



SF 2069 – Forest Reserve Property Tax Exemption (LSB5019XS)
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Fiscal Note Version – New

Description

Senate File 2069 modifies an existing property tax exemption available for qualified forest reservation land. Current law allows for a 100.0% tax exemption for forest land parcels of 2.0 acres or larger. This Bill raises the minimum required parcel size to 5.0 acres and reduces the property tax exemption to 50.0%. The changes do not impact the existing 100.0% exemption for qualified fruit tree property. The change is effective beginning assessment year (AY) 2019 (FY 2021).

Background

For AY 2017, there are 813,000 acres with a combined assessed value (market or productivity value, prior to any applicable taxable value rollback) of \$718.6 million benefiting from the existing tax exemption for fruit trees and forest reservations. The statewide breakout of this acreage into fruit trees versus forest reservations is not available, but through assessment data from select counties, it is expected that the vast majority of the exempt land qualifies as forest reservation property.

Reducing the value of a property tax exemption impacts State and local finances by decreasing the State appropriation for school aid and by increasing the revenue raised by local tax levies. The State school aid appropriation reduction is equal to \$5.40 per \$1,000 of increase in value subject to property tax.

Assumptions

The fiscal estimate was developed by the Department of Revenue (DOR) using AY 2017 exempt acres, statewide average tax rates, and rollback percentages by property class. Assessed value is projected to grow 3.0% per year.

To estimate the impact of the increase in the required parcel size from the existing 2.0 acres to 5.0 acres, the DOR reviewed assessor reports required to be filed with the Department of Natural Resources (DNR). The DOR reviewed a sample of the annual reports representing 30 of the 107 assessor districts in Iowa.

Fiscal Impact

For FY 2021, the property tax exemption changes proposed in the Bill will reduce the State General Fund appropriation for school aid by \$1.1 million and increase the amount of money raised by local property tax levies by \$4.9 million. The impacts are projected to increase 3.0% each succeeding fiscal year.

Sources

Iowa Department of Revenue
Iowa Department of Natural Resources
Clarke and Polk County Assessors

/s/ Holly M. Lyons

February 13, 2018

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.
