FISCAL TOPICS

Fiscal Services Division

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LEGISLATIVE SERVICES AGENCY
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Forest and Fruit-Tree Reservations

Purpose and History

Iowa Code chapter 427C defines forest and fruit-tree reservations, and Iowa Code section 441.22 establishes a property tax exemption for eligible forest and fruit-tree land. Under current law, forest reservations are fully exempt from property tax and fruit-tree reservations are exempt for eight years after planting. Forest reservations must contain two or more acres of continuous land containing not fewer than 200 growing forest trees on each acre. Fruit-tree reservations must contain at least 40 apple trees, or 70 other fruit trees, on an acre of land that is properly cared for and annually pruned and sprayed.

A property tax preference for forest and fruit-tree property was first enacted in 1906 Iowa Acts, chapter 52 (Encourage the Planting of Forest and Fruit Trees Act). Qualified property was not fully exempt under the 1906 legislation but instead limited to a taxable valuation of $1 per acre. The qualifications for an area to be considered a forest or fruit-tree reservation are essentially the same today as originally enacted in 1906.

Since 1906, several changes to the preferential taxation of forest and fruit-tree reservations have been enacted:

- 1933 Iowa Acts, chapter 121 (Assessed and Taxable Value the Same Act) — Assessed value of forest and fruit-tree reservations was raised to $4.00 per acre.
- 1974 Iowa Acts, chapter 1231 (Valuation of Property Act) — Assessed value of forest and fruit-tree reservations was raised to $14.82 per acre.
- 1982 Iowa Acts, chapter 1247 (Natural Resources Exemption and Assessment Act) — Rural forest reserve property was made fully exempt from property tax, while urban forest reserve property was to be assessed at market value. Fruit-tree reservations were assessed at $20.00 per acre.
- 1984 Iowa Acts, chapter 1222 (Fruit-Tree and Forest Reservations Act) — Forest and fruit-tree reservation property was made fully exempt from property tax. The fruit-tree eight-year limit after planting remains. The FY 2024 annual value of the tax exemption to landowners is estimated to average $20.77 per acre statewide under current law, although there is likely a significant variation in this amount among benefiting properties.

Current Reservations by County

According to the Iowa Department of Natural Resources (DNR), in FY 2024 there were 841,204 acres enrolled in the Forest and Fruit-Tree Reservation Program across a total of 60,949 individual parcels. This is a 1.1% increase in enrolled acres compared to FY 2023. Additionally, the top 10 counties account for 33.8% of all acres enrolled in the State.

More Information

Department of Natural Resources: iowadnr.gov
Department of Revenue: revenue.iowa.gov
Department of Management: dom.iowa.gov

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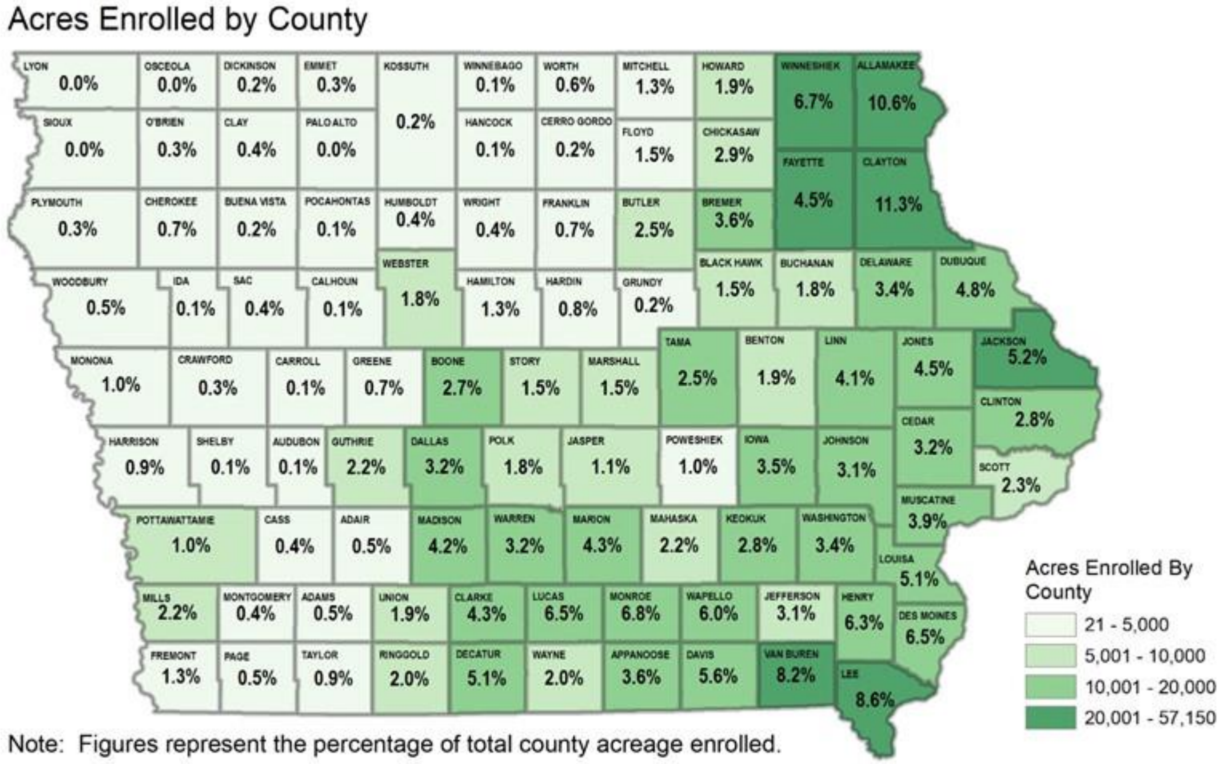
Figure 1 highlights the percentage of each county enrolled in the Forest Reserve Program in FY 2024:

