

Ways and Means
Van Gilst, Chairperson
Kelly
Nolting

FILED JAN 26 1978

SENATE FILE 2070

By HUTCHINS and SCOTT

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

A BILL FOR

1 An Act exempting the amount of the costs of materials and
2 labor of insulating residential property from property
3 taxes.

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

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1 Section 1. Section four hundred twenty-seven point one
2 (427.1), Code 1977, is amended by adding the following new
3 subsection:

4 NEW SUBSECTION. Residential property to which insulation
5 has been installed for the purpose of conserving energy shall
6 be exempt from taxation for the periods and to the extent
7 provided in this subsection.

8 This exemption shall apply to residential property to which
9 insulation has been installed after the effective date of
10 this Act for a period of ten years beginning on January first
11 after the date the installation of the insulation has been
12 completed.

13 The exemption shall apply with respect to each of the ten
14 annual assessments within that ten-year period and the property
15 taxes payable on the basis of each of such assessments. The
16 amount of the exemption shall be limited to the total cost
17 of the materials used for insulation purposes and the labor
18 charged for the installation of such materials.

19 Application for this exemption shall be filed with the
20 assessing authority not later than February first following
21 the year for which the exemption is requested on forms provided
22 by the department of revenue. The person seeking this
23 exemption shall submit with the application such proof of
24 the installation and cost as the director of revenue may
25 require.

26 Sec. 2. Section four hundred forty-one point twenty-one
27 (441.21), subsection one (1), Code 1977, is amended by adding
28 the following new unnumbered paragraph:

29 NEW UNNUMBERED PARAGRAPH. In the case of a tax imposed
30 on residential realty as a result of the change in use of
31 such property, the fair and reasonable market value of such
32 residential realty as defined in this subsection shall not
33 include the amount of the exemption provided and actually
34 received under section one (1) of this Act.

35 Sec. 3. This Act is effective January 1, 1979.

EXPLANATION

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2 This bill exempts from property taxation for a period of
3 ten years the amount of the costs of both material and labor
4 incurred in the installation of insulation of residential
5 property. The bill also prevents any recapture tax being
6 imposed because of such exemption upon the change in use of
7 the residential property.

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SENATE FILE 2070

FISCAL NOTE

Date: February 17, 1978

Requested by: Senator Bill Hutchins

In compliance with a written request received January 25, 1978, there is hereby submitted a Fiscal Note for Senate File 2070, pursuant to Joint Rule 16. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

Senate File 2070, An Act exempting the amount of the costs of materials and labor of insulating residential property from property taxes.

This bill would provide for a property tax exemption for ten years for the cost of material and labor incurred in the insulation of residential property which is insulated on or after January 1, 1979. To the extent that the cost of insulation is equal to the increase in the assessed value of the property which results from such insulation this bill would not reduce current property values. However, the installation of insulation is not felt to necessarily result in an equal increase in property valuations. Therefore, the proposal could reduce the current level of property assessment for selected residential properties. The result of this change would be that unless local governments were to increase the rate at which property taxes were levied, a reduction in property taxes levied would occur. Further, to the extent that the total residential valuations in a taxing jurisdiction were reduced, a shifting in the burden of property taxes to the property not subject to the exemption would also occur.

The proposal would impact on the state budget to the extent that the reduction in valuation, if any, would result in an increase in the level of the state's expenditure under the School Foundation Program.

Research completed on this subject has failed to discover reliable information regarding the value of insulation sold in Iowa and the costs incurred in its installation on an annual basis. Further, as noted earlier, it is also not known to what extent the installation of insulation generally results in an increase in the assessed value of a parcel of property. As a result, a reliable estimate of the reduction in property values and the effect of such a reduction on property taxes and state expenditures under the School Foundation Program cannot be provided.

Source: Department of Revenue

FILED
FEBRUARY 20, 1978

Gerry Rankin
Fiscal Director
Legislative Fiscal Bureau