

# Budget Unit Brief

## FY 2017



## Commercial and Industrial Property Tax Replacement

### Background

One of the components of [Senate File 295](#) (Property Tax Changes and Income Tax Credit Act of 2013) was a reduction in the taxable value of Iowa properties classified as commercial, industrial, or railroad. The reduction was accomplished by establishing a defined rollback<sup>1</sup> of 95.0% of the assessed value for those property classes for assessment year 2013 and 90.0% for assessment year 2014 and after.<sup>2</sup>

Senate File 295 also created a State General Fund standing appropriation to reimburse local governments for the reduced revenue that will result from the newly defined rollback. Although the new rollback applies to commercial, industrial, and railroad property, the local government reimbursement only applies to the revenue reduction associated with commercial and industrial property. Railroad property tax reductions are not reimbursed.

An additional provision of SF 295 created a property classification called “multiresidential.” This new class of property is for commercial property that is used for human habitation (apartments, nursing homes, etc.) where the residency is for an extended period of time. The new class is created effective FY 2017 and beginning with that fiscal year, the property tax replacement payments to local governments no longer include reimbursements for the reductions in taxable value associated with the new class of property.

For fiscal years 2015 through 2017, the standing appropriation is unlimited and will equal the total revenue reduction across all local governments. For FY 2018 and after, the standing appropriation is limited to no more than the amount of the FY 2017 appropriation. If the statewide local government revenue reduction in FY 2018 or after exceeds the FY 2017 level, the reimbursements to each local government will be prorated. The standing appropriation is exempt from Iowa Code section [8.31\(5\)](#) (Governor’s authority to make across-the-board appropriation reductions).

The Department of Revenue is responsible for administering the appropriation and calculating any necessary proration. County treasurers and auditors assist in the calculations and administration of the reimbursements.

### Funding

For FY 2015, local government reimbursements totaled \$78.2 million, and for FY 2016 the total was \$162.1 million.<sup>3</sup> For FY 2017 and after, the annual reimbursement appropriation is projected to total \$154.6 million

### Related Code and Administrative Rules

Iowa Code chapter [441.21A](#)  
[701](#) Iowa Administrative Code chapter [80](#)

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### More Information

Iowa Department of Revenue: <http://www.iowa.gov/tax/>

Iowa General Assembly: <https://www.legis.iowa.gov/>

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<sup>1</sup> In Iowa’s property tax system, a rollback is the percentage of a property’s assessed value that is subject to property tax. A rollback of 90.0% would cause a property with an assessed value of \$100,000 to have a taxed value of \$90,000.

<sup>2</sup> Taxes for assessment year 2013 are paid in the fall of 2014 and the spring of 2015, so the rollback first impacts FY 2015 state and local government finances.

<sup>3</sup> For FY 2016, the reimbursement appropriation was made through a standing General Fund appropriation of \$152.6 million and an FY 2015 General Fund supplemental appropriation of \$9.5 million.