

By GLUBA

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act to provide limited tax incentives for the improvement,
2 repair, and maintenance of residential property by allowing
3 a five-year tax moratorium for certain improvements to
4 buildings and by requiring that real estate be assessed
5 as if repairs and maintenance had been performed, with
6 certain exceptions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. TITLE. This Act may be cited
2 as the "Iowa Improvement Incentive Act".

3 Sec. 2. NEW SECTION. DEFINITIONS. As used in this Act,
4 unless the context otherwise requires:

5 1. "Actual value" and "taxable value" mean actual value
6 and taxable value as defined in section four hundred forty-
7 one point twenty-one (441.21) of the Code, as modified by
8 this Act.

9 2. "Building" means any structure permanently located
10 on or attached to land, designed for human occupancy and
11 includes but is not limited to dwelling houses and apartment
12 buildings. "Building" does not include a mobile home unless
13 it has been converted to real estate in compliance with section
14 one hundred thirty-five D point twenty-six (135D.26) of the
15 Code.

16 3. "Improvement" means any remodeling, addition, exten-
17 sion, structural change, or other change to an existing build-
18 ing, amounting to more than repairs and maintenance, which
19 is necessary to bring the building into compliance with the
20 local housing code, or if one does not exist, with other
21 applicable building codes.

22 4. "Repairs and maintenance" means ordinary and reasonable
23 care and upkeep of an existing building in accordance with
24 customary standards of prudent property management in this
25 state. "Repairs and maintenance" includes, but is not limited
26 to, painting and replacement of worn or damaged materials,
27 but does not include improvements. However, everything
28 required to comply with any applicable state or local housing
29 code, building code, or building regulation shall be deemed
30 to be improvements.

31 5. "Taxpayer" means any owner of a building or of an
32 interest in a building who is liable under the laws of this
33 state for property taxes on the building. Without limitation,
34 "taxpayer" includes a purchaser under a contract which has
35 been recorded in the office of the county recorder of the

1 county in which the building is located.

2 6. "Year" means an assessment year for property tax
3 purposes.

4 Sec. 3. NEW SECTION. FIVE-YEAR TAX MORATORIUM GRANTED.

5 In order to encourage the improvement of buildings, a five-
6 year moratorium on property taxes is granted to the extent
7 provided in this section except that persons qualifying for
8 the additional homestead tax credit provided under sections
9 four hundred twenty-five point sixteen (425.16) through four
10 hundred twenty-five point thirty-nine (425.39) of the Code
11 shall receive the tax moratorium for not less than five years
12 or so long as the taxpayer owns the homestead and continues
13 to qualify for the additional credit allowed under sections
14 four hundred twenty-five point sixteen (425.16) through four
15 hundred twenty-five point thirty-nine (425.39) of the Code.

16 1. Subject to the limitations stated in this section,
17 a taxpayer shall be entitled to a tax moratorium for any
18 improvement to a building for a period of five years after
19 the year in which the improvement is substantially completed.
20 For the five-year moratorium period no property taxes shall
21 be levied or payable with respect to the first five thousand
22 dollars of actual value added by the improvement.

23 2. If an improvement is begun but is not substantially
24 completed at the end of the year, the tax moratorium period
25 for that improvement shall include the following year, in
26 addition to the period of five years after the year in which
27 the improvement is substantially completed. The additional
28 tax moratorium period under this subsection shall be for one
29 year only and shall not be renewed.

30 3. For each taxpayer, the tax moratorium for any year
31 is limited to a maximum total amount of five thousand dollars
32 actual value added by all improvements to all buildings in
33 any one county.

34 4. The tax moratorium for any year with respect to any
35 one building is limited to a maximum total amount of five

1 thousand dollars actual value added by all improvements to
2 the building, regardless of the number of owners. If two
3 or more taxpayers own a building, the moratorium amount shall
4 be divided among them in proportion to their ownership inter-
5 ests.

6 5. For the purposes of this Act:

7 a. A married couple and their minor children shall be
8 regarded as one taxpayer.

9 b. A corporation and its majority-owned subsidiaries shall
10 be regarded as one taxpayer.

11 c. A partnership shall be regarded as one taxpayer.

12 d. The director of revenue shall adopt reasonable rules
13 to prevent unreasonable duplication of tax moratorium benefits
14 by division of ownership or creation of separate legal enti-
15 ties. Ownership created for the purpose of obtaining benefits
16 under this Act shall be disregarded for the purposes of this
17 Act. This paragraph shall prevail over the provisions of
18 the preceding paragraphs of this subsection.

19 6. Improvements substantially completed less than five
20 years after the original building is substantially completed
21 shall not be eligible for the tax moratorium.

22 7. Improvements begun before January 1, 1975, shall not
23 be eligible for the tax moratorium.

