

SENATE FILE 2043

Ways & Means
Palmer, Chair
Rodgers
Gratias

4/1/84
Do Pass 4/13 (p. 1533)

See Finance 4/17
Amend 63843 Do Pass
4/16 (2118)

FILED JAN 10 1984

SENATE FILE 2043

BY JUNKINS and MILLER of
Des Moines

Passed Senate, Date 4-16-84 (p. 1529) Passed House, Date 4-17-84 (p. 2262)

Vote: Ayes 44 Nays 0 Vote: Ayes 88 Nays 7

Approved May 8, 1984

Repassed Senate 4-17-84 (p. 1645)
44-1

A BILL FOR

1 An Act authorizing a partial exemption from property taxa-
2 tion for new warehouses and new warehouse machinery and
3 equipment.

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

SENATE FILE 2043

S-5909

- 1 Amend Senate File 2043 as follows:
- 2 1. Page 1, line 10, by inserting after the word
- 3 "includes" the words "farm machinery storage facilities,".
- 4 2. Title, line 2, by inserting after the word
- 5 "for" the words "farm machinery storage facilities,".

S-5909 FILED BY JACK W. HESTER

APRIL 16, 1984

RULED OUT OF ORDER *(p. 1569)*

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1 Section 1. Section 427B.1, unnumbered paragraph 1, Code
2 1983, is amended to read as follows:

3 A city council, or a county board of supervisors as
4 authorized by section 427B.2, may provide by ordinance for
5 a partial exemption from property taxation of the actual value
6 added to industrial real estate by the new construction of
7 industrial real estate and the acquisition of or improvement
8 to machinery and equipment assessed as real estate pursuant
9 to section 427A.1, subsection 1, paragraph "e". Industrial
10 real estate includes warehouses and warehouse machinery and
11 equipment assessed as real estate as provided in section
12 427A.1, subsection 1, paragraph "d". New construction means
13 new buildings and structures and includes new buildings and
14 structures which are constructed as additions to existing
15 buildings and structures. New construction does not include
16 reconstruction of an existing building or structure which
17 does not constitute complete replacement of an existing
18 building or structure or refitting of an existing building
19 or structure, unless the reconstruction of an existing building
20 or structure is required due to economic obsolescence and
21 the reconstruction is necessary to implement recognized
22 industry standards for the manufacturing and processing of
23 specific products and the reconstruction is required for the
24 owner of the building or structure to continue to competitively
25 manufacture or process those products, which determination
26 shall receive prior approval from the city council of the
27 city or the board of supervisors of the county upon the
28 recommendation of the Iowa development commission. The
29 exemption ~~shall also apply~~ applies to new machinery and
30 equipment assessed as real estate pursuant to section 427A.1,
31 subsection 1, ~~paragraph~~ paragraphs "d" and "e", unless the
32 machinery or equipment is part of the normal replacement or
33 operating process to maintain or expand the existing
34 operational status.

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EXPLANATION

1 This bill authorizes a city or a county to provide a par-
2 tial exemption from property taxation for new warehouses and
3 new warehouse machinery and equipment.

4 This bill takes effect July 1 following its enactment.

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8 SENATE FILE 2043
9 FISCAL NOTE

9 REQUESTED BY SENATOR JUNKINS

10 In compliance with a written request there is hereby submitted a
11 Fiscal Note for Senate File 2043 pursuant to Joint Rule 17.

12 Senate File 2043 amends section 427B.1 of the Code in order to
13 authorize a city or a county to provide a partial exemption from
14 property taxation for new warehouse machinery and equipment.

15 FISCAL IMPACT: Currently, warehouses and warehouse machinery are
16 assessed as commercial property; the bill changes the classifica-
17 tion to industrial property. The partial exemption applied to new
18 warehouses and warehouse machinery would reduce the taxable value
19 of such property, which would effectively increase the tax rate.
20 State dollars which are paid out to local governments in the form
21 of school aid and homestead and military tax credits would in-
crease. It is difficult to estimate the reduction in taxable
value, and consequently the increase in state expenditure, that
would arise as a result of Senate File 2043.