Figure 1 — Mapping by County



Similar Programs

Iowa also offers native prairie, wetland, and wildlife habitat property tax exemptions as defined under Iowa Code section [427.1]() and [571 IAC 25](). All exceptions must be inspected by a DNR biologist to ensure they meet the definition of a native prairie, wetland, or wildlife habitat. Applications are submitted to local county assessors by February 1. The DNR defines these programs as the following:

- **Native Prairie:** Lands that have never been cultivated, are unimproved, and are natural or restored grasslands wherein at least 50.0% of the plant canopy is a mixture of grass and forb species that were found originally on Iowa's prairie lands. There are no acreage limits for this exemption classification.
- **Wetland:** An area of two or more acres in a natural condition that is mostly underwater or waterlogged during the spring growing season and is characterized by vegetation of hydric soils.
  - **Protected Wetland:** A type 3, type 4, or type 5 wetland as described in Circular 39, "Wetlands of the United States." A protected wetland does not include land where an agricultural drainage well has been plugged or land within a drainage district or levee district.
  - **Restored Wetland:** A wetland that has been previously drained and cropped, but has been restored under a nonpermanent agreement with the DNR, the U.S. Fish and Wildlife Service, or a county or private conservation group.
- **Wildlife Habitat:** Parcels of agricultural land of two acres or less, composed of native species having adequate ground cover, that are devoted exclusively for use as habitat for wildlife and are protected from all other economic uses of any kind.

Property Tax Implications

The property tax exemption for forest and fruit-tree reservations primarily impacts local property tax revenues and, by operation of the State School Foundation Aid Formula, impacts the General Fund. Assumptions used in **Figure 2** for the estimated taxable value of exempt acreages include the following:

- Changes in assessed value are assumed to occur differently across property classifications. The estimated assessed value of agricultural acres is based on the past three-year average valuation of existing reservations on agricultural land. The other property classifications are valued at the combined three-year average valuation for nonagricultural land, as reported by the property assessment abstracts cited above.
- The statewide average agricultural consolidated rate in FY 2026 is estimated to be $25.6663 per $1,000 of taxable value. The estimate below projects the FY 2027 General Fund and local government impacts with the prior year's consolidated rate.

Figure 2 — Estimated Taxable Value of Exemption Programs

	Forest Reserves	Native Prairie & Wetlands	Wildlife Habitat
Acres	831,307	4,904	627
Exempt Assessed Value	$ 1,035,971,836	$ 11,024,571	$ 1,277,174
Exempt Taxable Value	548,640,326	6,752,847	682,736
Exempt Taxable Value/Acre	660	1,377	1,088
State Appropriation for School Aid	2,962,658	36,465	3,687
Decrease in Local Property Tax Revenue	11,118,909	136,855	13,837

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