24 8. The tax moratorium for any improvement shall terminate
25 at the end of the five-year period or when the taxpayer ceases
26 to own the improved property, whichever occurs first. Trans-
27 fer of ownership to the taxpayer's spouse, as a result of
28 death or otherwise, shall be regarded as a continuation of
29 the same ownership and not as a cessation of ownership. If
30 a tenant pays at least one-half of the cost of the improvement
31 or provides at least one-half of the labor for the improvement,
32 and if the tenant purchases the property, the tax moratorium
33 shall continue for the remainder of the original five-year
34 period.

35 9. The assessor shall require and the taxpayer shall file

1 with the assessor a verified statement describing the improve-
2 ment, its cost, the ownership of the building, and all other
3 information which the assessor may reasonably require for
4 the purposes of this section. Section four hundred forty-
5 one point twenty-five (441.25) of the Code shall apply to
6 any person making the verified statement. If the assessor
7 personally delivers or mails to the taxpayer by certified
8 or registered mail an appropriate statement form and a written
9 request for the verified statement, including a specified
10 return date which shall be at least thirty days after the
11 date of delivery or mailing, and if the taxpayer fails to
12 return the verified statement by the return date, the assessor
13 or board of review may deny eligibility for the moratorium
14 for that year with respect to that improvement. Late filing
15 of the verified statement, unless waived by the assessor or
16 by the board of review, shall not reinstate eligibility for
17 that year but shall be effective for the remaining years of
18 the moratorium period.

19 10. The actual value of all taxable property, the actual
20 value added by improvements eligible for the tax moratorium,
21 and the actual and taxable value of taxable property after
22 adjustment for the tax moratorium shall be determined and
23 entered on the assessment roll by the assessor and shall be
24 subject to protest, review by the board of review, and appeal
25 to the district court, as provided in chapter four hundred
26 forty-one (441) of the Code. The actual and taxable values
27 after adjustment for the tax moratorium shall be included
28 in the tax lists under chapter four hundred forty-three (443)
29 of the Code.

30 11. Upon any revaluation or adjustment in valuation of
31 real estate or any class of real estate as provided by law,
32 the assessor shall adjust the amounts of actual value added
33 by improvements to a building in proportion to the change
34 in the actual value of the building. The adjusted actual
35 value added by the improvements shall be taken into account

1 in applying the limitations stated in subsections one (1),
2 three (3), and four (4) of this section.

3 Sec. 4. NEW SECTION. VALUATION AS IF REPAIRS AND MAINTENANCE PERFORMED.

4
5 1. The actual value and taxable value of all real estate
6 shall be determined as if all repairs and maintenance had
7 been performed in accordance with customary standards of prudent
8 property management in this state. The actual value
9 of real estate and of each building shall be equal to and
10 shall not exceed the amount which its market value as defined
11 in section four hundred forty-one point twenty-one (441.21)
12 of the Code would be if all repairs and maintenance had been
13 performed in accordance with such standards. However, the
14 actual value of agricultural property and of each building
15 which is agricultural property shall be equal to and shall
16 not exceed the amount which its actual value determined as
17 provided in section four hundred forty-one point twenty-one
18 (441.21) of the Code would be if all repairs and maintenance
19 had been performed in accordance with such standards. The
20 actual value and taxable value shall not be reduced due to
21 any failure to perform repairs and maintenance, even though
22 such failure reduces the value of the property. The actual
23 value and taxable value of real estate shall not be increased
24 due to repairs and maintenance, if the actual value and taxable
25 value have been determined as provided in this section. It
26 is the intent of this section that property owners shall not
27 be permitted to realize a tax benefit by failing to perform
28 repairs and maintenance, and shall not be penalized because
29 of performing repairs and maintenance. This section shall
30 be applied and administered to carry out this intent.

31 2. However, subsection one (1) of this section shall not
32 apply for any year to the taxpayer's homestead as defined
33 in section four hundred twenty-five point eleven (425.11)
34 of the Code if (a) the taxpayer's annual income, together
35 with that of any member of the taxpayer's family, including

1 any person related by blood, marriage, or adoption, living
2 with the taxpayer, was less than eight thousand dollars for
3 the preceding year and is reasonably expected to be less than
4 eight thousand dollars for the current year or the taxpayer
5 and his family fall within the definition of "families of low
6 income", "lower-income families" or "very low income families"
7 as defined in section four hundred three A point two (403A.2)
8 of the Code; (b) the taxpayer is eligible for and properly
9 claims a homestead tax credit for the year; and (c) the
10 taxpayer files a hardship application with the assessor on
11 or before the last day for filing a claim for homestead tax
12 credit for the same year as provided in section four hundred
13 twenty-five point two (425.2) of the Code. The hardship
14 application shall be verified, shall be on a form approved
15 by the director of revenue, shall state that the application
16 of subsection one (1) of this section would cause a hardship
17 to the taxpayer, and shall state the pertinent facts regarding
18 the taxpayer's income and eligibility under this subsection.
19 For the purposes of this subsection, "income" means net income
20 as defined in section four hundred twenty-two point seven
21 (422.7) of the Code, plus interest and dividends from federal
22 securities, social security benefits, and income from other
23 tax-exempt retirement or pension plans.

