

REVENUE DEPARTMENT[701]

Adopted and Filed

**Rule making related to the application
of assessment limitations by county auditors**

The Revenue Department hereby amends Chapter 71, “Assessment Practices and Equalization,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code sections 421.14, 421.17(1), 421.17(4) and 441.21(9).

State or Federal Law Implemented

This rule making implements, in whole or in part, 2022 Iowa Acts, House File 2552, division XI.

Purpose and Summary

This rule making addresses the application of the first of two assessment limitation tiers for commercial, industrial, and railway property assessed under Iowa Code chapter 434. 2022 Iowa Acts, House File 2552, division XI, repeals the Business Property Tax Credit under Iowa Code chapter 426C on July 1, 2024, and creates a two-tier assessment limitation for properties classified as commercial, industrial, and railway property assessed under Iowa Code chapter 434 for assessment years beginning on or after January 1, 2022. The first tier of assessment limitation provides that the first \$150,000 of value for properties classified as commercial, industrial, and railway property assessed under Iowa Code chapter 434 shall receive the assessment limitation percentage applicable to residential property. For the second tier, any value in excess of \$150,000 for commercial, industrial, and railway properties assessed under Iowa Code chapter 434 shall receive a 90 percent assessment limitation.

This rule making requires county auditors to apply the first tier of the assessment limitation proportionately by percentage of total value among the parcels for property units that are comprised of multiple parcels.

Citations in the rule to Iowa Code section 441.21 reflect that section as amended by 2022 Iowa Acts, House File 2552, sections 36 and 37.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on July 27, 2022, as **ARC 6429C**.

The Department received one comment from the Iowa League of Cities (ILC). ILC commented on the fiscal impact portion of the rule making, referring to the Fiscal Note for House File 2552.

The Department has fully considered the comment from ILC and does not anticipate that prescribing a formula for the application of the assessment limitations via rule will produce a fiscal impact beyond what is described in the Fiscal Note for House File 2552. The fiscal impact portion of this rule making has been updated to state that the rule making has no fiscal impact to the State of Iowa beyond the legislation it is meant to implement. No changes from the Notice have been made.

Adoption of Rule Making

This rule making was adopted by the Department on August 31, 2022.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa beyond the legislation it is meant to implement.

Jobs Impact

After analysis and review of this rule making, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

Effective Date

This rule making will become effective on October 26, 2022.

The following rule-making action is adopted:

Adopt the following **new** rule 701—71.29(441):

701—71.29(441) Application of two-tier assessment limitation.

71.29(1) Following receipt of the certification of assessment limitations described in Iowa Code section 441.21(9), the county auditor shall determine the assessed values of property by applying the assessment limitations as required under Iowa Code section 441.21(9).

71.29(2) When a property unit of commercial property, industrial property, or property valued by the department pursuant to Iowa Code chapter 434 is comprised of more than one parcel, the county auditor shall apply the assessment limitations described in Iowa Code sections 441.21(5)“b”(2)(a) and 441.21(5)“c”(2)(a), as applicable, to each parcel within the property unit by dividing 150,000 by the value of the entire property unit and multiplying the quotient by the value of each parcel within the property unit. Any remaining value of each parcel within the property unit shall receive the assessment limitations described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b), as applicable. The assessment limitations shall be applied as whole numbers.

EXAMPLE A: Parcels 1, 2, and 3 comprise one property unit of commercial, industrial, or railway property valued at \$300,000 total.

Parcel 1 is assessed at \$100,000.

Parcel 2 is assessed at \$100,000.

Parcel 3 is assessed at \$100,000.

The first \$50,000 of value of each parcel receives the assessment limitation applicable to residential property. The additional value of each parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

EXAMPLE B: Parcels 1, 2, 3, and 4 comprise one property unit of commercial, industrial, or railway property valued at \$850,000 total.

Parcel 1 is assessed at \$500,000.

Parcel 2 is assessed at \$200,000.

Parcel 3 is assessed at \$100,000.

Parcel 4 is assessed at \$50,000.

The first \$88,235 of value of Parcel 1 receives the assessment limitation applicable to residential property. The additional value of the parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

The first \$35,294 of value of Parcel 2 receives the assessment limitation applicable to residential property. The additional value of the parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

The first \$17,647 of value of Parcel 3 receives the assessment limitation applicable to residential property. The additional value of the parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

The first \$8,824 of value of Parcel 4 receives the assessment limitation applicable to residential property. The additional value of the parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

EXAMPLE C: Parcels 1 and 2 comprise one property unit of commercial, industrial, or railway property valued at \$500,000 total.

Parcel 1 is assessed at \$400,000.

Parcel 2 is assessed at \$100,000.

The first \$120,000 of value of Parcel 1 receives the assessment limitation applicable to residential property. The additional value of the parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

The first \$30,000 of value of Parcel 2 receives the assessment limitation applicable to residential property. The additional value of the parcel receives the applicable assessment limitation for commercial, industrial, or railway property assessed under Iowa Code chapter 434 described in Iowa Code sections 441.21(5)“b”(2)(b) and 441.21(5)“c”(2)(b).

This rule is intended to implement Iowa Code sections 441.21(5) and 441.21(9) as amended by 2022 Iowa Acts, House File 2552.

[Filed 8/31/22, effective 10/26/22]

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 9/21/22.