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**SF 633** – Subdivided Property Taxation (LSB2382SV)  
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Fiscal Note Version – New

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**Description**

[Senate File 633](#) removes a five-year time limit on a special valuation provision for subdivided real property. The change is effective beginning assessment year 2020.

**Background**

Subdivided property is acreage or unimproved land that has been divided into individual lots. Current law allows subdivided property to continue to be taxed as acreage or unimproved land after the subdivision has been recorded. This allows the property to continue to be taxed at a lower value than would be the case if the subdivided lots were taxed at market value, as is the case with most other taxable property.

Under current law, the special valuation is allowed for up to five years, or until the lot is sold for construction, whichever occurs first. The Bill requires subdivided property to be taxed at the lower acreage or unimproved property tax value until sold without a time limit.

Current law (Iowa Code section [405.1](#)) also allows cities and counties to extend the five-year special valuation period through the adoption of an ordinance. With removal of the five-year time limit, this provision is unnecessary and is repealed in the Bill.

Valuing property at a level that is below market value reduces property tax paid by owners of unsold, subdivided property. Through action of the State school aid formula, the reduced value also increases the General Fund standing appropriation for school aid by \$5.40 per \$1,000 of reduced taxed property value.

**Assumptions**

The total value of subdivided property that reaches the five-year time limit and that is not the subject of a city or county ordinance extending the time limit is not known. However, while the value in any one location may not be large, the statewide total could be significant.

Based on an informal survey of local assessors, commercial property with a total value of \$30.0 million is assumed to be impacted by the Bill. With a commercial rollback equal to 90.0000% and a statewide average commercial urban property tax rate of \$38.44 per \$1,000 of taxed value, the total annual property tax on the properties would be \$1.0 million if assessed at market value.

For residential property, 1,000 lots statewide with a per-lot value of \$45,000, a residential rollback of 56.9180%, and an average urban residential property tax rate of \$37.50 per \$1,000 of taxed value means the annual total property tax on the 1,000 lots would be \$1.0 million if assessed at market value.

**Fiscal Impact**

The amount of property value impacted by the elimination of the time limit on the special valuation for subdivided property cannot be estimated without an extensive survey of city and county assessors and a review of local ordinances relating to the subject. Absent an extensive process, the fiscal impact of the Bill is projected to be an annual local property tax reduction of \$2.0 million. Of that amount, \$0.3 million will be reimbursed through the State standing unlimited appropriation for school aid.

**Sources**

Department of Revenue discussion with local assessors  
Legislative Services Agency analysis

/s/ Holly M. Lyons

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April 24, 2019

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.