structure on the vacant lot if the property is not redeemed.<sup>218</sup>

A county may also adopt an ordinance providing for a public nuisance tax sale held on the same day as the annual tax sale.<sup>219</sup> Parcels with delinquent taxes that may be offered for sale at the public nuisance tax sale are parcels that are abandoned property and are assessed as residential property or commercial multifamily housing property, and the county or city has declared that the parcel is, or is likely to become, a public nuisance, and that the parcel is suitable for use as housing following rehabilitation. To be eligible to bid on parcels at a public nuisance tax sale, a prospective bidder is required to enter into an agreement with the county or city, as applicable, stating that the bidder intends to rehabilitate the property for use as housing.

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<sup>211</sup> Iowa Code §§446.10 and 447.13.

<sup>212</sup> Iowa Code §446.7.

<sup>213</sup> Iowa Code §446.16.

<sup>214</sup> Iowa Code §446.32.

<sup>215</sup> Iowa Code §§446.18 and 446.19.

<sup>216</sup> Iowa Code §446.19A.

<sup>217</sup> "Vacant lot" means a lot or parcel that contains no buildings or structures and which is zoned to allow for residential structures. "Abandoned property" means a lot or parcel containing a building which is used or intended to be used for residential purposes and which has remained vacant and in violation of the applicable local housing code for a period of at least six consecutive months. Iowa Code §446.19A(5).

<sup>218</sup> Iowa Code §446.19A(3), (4).

<sup>219</sup> Iowa Code §446.19B.

**C. Redemption of Property and Issuance of Tax Deed**

For most parcels sold at tax sale, the parcel may be redeemed at any time within two years of the sale upon payment of the delinquent taxes, interest, penalty, fees, and other costs.<sup>220</sup> After a parcel is sold at tax sale, the amount due draws 2 percent interest per month.<sup>221</sup> One year and nine months from the date of sale or nine months from the date of a public bidder sale, the certificate holder is required to send to the taxpayer and any other person who has an interest of record in the property a notice of expiration of redemption.<sup>222</sup> If the delinquent taxes are not redeemed within 90 days of completed service of the notice, a treasurer's deed to the property is issued to the tax certificate holder.<sup>223</sup> A county may redeem property sold for delinquent taxes on behalf of a person who establishes that the person is unable to contribute to the public revenue in the same manner that the county may abate the taxes of a person unable to contribute to the public revenue.<sup>224</sup>

The redemption period on a parcel containing abandoned property or that is a vacant lot which is bid on and purchased by a city or county is six months from the date of sale rather than two years from the date of sale. The same redemption period applies to parcels sold at a public nuisance tax sale.<sup>225</sup>

**X. Limitations on Property Tax**

Iowa law imposes a number of limitations on the collection of property taxes by local government entities. The various maximum levy rate amounts prescribed in statute are limitations on the property tax. The 3 percent limitation on increases in assessments by class of property is a limitation on property taxes. Prescribing the allowable uses for revenues collected from supplemental levies is a limitation on property taxes.

The most comprehensive limitation on property taxes was that contained in Iowa Code sections 444.25A through 444.27 from 1993-1998. Under these sections, the maximum amount of property tax dollars which could be certified by a county was limited to the amount certified in the immediately preceding fiscal year. There were exceptions from the limitation allowed for levies against certain assessments, such as new construction, and for levies made for certain expenditures, such as debt service, hospitals, and emergency management. A more general exception was provided for levies made resulting from unusual need for additional moneys to finance existing programs which would provide substantial benefit to county residents or for a compelling need to finance new programs which would provide substantial benefit to county residents. An increase under this exception was limited to the product of the amount of taxes certified in the immediately preceding fiscal year and an economic growth indicator based upon government purchases. A county could also exceed the amount of property tax dollars certified under the limitation by petitioning the state appeal board for a property tax increase. Only circumstances specified in statute could be used to justify this type of increase.

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<sup>220</sup> Iowa Code §447.9. If a parcel sold at tax sale had been offered for sale for one year or more prior to being sold, the total redemption period is 12 months from the date of sale (consisting of nine months after date of sale plus 90-day redemption period after notice).

<sup>221</sup> Iowa Code §447.1.

<sup>222</sup> Iowa Code §447.9.

<sup>223</sup> Iowa Code §448.1.

<sup>224</sup> Iowa Code §447.9(3).

<sup>225</sup> Iowa Code §447.9. The total redemption period consists of three months after date of sale plus 90-day redemption period after notice.



## Local Property Tax

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The limitation was first enacted in 1992 and applied to both counties and cities for the 1993-1994 and 1994-1995 fiscal years.<sup>226</sup> In 1994, the limitation was reenacted to apply only to counties in the 1995-1996 and 1996-1997 fiscal years.<sup>227</sup> Senate File 69, enacted in the 1995 Legislative Session, extended the limitation on counties through the 1997-1998 fiscal year.<sup>228</sup>

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<sup>226</sup> 1992 Iowa Acts, Second Extraordinary Session, ch. 1001.

<sup>227</sup> 1994 Iowa Acts, ch. 1163.

<sup>228</sup> 1995 Iowa Acts, ch. 206.