
FISCAL UPDATE Article

Fiscal Services Division

November 16, 2022



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RESIDENTIAL AND MULTIRESIDENTIAL PROPERTY CLASSES COMBINED

Residential and Multiresidential Property Rollback. On October 26, 2022, the Department of Revenue issued the annual assessment limitation [order](#) applicable to assessment year (AY) 2022. Along with providing the AY 2022 property value rollback for agricultural property (91.6430%), the order provided the AY 2022 property value rollback percentage (56.4919%) for residential property.

Under the provisions of 2021 Iowa Acts, chapter [20](#) ([HF 418](#) — Residential and Multiresidential Property Classes Act), the independent property classes of residential and multiresidential were combined into one property class beginning with AY 2022. The Act amended and replaced a process that existed in Iowa law (see 2013 Iowa Acts, chapter [123](#), division III) that, starting with AY 2022, would have calculated the residential rollback separately (without the inclusion of multiresidential property) and then assigned that calculated residential rollback to all properties classified as multiresidential. As contained in the law prior to HF 418, multiresidential property would not influence the calculation of the residential rollback percentage, but multiresidential would fully benefit from the residential rollback.

The language that became HF 418 was proposed by the Department of Revenue in [HSB 93](#) (Department of Revenue 2021 Property Tax Bill). The Department's [background memorandum](#) stated that the purpose of the study bill was to alleviate an administrative burden for local governments and the Department while supporting the long-term intent of the 2013 legislation.

The Department has determined that the residential rollback for AY 2022 will equal 56.4919%. The LSA has determined, and the Department has confirmed, that the residential rollback without the class combination requirements of HF 418 would have been 54.6501% for AY 2022. The combination of the two property classes has been calculated to subject a higher percentage of each property's value to property tax than would have been the case had the two classes remained separate.

Property Taxpayer Implications. The difference between the residential rollback percentage that would have been in place for AY 2022 without HF 418 (54.6501%) and the rollback the Department has calculated for the combined property classes (56.4919%) is substantial. For a \$200,000 residential property with a statewide average residential property tax rate of \$33.65 per thousand dollars of taxed value, the AY 2022 property tax bill will be higher by as much as \$124. For a \$700,000 multiresidential building, the AY 2022 increase would be as much as \$434. By operation of the rollback formulas, the projected property tax increases will continue for all assessment years beyond AY 2022.

Government Finance Implications. Across all residential properties, the annual property tax increase could total as much as \$126.9 million, while for multiresidential properties, the annual increase could total as much as \$6.4 million.

In addition, since the first \$150,000 in value of every commercial, industrial, and railroad property is taxed at the residential rollback percentage, the amount of property value that is subject to tax for those property classes also increases due to the residential/multiresidential combination calculation.

School Aid Appropriation Implications. The higher calculated rollback will also impact the State General Fund through the school aid formula. The LSA projects that the additional taxed value that is the result of HF 418 will reduce the school aid appropriation for FY 2024 and after by approximately \$21.4 million.

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Doc ID 1305889