(3131S, 84-034A, RJH)

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23 Source: Office of the State Comptroller

24 FILED:
25 FEBRUARY 14, 1984

BY DENNIS C. PROUTY, DIRECTOR
LEGISLATIVE FISCAL BUREAU

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SENATE FILE 2043

H-6426

1 Amend amendment H-6384 to Senate File 2043, as
2 passed by the Senate, as follows:

3 1. Page 2, by inserting after line 15 the
4 following:

5 "Sec. ____ . Section 427B.1, Code 1983, is amended
6 after unnumbered paragraph 1 by adding the following
7 new unnumbered paragraph:

8 NEW UNNUMBERED PARAGRAPH. A city council or county
9 board of supervisors, as authorized by section 427B.2,
10 may provide by ordinance for a partial exemption from
11 property taxation of the actual value of a building
12 or structure, exclusive of the land, which remained
13 vacant and unused for at least one year prior to its
14 use for industrial purposes. The ordinance shall
15 provide that a building or structure shall not be
16 eligible for or receive the tax exemption if it is
17 operated by a business which closes or substantially
18 reduces its operation in one area of the state of
19 Iowa and relocates the same operation within the
20 building or structure.

21 Sec. ____ . Section 427B.2, subsection 1 and
22 subsection 2, unnumbered paragraph 1, Code 1983, are
23 amended to read as follows:

24 1. The board of supervisors of a county which
25 has appointed a county zoning commission and provided
26 for county zoning under chapter 358A may provide for
27 a partial exemption from property taxation of the
28 actual value added to industrial real estate or the
29 actual value of a building or structure as provided
30 under section 427B.1.

31 The board of supervisors of a county which has
32 not appointed a zoning commission may provide for
33 a partial exemption from property taxation of the
34 actual value added to industrial real estate or the
35 actual value of a building or structure as provided
36 under section 427B.1 in the following areas:"

37 2. Page 2, line 18, by inserting after the word
38 "estate" the words "and the actual value of a building
39 or structure".

40 3. Page 2, line 32, by inserting after the word
41 "received." the words "Actual value" as used in this
42 division means the actual value as of the first year
43 for which the exemption is received."

44 4. Page 2, line 32, by inserting after the word
45 "added" the words "or of the actual value, whichever
46 is applicable,".

47 5. Page 2, by striking line 34 and inserting in
48 lieu thereof the following: "follows:

49 Sec. ____ . Section 427B.4, Code 1983, is amended
50 to read as follows:

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Page Two

1 427B.4 APPLICATION FOR EXEMPTION BY PROPERTY
2 OWNER. An application shall be filed for each project
3 resulting in actual value added or in the industrial
4 use of a previously vacant and unused building or
5 structure for which an exemption is claimed. The
6 application for exemption shall be filed by the owner
7 of the property with the local assessor by February
8 1 of the assessment year in which the value added
9 is first assessed for taxation or, in the case of
10 the industrial use of a previously vacant and unused
11 building or structure, by February 1 of the assessment
12 year following the year in which the industrial use
13 begins. Applications for exemption shall be made
14 on forms prescribed by the director of revenue and
15 shall contain information pertaining to the nature
16 of the improvement, its cost, its use, and other
17 information deemed necessary by the director of
18 revenue.

19 A person may submit a proposal to the city council
20 of the city or the board of supervisors of a county
21 to receive prior approval for eligibility for a tax
22 exemption on new construction or for the industrial
23 use of a previously vacant and unused building or
24 structure. The city council or the board of
25 supervisors, by ordinance, may give its prior approval
26 of a tax exemption ~~for new construction~~ if ~~the new~~
27 ~~construction~~ it is in conformance with the zoning
28 plans for the city or county. The prior approval
29 shall also be subject to the hearing requirements
30 of section 427B.1. Prior approval does not entitle
31 the owner to exemption from taxation until the new
32 construction has been completed or industrial use
33 begins and found to be qualified real estate. However,
34 if the tax exemption ~~for new construction~~ is not
35 approved, the person may submit an amended proposal
36 to the city council or board of supervisors to approve
37 or reject.""

38 6. Page 2, line 39, by inserting after the word
39 "made" the words ", provide a local option tax
40 abatement for previously vacant and unused buildings
41 or structures that begin to be used for industrial
42 purposes,".