24 The hardship application form shall also contain substan-
25 tially the following statement in prominent type:

26 "NOTICE: If a taxpayer qualifies for the hardship excep-
27 tion from the law assessing property as if repairs and main-
28 tenance had been performed, the first five hundred dollars
29 of repairs and maintenance to the taxpayer's homestead per-
30 formed during the year will not increase its taxable value."

31 3. If subsection one (1) of this section does not apply
32 for any year to the taxpayer's homestead because the taxpayer
33 qualifies for the hardship exception under subsection two
34 (2) of this section, the first five hundred dollars of repairs
35 and maintenance to the taxpayer's homestead performed during

1 that year shall not increase the actual or taxable value of
2 the taxpayer's homestead. This provision shall continue to
3 apply for each year during which the taxpayer again qualifies
4 for the hardship exception under subsection two (2) of this
5 section. However, when the taxpayer ceases to own the home-
6 stead, this provision shall no longer apply to repairs and
7 maintenance performed before the change of ownership, and
8 the property shall be revalued. Transfer of ownership to
9 the taxpayer's spouse, as a result of death or otherwise,
10 shall be regarded as a continuation of the same ownership
11 and not as a cessation of ownership.

12 Sec. 5. NEW SECTION. RULES AND FORMS. The director of
13 revenue shall adopt rules and forms for the proper and uniform
14 administration of this Act. All assessors, including the
15 department of revenue, shall comply with this Act and rules
16 promulgated by the department of revenue. All forms required
17 by this Act shall be furnished to the assessors by the depart-
18 ment of revenue.

19 Sec. 6. Section four hundred twenty-one point seventeen
20 (421.17), subsection six (6), unnumbered paragraph one (1),
21 Code 1975, is amended to read as follows:

22 To require city, township, school districts, county, state,
23 or other public officers to report information as to the
24 assessment of property and collection of taxes and such other
25 information as may be needful or desirable in the work of
26 the department in such form and upon such blanks as the
27 director may prescribe. Such reports and summaries shall,
28 as far as reasonably possible, take into account and make
29 any adjustments for improvements eligible for the tax
30 moratorium under this Act.

31 Sec. 7. Section four hundred twenty-eight point four
32 (428.4), Code 1975, is amended by adding the following new
33 paragraph:

34 NEW PARAGRAPH. This section is subject to the provisions
35 of this Act.

1 Sec. 8. Section four hundred forty-one point twenty-one
2 (441.21), Code 1975, is amended by striking subsection three
3 (3) and inserting in lieu thereof the following:

4 3. The actual value, taxable value, and assessed value
5 determined as provided in this section shall be adjusted in
6 compliance with the provisions of this Act.

7 Sec. 9. Section four hundred forty-one point twenty-three
8 (441.23), Code 1975, is amended by adding the following new
9 unnumbered paragraph:

10 NEW UNNUMBERED PARAGRAPH. Each notice under this section
11 shall include substantially the same information and state-
12 ment regarding the tax moratorium for improvements under the
13 provisions of this Act which are required by section four
14 hundred forty-one point twenty-six (441.26) of the Code to
15 be included in assessment rolls.

16 Sec. 10. Section four hundred forty-one point twenty-six
17 (441.26), Code 1975, is amended to read as follows:

18 441.26 ASSESSMENT ROLLS AND BOOKS. The director of revenue
19 shall each year prescribe the form of assessment roll to be
20 used by all assessors in assessing real and personal property,
21 including moneys and credits, in this state, also the form
22 of pages of the assessor's assessment book. Such assessment
23 rolls shall be in such form as will permit entering thereon,
24 separately, the names of all persons, partnerships, corpora-
25 tions, or associations assessed; shall contain a form of oath
26 or affirmation to be administered to each person assessed,
27 and shall also contain a notice in the following form:

28 "If you are not satisfied that the foregoing assessment
29 is correct, you may file a protest against such assessment
30 with the board of review on or after April 16, to and includ-
31 ing May 5, of the year of the assessment, such protest to
32 be confined to the grounds specified in section 441.37. Dated
33 day of, 19....., County/City
34 Assessor."

