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Palmer, Bennett, Lloyd Jones

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SENATE FILE 113

BY TINSMAN, BANKS, MADDOX, HEDGE, RIFE, BISIGNANO, HUSAK, DIELEMAN, and DELUHERY

Passed Senate, Date ____________ Passed House, Date ____________

Vote: Ayes ______ Nays ______ Vote: Ayes ______ Nays ______

Approved ______________________________

A BILL FOR

An Act relating to a property tax exemption for machinery and computer equipment.

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

SF113

TLSB 1466SS 75
sc/jj/8

S.F. 113 H.F. _______

Section 1. Section 427B.17, Code 1993, is amended to read as follows:

427B.17 PROPERTY SUBJECT TO SPECIAL VALUATION.

1. For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after January 1, 1985 the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

2. For purposes of this section:

~~1~~ a. Property assessed by the department of revenue and finance pursuant to sections 428.24 to 428.29, or chapters 433, 434 and 436 to 438 shall not receive the benefits of this section.

~~2~~ b. Property acquired on or before January 1, 1985 which was owned or used on or before January 1, 1985 by a related person shall not receive the benefits of this section.

~~3~~ c. Property acquired after January 1, 1985 which was owned and used by a related person shall not receive any additional benefits under this section.

~~4~~ d. Property which was owned or used on or before January 1, 1985 and subsequently acquired by an exchange of like property shall not receive the benefits of this section.

~~5~~ e. Property which was acquired after January 1, 1985 and subsequently exchanged for like property shall not receive any additional benefits under this section.

~~6~~ f. Property acquired on or before January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive the benefits of this section.

~~7~~ g. Property acquired after January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive any additional benefits under this section.

h. ~~For-purposes-of-this-section,-"related~~ "Related person" means a person who owns or controls the taxpayer's business and another business entity from which property is acquired or leased or to which property is sold or leased. Business entities are owned or controlled by the same person if the same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

3. Property assessed pursuant to this section shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

4. a. A city council or county board of supervisors may provide by ordinance an exemption from taxation for property defined in this section whose valuation is computed pursuant to subsection 1, and which is acquired after December 31, 1992. The ordinance may be enacted not less than thirty days after a public hearing on the ordinance is held. Notice of the hearing shall be published in accordance with section 331.305 in the case of a county, or section 362.3 in the case of a city. The exemption shall not apply to any property acquired or initially leased prior to the enactment of the ordinance unless the ordinance specifically allows for retroactive application.

b. If in the opinion of the city council or the county board of supervisors continuation of the exemption granted under this subsection ceases to be of benefit to the city or county, the city council or the county board of supervisors may repeal the ordinance authorized by this subsection. Exemptions allowed prior to repeal of the ordinance shall continue until their expiration.

EXPLANATION

This bill allows cities and counties the option to exempt from property taxes industrial machinery and computer equipment acquired after December 31, 1992. Currently, such equipment is valued for property tax purposes at 30 percent of net acquisition cost.

SENATE FILE 113
FISCAL NOTE

A fiscal note for **Senate File 113** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 113 allows a city council or county board of directors to pass an ordinance exempting machinery and computer equipment acquired after December 31, 1992 from property taxes.

ASSUMPTIONS:

1. That the taxable valuation for machinery and computer equipment purchased after December 31, 1992 will be $61.0 million in FY 1994 which represents an increase in the FY 1993 taxable valuation for machinery and computer equipment of 2.75%.

2. The State average consolidated tax rate will be $30.24 per $1,000 of taxable valuation for FY 1994.

3. That all cities and counties will implement the exemption for machinery and computer equipment purchased after December 31, 1992.

4. The school foundation formula will generate $5.40 per $1,000 of taxable valuation in additional state aid to replace the decrease in valuation due to the exemption for machinery and computer equipment purchased after December 31, 1992.

FISCAL IMPACT:

Senate File 113 is estimated to decrease property taxes by a maximum $1.8 million for all local governments in FY 1994 and to increase state aid to local school districts by $0.3 million resulting in a net budgetary decrease to local governments of $1.5 million.

Some portion of the estimated net budgetary decrease will be spread over the remaining tax base resulting in a higher state average property tax rate and reducing the decrease in budgets. This information is unavailable but would be a result of the school foundation formula forcing its funding requirements to be spread over the remaining taxable valuation and local governments being required to raise the funds necessary for bonded indebtedness from the remaining taxable valuation. (LSB 1466ss, BDH)

FILED MARCH 8, 1993 BY DENNIS PROUTY, FISCAL DIRECTOR