

CHAPTER 130**TAXATION OF STATE-OWNED PROPERTY
— LEASE TO NONEXEMPT ENTITY***H.F. 665*

AN ACT relating to property taxation of certain lands leased to others by the department of corrections or department of human services and providing for the Act's applicability.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 427.1, subsection 1, Code 2003, is amended to read as follows:

1. **FEDERAL AND STATE PROPERTY.** The property of the United States and this state, including state university, university of science and technology, and school lands, except as otherwise provided in this subsection. The exemption herein provided shall not include any real property subject to taxation under any federal statute applicable thereto, but such exemption shall extend to and include all machinery and equipment owned exclusively by the United States or any corporate agency or instrumentality thereof without regard to the manner of the affixation of such machinery and equipment to the land or building upon or in which such property is located, until such time as the Congress of the United States shall expressly authorize the taxation of such machinery and equipment.

Sec. 2. Section 427.1, subsection 1, Code 2003, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Property of the state operated pursuant to section 904.302, 904.705, or 904.706 that is leased to an entity other than an entity which is exempt from property taxation under this section shall be subject to property taxation for the term of the lease. Property taxes levied against such leased property shall be paid from the revolving farm fund created in section 904.706. The lessor shall file a copy of the lease with the county assessor of the county where the property is located.

Sec. 3. Section 904.302, Code 2003, is amended by adding the following new subsection: NEW SUBSECTION. 7A. Pay property taxes levied against land leased by the department of corrections or department of human services as provided in section 427.1, subsection 1.

Sec. 4. Section 904.705, unnumbered paragraph 2, Code 2003, is amended to read as follows:

The director may with the assistance of the department of natural resources establish and operate forestry nurseries on state-owned land under the control of the department. Residents of the adult correctional institutions shall provide the labor for the operation. Nursery stock shall be sold in accordance with the rules of the natural resource commission. The department shall pay the costs of establishing and operating the forestry nurseries out of the revolving farm fund created in section 904.706. The department of natural resources shall pay the costs of transporting, sorting, and distributing nursery stock to and from or on state-owned land under the control of the department of natural resources. Receipts from the sale of nursery stock produced under this section shall be divided between the department and the department of natural resources in direct proportion to their respective costs as a percentage of the total costs. However, property taxes due and payable on the land shall be deducted before receipts of sale are divided between the two departments if land subject to this section is leased to an entity other than an entity which is exempt from property taxation under section 427.1. The department shall deposit its receipts in the revolving farm fund created in section 904.706.

Sec. 5. **APPLICABILITY.** This Act applies to leases entered into on or after the effective date of this Act.

Approved May 15, 2003