35 Such assessment rolls shall state the amount of actual

1 value added by any improvement which is eligible for the tax
2 moratorium under this Act and the year at the end of which
3 the moratorium will terminate. Such assessment rolls shall
4 contain the following statement in prominent type:

5 "NOTICE: The Iowa Improvement Incentive Act allows a five-
6 year tax moratorium for most improvements to buildings. The
7 tax moratorium is limited to five thousand dollars value added
8 by improvements to any one building. There is also a five
9 thousand dollar limit for each taxpayer, for all improvements
10 to buildings in any one county. Please refer to the complete
11 text of the Iowa Improvement Incentive Act, chapter
12 , Code of Iowa. Contact your assessor if you have any question
13 about this tax moratorium for improvements. If you are not
14 satisfied with the assessor's determination regarding the
15 tax moratorium for your property as shown above, you have
16 the right to file a protest with the board of review as stated
17 herein."

18 Such assessment rolls shall be used in listing the property
19 and showing the values affixed to such property of all persons,
20 partnerships, corporations, or associations assessed, which
21 rolls shall be made in duplicate. Said duplicate roll shall
22 be signed by the assessor, detached from the original and
23 delivered to the person assessed if there has been an increase
24 or decrease in the valuation of the property, or upon the
25 written request of the person assessed. It shall be lawful
26 to combine the affidavit or form of oath or affirmation with
27 reference to real and personal property, and the affidavit
28 or form of oath or affirmation as to moneys and credits, into
29 one affidavit or form of oath or affirmation, and only the
30 one such affidavit or form of oath or affirmation shall be
31 sufficient on the assessment roll. The pages of the assessor's
32 assessment book shall contain columns ruled and headed for
33 the information required by this chapter and that which the
34 director of revenue may deem essential in the equalization
35 work of the director. The assessor shall return all assess-

1 ment rolls and any schedules therewith to the county auditor,
2 along with the completed assessment book, as provided in this
3 chapter, and the county auditor shall carefully keep and pre-
4 serve all such rolls, schedules and book for a period of ~~five~~
5 seven years from the time of filing of the same in his office.

6 Sec. 11. Section four hundred forty-one point forty-five
7 (441.45), Code 1975, is amended by adding the following new
8 subsection:

9 NEW SUBSECTION. The aggregate value of improvements
10 eligible for the tax moratorium under this Act. This amount
11 shall not be included in the amounts reported under other
12 subsections of this section.

13 Sec. 12. Section four hundred forty-one point fifty-five
14 (441.55), Code 1975, is amended to read as follows:

15 441.55 CONFLICTING LAWS. If any of the provisions of
16 this chapter shall be in conflict with any of the laws of
17 this state, then the provisions of this chapter shall pre-
18 vail. However, the provisions of this Act shall prevail if
19 in conflict with any of the provisions of this chapter.

20 Sec. 13. Section four hundred forty-three point twenty-
21 two (443.22), Code 1975, is amended to read as follows:

22 443.22 UNIFORM ASSESSMENTS MANDATORY. All assessors and
23 assessing bodies, including the department of revenue having
24 authority over the assessment of property for tax purposes,
25 shall comply with the provisions of sections 428.4, 428.29,
26 434.15, 435.7, 438.13, 441.21, 441.45 and, 443.5 and this
27 Act. The department of revenue having authority over such
28 assessments, shall exercise its powers and perform its duties
29 under section 421.17 and other applicable laws so as to require
30 the uniform and consistent application of said section.

31 Sec. 14. This Act shall become effective January 1, 1976.
32 It shall apply to all assessments and valuations made in the
33 year 1974 and each year thereafter, except as otherwise pro-
34 vided in this Act.

35

EXPLANATION

1
2 Present property tax laws discourage improvement of property
3 and hurt Iowa's growth. The owner who improves or repairs
4 his property is penalized by higher taxes. The owner who
5 lets his property run down and decay is rewarded by lower
6 taxes. This situation breeds urban slums and rural blight.
7 In some areas the tax system makes it more profitable to own
8 a slum tenement than a modern apartment building.

9 This bill will help to reverse this harmful trend in two
10 ways:

11 1. A five-year tax moratorium for residential building
12 improvements will encourage more improvements. The owner
13 will be able to pay all or part of the cost of the improvement
14 before his tax goes up. The moratorium is limited to \$5,000
15 of improvements to any building. There is also a \$5,000 limit
16 for each taxpayer for all improvements to all buildings in
17 any one county.

18 2. The "tax reward" for owners who fail to repair and
19 maintain their property will be removed. This will be done
20 by assessing all property as if it had been repaired and main-
21 tained according to customary Iowa standards. Once this
22 change is made, future repairs and maintenance will not
23 increase the assessed value or the tax. This replaces the
24 present inadequate law on repairs. To prevent hardship, an
25 exception is allowed for certain taxpayers.

26 This bill will increase the tax base by encouraging improve-
27 ments. It will not remove any property from the tax rolls.
28 The five-year tax moratorium for future improvements will
29 be more than offset by future gains, since all these improve-
30 ments will soon become taxable. In addition, removal of the
31 present "tax reward" for run-down property will increase the
32 total assessed valuation and tax base.

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