BY HALVORSON of Clayton
SWARTZ of Marshall

H-6426 FILED APRIL 19, 1984

Not germane 4/19 (p. 226)

SENATE FILE 2043

H-6384

1 Amend Senate File 2043, as passed by the Senate
2 as follows:

3 1. By striking everything after the enacting
4 clause and inserting in lieu thereof the following:

5 "Section 1. Chapter 364, Code 1983, is amended
6 by adding the following new section:

7 NEW SECTION. A city council or county board of
8 supervisors may enter into a contract with a person
9 whose property is totally or partially exempt from
10 taxation under chapter 404, section 427.1, or section
11 427B.1, for the city or county to provide specified
12 services to that person including but not limited
13 to police protection, fire protection, street main-
14 tenance, and waste collection. The contract shall
15 terminate as of the date previously exempt property
16 becomes subject to taxation.

17 Sec. 2. Section 427B.1, unnumbered paragraph 1,
18 Code 1983, is amended to read as follows:

19 A city council, or a county board of supervisors
20 as authorized by section 427B.2, may provide by
21 ordinance for a partial exemption from property
22 taxation of the actual value added to industrial real
23 estate by the new construction of industrial real
24 estate, warehouses, distribution centers and the
25 acquisition of or improvement to machinery and
26 equipment assessed as real estate pursuant to section
27 427A.1, subsection 1, paragraph "e". New construction
28 means new buildings and structures and includes new
29 buildings and structures which are constructed as
30 additions to existing buildings and structures. New
31 construction does not include reconstruction of an
32 existing building or structure which does not
33 constitute complete replacement of an existing building
34 or structure or refitting of an existing building
35 or structure, unless the reconstruction of an existing
36 building or structure is required due to economic
37 obsolescence and the reconstruction is necessary to
38 implement recognized industry standards for the
39 manufacturing and processing of specific products
40 and the reconstruction is required for the owner of
41 the building or structure to continue to competitively
42 manufacture or process those products which
43 determination shall receive prior approval from the
44 city council of the city or the board of supervisors
45 of the county upon the recommendation of the Iowa
46 development commission. The exemption shall also
47 apply to new machinery and equipment assessed as real
48 estate pursuant to section 427A.1, subsection 1,
49 paragraph "e", unless the machinery or equipment is
50 part of the normal replacement or operating process

H-6384

Page Two

1 to maintain or expand the existing operational status.
2 Warehouse means a building or structure used as a
3 public warehouse for the storage of goods pursuant
4 to sections 554.7101 through 554.7603, except that
5 it does not mean a building or structure used primarily
6 to store raw agricultural products or from which goods
7 are sold at retail. Distribution center means a
8 building or structure used primarily for the storage
9 of goods which are intended for subsequent shipment
10 to retail outlets. Distribution center does not mean
11 a building or structure used primarily to store raw
12 agricultural products, used primarily by a manufacturer
13 to store goods to be used in the manufacturing process,
14 used primarily for the storage of petroleum products,
15 or used for the retail sale of goods.

16 Sec. 3. Section 427B.3, unnumbered paragraph 1,
17 Code 1983, is amended to read as follows:

18 The actual value added to industrial real estate
19 for the reasons specified in section 427B.1 is eligible
20 to receive a partial exemption from taxation for a
21 period of five years. However, if property ceases
22 to be classified as industrial real estate or ceases
23 to be used as a warehouse or distribution center,
24 the partial exemption for the value added shall not
25 be allowed for subsequent assessment years. "Actual
26 value added" as used in this chapter means the actual
27 value added as of the first year for which the
28 exemption is received, except that actual value added
29 by improvements to machinery and equipment means the
30 actual value as determined by the assessor as of
31 January 1 of each year for which the exemption is
32 received. The amount of actual value added which
33 is eligible to be exempt from taxation shall be as
34 follows:"

35 2. Amend the title, by striking lines 1 through
36 3 and inserting in leu thereof the following: "An
37 Act to provide a partial property tax exemption for
38 warehouses and distribution centers on which
39 improvements have been made and allow cities and
40 counties to contract with persons whose real property
41 is exempt or partially exempt from property taxation
42 to provide certain services."

