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SENATE 2239

Ways and Means
Small Chair
Deieman
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SENATE FILE 2239

BY COMMITTEE ON SMALL BUSINESS
AND ECONOMIC DEVELOPMENT

Approved 2/28 (p. 566)
(FORMERLY SSB 2115)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the granting of a partial property tax
2 exemption for the actual value added by the new construction
3 of or the improvements to single-family residences.

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

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S. 2239

1 Section 1. NEW SECTION. 427B.20 ACTUAL VALUE ADDED
2 EXEMPTION FROM TAX--PUBLIC HEARING. A city council or a
3 county board of supervisors may provide by ordinance for a
4 partial exemption from property taxation of the actual value
5 added to residential real estate by the new construction of
6 single-family residences or by the improvement to existing
7 single-family residences. New construction includes recon-
8 struction of an existing building or structure if it con-
9 stitutes complete replacement of that building or structure.
10 A single-family residence is a building or structure designed
11 solely for the habitation of a single family and used for
12 that purpose by the owner. The city council or the board
13 of supervisors may limit the partial exemption to a single-
14 family residence which is the first residence owned by the
15 owner in Iowa. Only residential real estate located in the
16 incorporated area of the city shall be granted a tax exemption
17 by the city council. Only residential real estate located
18 in the unincorporated areas of the county shall be granted
19 a tax exemption by the county board of supervisors.

20 The ordinance may be enacted not less than thirty days
21 after a public hearing is held after notice in accordance
22 with section 331.305 in the case of a county, or section 362.3
23 in the case of a city. The ordinance shall designate the
24 length of time the partial exemption shall be available,
25 whether it applies to new construction, existing residences,
26 or both, and whether it applies to first-time owners or any
27 owner of the residence, and may provide for an exemption
28 schedule in lieu of that provided in section 427B.21. However,
29 an alternative exemption schedule adopted shall not provide
30 for a larger tax exemption in a particular year than is
31 provided for that year in the schedule contained in section
32 427B.21.

33 Sec. 2. NEW SECTION. 427B.21 PERIOD OF PARTIAL EXEMPTION.
34 The actual value added to residential real estate for the
35 reasons specified in section 427B.20 is eligible to receive

1 a partial exemption from taxation for a period of five years.
2 "Actual value added" as used in this division means the actual
3 value added as of the first year for which the exemption is
4 received. The amount of actual value added which is eligible
5 to be exempt from taxation is:

- 6 a. For the first year, seventy-five percent.
- 7 b. For the second year, sixty percent.
- 8 c. For the third year, forty-five percent.
- 9 d. For the fourth year, thirty percent.
- 10 e. For the fifth year, fifteen percent.

11 This schedule shall be followed unless an alternative
12 schedule is adopted by the city council of a city or the board
13 of supervisors of a county in accordance with section 427B.20.

14 However, the granting of the exemption under this section
15 for new construction constituting complete replacement of
16 an existing building or structure shall not result in the
17 assessed value of the residential real estate being reduced
18 below the assessed value of the real estate before the start
19 of the new construction added.

20 Sec. 3. NEW SECTION. 427B.22 APPLICATION FOR EXEMPTION
21 BY PROPERTY OWNER. An application shall be filed for each
22 project resulting in actual value added for which an exemption
23 is claimed. The application for exemption shall be filed
24 by the owner of the property with the local assessor by
25 February 1 of the assessment year in which the value added
26 is first assessed for taxation. Applications for exemption
27 shall be made on forms prescribed by the director of revenue
28 and shall contain information pertaining to the nature of
29 the improvement, its cost, and other information deemed
30 necessary by the director of revenue.

31 A person may submit a proposal to the city council of the
32 city or the board of supervisors of the county to receive
33 prior approval for eligibility for a tax exemption on new
34 construction. The prior approval is also subject to the
35 hearing requirements of section 427B.20. Prior approval does

1 not entitle the owner to exemption from taxation until the
2 new construction has been completed and found to be qualified
3 real estate. However, if the tax exemption for new
4 construction is not approved, the person may submit an amended
5 proposal to the city council or board of supervisors to approve
6 or reject.

7 Sec. 4. NEW SECTION. 427B.23 EXEMPTION MAY BE REPEALED.
8 When in the opinion of the city council or the county board
9 of supervisors continuation of the exemption granted by this
10 division ceases to be of benefit to the city or county, the
11 city council or the county board of supervisors may repeal
12 the ordinance authorized by section 427B.20, but all existing
13 exemptions shall continue until their expiration.

14 Sec. 5. NEW SECTION. 427B.24 DUAL EXEMPTIONS PROHIBITED.
15 A property tax exemption under this division shall not be
16 granted if the property for which the exemption is claimed
17 has received any other property tax exemption authorized by
18 law.

19 Sec. 6. Sections 1 through 5 of this Act are enacted as
20 a new division of chapter 427B.

21 EXPLANATION

22 The bill provides that a city council or the county board
23 of supervisors may provide for the partial exemption from
24 property taxation of the actual value added to residential
25 real estate by the new construction of single-family residences
26 or improvements to existing single-family residences. Single-
27 family residence is a building or structure designed solely
28 for the habitation of a single family and used for that purpose
29 by the owner. New construction includes reconstruction of
30 an existing building or structure if it constitutes complete
31 replacement of that building or structure. The city council
32 or the board of supervisors can limit the exemption to a
33 residence which is the first residence owned by the owner
34 in Iowa.

35 The bill provides a five-year exemption schedule which

1 is 75 percent of value added for the first year and decreases
2 15 percent each year until the fifth and last year which is
3 15 percent of value added. The city council or board of
4 supervisors can provide for a different schedule but this
5 schedule cannot provide for a greater exemption in any year
6 than the one listed. A person must file for the exemption
7 by February 1 of the assessment year in which the value added
8 is first assessed for tax.

9 The bill takes effect July 1 following enactment.

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