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SENATE FILE

356

BY MCKEAN

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

A BILL FOR

1 An Act relating to nonprofit housing corporations, municipal
 2 housing projects, related property tax exemptions, and
 3 property assessment considerations, and providing an effective
 4 date.

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

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SF 356
 WAYS & MEANS

1 Section 1. Section 403A.2, Code 1999, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 12A. "Nonprofit housing corporation"
4 means an organization that has received tax-exempt status
5 under section 501(c)(3) of the Internal Revenue Code and
6 rental income of the organization from the lease of
7 residential property is not taxed as unrelated business income
8 under section 422.33, subsection 1A.

9 Sec. 2. Section 403A.9, Code 1999, is amended to read as
10 follows:

11 403A.9 ~~CO-OPERATION~~ COOPERATION BETWEEN MUNICIPALITIES AND
12 NONPROFIT HOUSING CORPORATIONS.

13 ~~Any-two-or-more-municipalities~~ A municipality may join or
14 ~~co-operate~~ cooperate with ~~one~~ another municipality or a
15 nonprofit housing corporation in the exercise of any or all of
16 the powers conferred ~~hereby~~ in this chapter for the purpose of
17 financing, planning, undertaking, constructing, purchasing, or
18 operating a housing project or projects.

19 Sec. 3. Section 403A.10, Code 1999, is amended to read as
20 follows:

21 403A.10 TAX EXEMPTION AND PAYMENTS IN LIEU OF TAXES.

22 The property acquired or held pursuant to this chapter is
23 declared to be public property used exclusively for essential
24 city, or municipal public and governmental purposes and such
25 property is hereby declared to be exempt from all taxes and
26 special assessments of the state or of any state public body.
27 In lieu of taxes on such property a municipality, together
28 with any cooperating municipality or nonprofit housing
29 corporation, may agree to make payments to the state or a
30 state public body ~~(including-itself),~~ including the
31 municipality, as it finds consistent with the maintenance of
32 the low-rent character of housing projects and the achievement
33 of the purposes of this chapter.

34 Sec. 4. Section 403A.27, Code 1999, is amended to read as
35 follows:

1 403A.27 PERCENTAGE OF RENT AS TAXES.

2 ~~Any provision of this chapter notwithstanding, no~~ Except as
3 to projects where the municipality, or the municipality and
4 any cooperating municipality or nonprofit housing corporation,
5 has entered into an agreement in lieu of taxes as provided in
6 section 403A.10, and except as to the use of dwelling units in
7 an existing structure leased from a private owner other than a
8 cooperating nonprofit housing corporation, a housing project
9 shall not be approved unless as a condition at least ten three
10 but not more than five percent of all rents and supplemental
11 rental aid shall be paid annually as taxes to the office of
12 the treasurer in the respective county in which said project
13 is located, ~~except as to the use of dwelling units in existing~~
14 ~~structures leased from private owners.~~

15 Sec. 5. Section 427.1, subsection 21, Code 1999, is
16 amended to read as follows:

17 21. LOW-RENT HOUSING. The property owned and operated by
18 a nonprofit organization that has received tax-exempt status
19 under section 501(c)(3) of the Internal Revenue Code and
20 rental income from the property is not taxed as unrelated
21 business income under section 422.33, subsection 1A, providing
22 low-rent housing for persons who are elderly and, very low-
23 income families as defined in section 403A.2, subsection 6,
24 paragraph "c", or persons with physical and mental
25 disabilities. The exemption granted under the provisions of
26 this subsection shall apply only until the terms-of-the
27 original construction, purchase money, or rehabilitation or
28 refunding low-rent housing development mortgage, from any
29 source, is paid in full or expires, subject to the provisions
30 of subsection 14. The department of revenue and finance shall
31 adopt rules pursuant to chapter 17A accommodating increases in
32 the income of tenants similar to rules in effect for low-
33 income housing tax credits under section 42(a) of the Internal
34 Revenue Code.

35 Sec. 6. Section 441.21, subsection 2, unnumbered paragraph

1 2, Code 1999, is amended to read as follows:

2 In the event market value of the property being assessed
3 cannot be readily established in the foregoing manner, then
4 the assessor may determine the value of the property using the
5 other uniform and recognized appraisal methods including its
6 productive and earning capacity, if any, industrial
7 conditions, its cost, physical and functional depreciation and
8 obsolescence and replacement cost, and all other factors,
9 including governmental restriction as to use, which would
10 assist in determining the fair and reasonable market value of
11 the property but the actual value shall not be determined by
12 use of only one such factor. The following shall not be taken
13 into consideration: Special value or use value of the
14 property to its present owner, and the good will or value of a
15 business which uses the property as distinguished from the
16 value of the property as property. Upon adoption of uniform
17 rules by the revenue department or succeeding authority
18 covering assessments and valuations of such properties, said
19 valuation on such properties shall be determined in accordance
20 therewith for assessment purposes to assure uniformity, but
21 such rules shall not be inconsistent with or change the
22 foregoing means of determining the actual, market, taxable and
23 assessed values.

24 Sec. 7. EFFECTIVE DATE. This Act, being deemed of
25 immediate importance, takes effect upon enactment.

26 EXPLANATION

27 This bill adds provisions to Code chapter 403A, relating to
28 municipal housing projects, regarding nonprofit housing
29 corporations. The bill provides that a municipality may join
30 or cooperate with another municipality or a nonprofit housing
31 corporation in the exercise of any or all of the activities
32 provided in Code chapter 403A for the purpose of financing,
33 planning, undertaking, constructing, purchasing, or operating
34 a housing project or projects.

35 The bill provides that a property acquired or held pursuant

1 to Code chapter 403A is exempt from all taxes and special
2 assessments of the state or of any state public body and that,
3 in lieu of taxes, a municipality, together with any
4 cooperating municipality or nonprofit housing corporation, may
5 agree to make payments to the state or a state public body.
6 The bill provides that, except where there is an agreement in
7 lieu of taxes and except where dwelling units are used in an
8 existing structure leased from a private owner other than a
9 cooperating nonprofit housing corporation, a housing project
10 shall not be approved unless at least 3, but not more than 5,
11 percent of all rents and supplemental rental aid shall be paid
12 annually as taxes to the county treasurer.

13 The bill includes, under property tax exemptions in Code
14 chapter 427, property owned and operated by a nonprofit
15 housing corporation defined in Code chapter 403A. The bill
16 provides that the department of revenue and finance shall
17 adopt rules accommodating increases in the income of tenants
18 similar to rules in effect for low-income housing tax credits
19 in section 42(a) of the Internal Revenue Code.

20 The bill provides that, among other considerations,
21 governmental restrictions as to use of property should be
22 considered by an assessor in the determination of the value of
23 property when the market value of property being assessed
24 cannot be readily established.

25 The bill takes effect upon enactment.

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