H-6384 FILED APRIL 17, 1984 BY COMMITTEE ON FINANCE

Adopted 4/19 (p. 2262)

S-6013 HOUSE AMENDMENT TO SENATE FILE 2043

1 Amend Senate File 2043, as passed by the Senate
2 as follows:

3 1. By striking everything after the enacting
4 clause and inserting in lieu thereof the following:

5 "Section 1. Chapter 364, Code 1983, is amended
6 by adding the following new section:

7 NEW SECTION. A city council or county board of
8 supervisors may enter into a contract with a person
9 whose property is totally or partially exempt from
10 taxation under chapter 404, section 427.1, or section
11 427B.1, for the city or county to provide specified
12 services to that person including but not limited
13 to police protection, fire protection, street main-
14 tenance, and waste collection. The contract shall
15 terminate as of the date previously exempt property
16 becomes subject to taxation.

17 Sec. 2. Section 427B.1, unnumbered paragraph 1,
18 Code 1983, is amended to read as follows:

19 A city council, or a county board of supervisors
20 as authorized by section 427B.2, may provide by
21 ordinance for a partial exemption from property
22 taxation of the actual value added to industrial real
23 estate by the new construction of industrial real
24 estate, warehouses, distribution centers and the
25 acquisition of or improvement to machinery and
26 equipment assessed as real estate pursuant to section
27 427A.1, subsection 1, paragraph "e". New construction
28 means new buildings and structures and includes new
29 buildings and structures which are constructed as
30 additions to existing buildings and structures. New
31 construction does not include reconstruction of an
32 existing building or structure which does not
33 constitute complete replacement of an existing building
34 or structure or refitting of an existing building
35 or structure, unless the reconstruction of an existing
36 building or structure is required due to economic
37 obsolescence and the reconstruction is necessary to
38 implement recognized industry standards for the
39 manufacturing and processing of specific products
40 and the reconstruction is required for the owner of
41 the building or structure to continue to competitively
42 manufacture or process those products which
43 determination shall receive prior approval from the
44 city council of the city or the board of supervisors
45 of the county upon the recommendation of the Iowa
46 development commission. The exemption shall also
47 apply to new machinery and equipment assessed as real
48 estate pursuant to section 427A.1, subsection 1,
49 paragraph "e", unless the machinery or equipment is
50 part of the normal replacement or operating process

S-6013
Page 2

1 to maintain or expand the existing operational status.
2 Warehouse means a building or structure used as a
3 public warehouse for the storage of goods pursuant
4 to sections 554.7101 through 554.7603, except that
5 it does not mean a building or structure used primarily
6 to store raw agricultural products or from which goods
7 are sold at retail. Distribution center means a
8 building or structure used primarily for the storage
9 of goods which are intended for subsequent shipment
10 to retail outlets. Distribution center does not mean
11 a building or structure used primarily to store raw
12 agricultural products, used primarily by a manufacturer
13 to store goods to be used in the manufacturing process,
14 used primarily for the storage of petroleum products,
15 or used for the retail sale of goods.

16 Sec. 3. Section 427B.3, unnumbered paragraph 1,
17 Code 1983, is amended to read as follows:

18 The actual value added to industrial real estate
19 for the reasons specified in section 427B.1 is eligible
20 to receive a partial exemption from taxation for a
21 period of five years. However, if property ceases
22 to be classified as industrial real estate or ceases
23 to be used as a warehouse or distribution center,
24 the partial exemption for the value added shall not
25 be allowed for subsequent assessment years. "Actual
26 value added" as used in this chapter means the actual
27 value added as of the first year for which the
28 exemption is received, except that actual value added
29 by improvements to machinery and equipment means the
30 actual value as determined by the assessor as of
31 January 1 of each year for which the exemption is
32 received. The amount of actual value added which
33 is eligible to be exempt from taxation shall be as
34 follows:"

35 2. Amend the title, by striking lines 1 through
36 3 and inserting in leu thereof the following: "An
37 Act to provide a partial property tax exemption for
38 warehouses and distribution centers on which
39 improvements have been made and allow cities and
40 counties to contract with persons whose real property
41 is exempt or partially exempt from property taxation
42 to provide certain services."

S-6013 FILED
APRIL 19, 1984

RECEIVED FROM THE HOUSE

Senate concurred 4/19 (p. 1695)

SENATE FILE 2043
AMENDMENT H-6384
FISCAL NOTE

REQUESTED BY REPRESENTATIVE CARTER

In compliance with a written request received , there is hereby submitted a Fiscal Note for AMENDMENT 6384 TO SENATE FILE 2043 pursuant to Joint Rule 17. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the General Assembly upon request.

