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**SF 83** – Elderly, Property Tax Freeze (LSB1756XS)

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Fiscal Note Version – New

Requested by Senator Tony Bisignano

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**Description**

**Senate File 83** relates to the assessed value and taxes due on certain homestead property used as a dwelling and owned by elderly persons. The provisions of the Bill apply to property of owners that:

- Have owned the home for at least 10 years.
- Are at least 70 years of age.
- Have a household income of less than \$12,000 per year.

For qualified owners, this Bill:

- Establishes a maximum assessed value of a homestead property used as a dwelling if the owner and dwelling qualify under the provisions of the Bill. Once an owner applies and is approved, the assessed value of the property for taxation purposes cannot exceed the assessed value at the time of application.
- Establishes a maximum property tax amount for a homestead property used as a dwelling if the owner and dwelling qualify under the provisions of the Bill. Once an owner applies and is approved, the property taxes due on the dwelling cannot exceed the property taxes at the time of application.

The Bill applies retroactively to assessment year 2015 (fiscal year 2017).

**Assumptions**

- Assessors from 57 Iowa counties provided the count of homestead properties within their jurisdiction where the owner was 65 years of age or older and household income was \$8,000 or less. The total number of properties reported was 246. That number represents 0.06% of all homestead properties in those 57 counties.
- Across all Iowa counties, there were 760,446 homestead properties. Applying the 0.06% to that number yields 437 properties.
- The Legislative Services Agency (LSA) version of a model of the Iowa economy provided by Regional Economic Models, Inc. (REMI) indicates that 69.6% of all Iowans age 65 and over are age 70 and over. Applying that percentage to 437 properties yields 304 properties for Iowans 70 and older.
- The Bill applies to household income of \$12,000 or less and the assessor survey applies to \$8,000 or less. To adjust for this difference, the 304 property number is doubled to 608 properties.
- The average or total assessed value of the assumed 608 properties is not known. An assessment year 2014 average value of \$90,000 is used for the assessment. For assessment year 2014 the residential rollback (percent of assessed value that is subject to property tax) is assumed to be 58.0%.
- The average residential tax rate for FY 2016 is estimated to be \$35.14 per \$1,000 of taxed valuation.

- Growth assumptions beyond assessment year 2014 (FY 2016) are assumed to be:
  - Annual rate of growth in residential assessed value = 0.7%
  - Annual growth in the number of lowans 70 and older = 2.7%
  - Annual growth in residential property value = 2.5%
  - Residential rollback = 58.0%

### **Fiscal Impact**

The provisions of this Bill set a cap on the assessed value and taxes due on homestead properties owned by lowans aged 70 and over with household income below \$12,000. The cap will reduce the amount of property tax paid, so it will reduce the amount of property tax revenue received by local governments (cities, counties, school districts, community colleges, etc.). Based on the above assumptions, the Bill is expected to reduce local government tax revenue statewide by the following amounts:

- FY 2018 = \$ 38,000
- FY 2019 = \$ 79,000
- FY 2020 = \$122,000
- FY 2021 = \$168,000
- FY 2022 = \$217,000

The local government revenue reduction will increase by an estimated \$50,000 to \$70,000 each year until lowans population of persons 70 and over begins to stabilize. According to the REMI model projections, stabilization does not begin to occur until at least 2033.

### **Sources**

Local Assessors

Department of Management property tax information system

Regional Economic Models, Inc. (REMI)

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/s/ Holly M. Lyons

April 7, 2015

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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.

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