Amendment H-6384 to Senate File 2043, as passed by the Senate, strikes everything after the enacting clause and inserts language identical to that of House File 2526.

The amendment allows a city council or county board of supervisors to provide a partial property tax exemption for new warehouses and distribution centers. The amendment also provides that a city or county may enter into a contract with a person whose property is totally or partially exempt from taxation to provide specified services, such as fire and police protection. The amendment further provides that a partial exemption shall not be allowed for property which is used in a different manner than that which originally qualified the property for the exemption.

FISCAL EFFECT: The precise fiscal effect of Amendment H-6384 cannot be determined at the local level. The partial property tax exemption granted to new warehouses and distribution centers would tend to shift some of the tax burden onto other classes of property. However, the shift would be avoided if the city or county could recover lost tax revenue through a contract with the property owner to provide specified services.

(3131S.01, 84-339G, RJH)

FILED APRIL 19, 1984

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2043

AN ACT

TO PROVIDE A PARTIAL PROPERTY TAX EXEMPTION FOR WAREHOUSES AND DISTRIBUTION CENTERS ON WHICH IMPROVEMENTS HAVE BEEN MADE AND ALLOW CITIES AND COUNTIES TO CONTRACT WITH PERSONS WHOSE REAL PROPERTY IS EXEMPT OR PARTIALLY EXEMPT FROM PROPERTY TAXATION TO PROVIDE CERTAIN SERVICES.

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

Section 1. Chapter 364, Code 1983, is amended by adding the following new section:

NEW SECTION. A city council or county board of supervisors may enter into a contract with a person whose property is totally or partially exempt from taxation under chapter 404, section 427.1, or section 427B.1, for the city or county to provide specified services to that person including but not limited to police protection, fire protection, street maintenance, and waste collection. The contract shall terminate as of the date previously exempt property becomes subject to taxation.

Sec. 2. Section 427B.1, unnumbered paragraph 1, Code 1983, is amended to read as follows:

A city council, or a county board of supervisors as authorized by section 427B.2, may provide by ordinance for a partial exemption from property taxation of the actual value added to industrial real estate by the new construction of industrial real estate, warehouses, distribution centers and the acquisition of or improvement to machinery and equipment assessed as real estate pursuant to section 427A.1, subsection 1, paragraph "e". New construction means new buildings and structures and includes new buildings and structures which are constructed as additions to existing buildings and structures. New construction does not include reconstruction of an existing building or structure which does not constitute complete replacement of an existing building or structure

or refitting of an existing building or structure, unless the reconstruction of an existing building or structure is required due to economic obsolescence and the reconstruction is necessary to implement recognized industry standards for the manufacturing and processing of specific products and the reconstruction is required for the owner of the building or structure to continue to competitively manufacture or process those products which determination shall receive prior approval from the city council of the city or the board of supervisors of the county upon the recommendation of the Iowa development commission. The exemption shall also apply to new machinery and equipment assessed as real estate pursuant to section 427A.1, subsection 1, paragraph "e", unless the machinery or equipment is part of the normal replacement or operating process to maintain or expand the existing operational status. Warehouse means a building or structure used as a public warehouse for the storage of goods pursuant to sections 554.7101 through 554.7603, except that it does not mean a building or structure used primarily to store raw agricultural products or from which goods are sold at retail. Distribution center means a building or structure used primarily for the storage of goods which are intended for subsequent shipment to retail outlets. Distribution center does not mean a building or structure used primarily to store raw agricultural products, used primarily by a manufacturer to store goods to be used in the manufacturing process, used primarily for the storage of petroleum products, or used for the retail sale of goods.

Sec. 3. Section 427B.3, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The actual value added to industrial real estate for the reasons specified in section 427B.1 is eligible to receive a partial exemption from taxation for a period of five years. However, if property ceases to be classified as industrial real estate or ceases to be used as a warehouse or distribution center, the partial exemption for the value added shall not be allowed for subsequent assessment years. "Actual value

added" as used in this chapter means the actual value added as of the first year for which the exemption is received, except that actual value added by improvements to machinery and equipment means the actual value as determined by the assessor as of January 1 of each year for which the exemption is received. The amount of actual value added which is eligible to be exempt from taxation shall be as follows:

CHARLES P. MILLER
President Pro Tempore of the
Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2043, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved May 8, 1984

TERRY E. BRANSTAD
Governor