

TAX STUDY SUBCOMMITTEE  
OF THE  
STANDING COMMITTEES ON WAYS AND MEANS

Report to Members of the  
Second Session of the Sixty-seventh General Assembly

State of Iowa  
1978

PROGRESS REPORT  
TAX STUDY SUBCOMMITTEE  
OF THE  
SENATE AND HOUSE COMMITTEES ON WAYS AND MEANS

The ten member Tax Study Subcommittee mandated pursuant to House File 332 enacted by the Sixty-seventh General Assembly and authorized by the Legislative Council on July 14, 1977 met six days during the 1977 interim. Members of the Subcommittee are:

Senator Norman G. Rodgers, Co-chairperson  
Representative Lowell E. Norland, Co-chairperson  
Senator Warren E. Curtis  
Senator E. Kevin Kelly  
Senator Fred W. Nolting  
Senator Bass Van Gilst  
Representative Diane Brandt  
Representative Horace Daggett  
Representative Philip A. Davitt  
Representative James C. West

The Subcommittee held its first meeting on October 7, 1977. At its meeting, Mr. Gerald D. Bair, Director of Revenue, reviewed the tentative 1977 equalization order and reviewed some of the provisions of House File 332. Some concerns were expressed about the recapture provisions of House File 332 in that more clarity is needed regarding valuations to be used as the basis for recapture and the administration of the provisions.

The Subcommittee also discussed the authority of the Subcommittee to employ consultants to assist the Subcommittee in a study of the state's tax structure. The Subcommittee directed the Legislative Service Bureau to contact consulting firms and university professors to determine the amount of interest in conducting a study as proposed by the Subcommittee. Three firms expressed interest in the study. These firms include Touche Ross & Co., Arthur Anderson & Co., and Thomas L. Jacobs & Associates, Inc. A statement of work and scope of study was reviewed by the consultants.

On November 1, the Subcommittee met with representatives of the companies. At this meeting, the three consultants agreed to visit with state administrators to determine the amount of data available for such a study and submit written proposals to the Subcommittee prior to the next meeting. At this meeting, the Subcommittee requested the drafting of three bills:

1. A rewrite of the recapture language in House File 332.
2. A bill to define the term "political subdivision" under section 1 of House File 332.

3. A bill relating to the taxation of agricultural land within the corporate limits of a city.

Copies of the three bills, as approved at a subsequent meeting of the Subcommittee, are attached and made a part of this report.

At its meeting of December 1-2, 1977, the Subcommittee reviewed the proposals submitted by the three consultants. One consultant proposed a study along the guidelines outlined by the Subcommittee. Two of the consultants proposed the development of a data base to allow the General Assembly an opportunity to use this base to develop whatever information is desired. The members of the Subcommittee also discussed the proposals of the two firms and how the work proposed would differ from the projects begun by Coopers & Lybrand. After considerable discussion, the Subcommittee agreed that a meeting should be arranged with representatives of Coopers & Lybrand.

Also discussed at this meeting was the Industrial Assessments Study Report prepared by the Department of Revenue. The Subcommittee also reviewed the three proposed bills, approved them, and referred the three bills to the respective Standing Committees on Ways and Means with a recommendation of "do pass".

The last meeting of the Tax Study Subcommittee was held on December 14 to discuss the project begun by Coopers & Lybrand with a representative of that company. The Subcommittee agreed to defer action to allow the representative of Coopers & Lybrand to do some further study of the Subcommittee's study proposal.

The Subcommittee recommends that the Subcommittee be authorized to continue through the 1978 interim in order to complete its work and monitor the impact of House File 332.

BILL NO. 2 - DRAFT III  
REVIEWED AND APPROVED BY THE  
TAX STUDY SUBCOMMITTEE AND RE-  
FERRED TO THE SENATE AND HOUSE  
STANDING COMMITTEES ON WAYS  
AND MEANS WITH A "DO PASS"  
RECOMMENDATION.  
December, 1977

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the taxation of property located on tracts of  
2 land used for agricultural and horticultural purposes within  
3 the corporate limits of a city at the full consolidated levy  
4 including the rate levied by the city on other property and  
5 making the provisions of this Act retroactive.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section three hundred eighty-four point one  
2 (384.1), Code 1977, is amended to read as follows:

3 384.1 TAXES CERTIFIED. A city may certify taxes to be  
4 levied by the county on all taxable property within the city  
5 limits, for all city government purposes. However, the tax  
6 levied by a city on ~~lots-of-more-than-ten-acres-and-the~~  
7 personal-property-thereon, occupied-tracts of land and  
8 improvements thereon used and assessed for agricultural or  
9 horticultural purposes, may not exceed ~~thirty-three-and-three-~~  
10 fourths three dollars and three-eighths cents per thousand  
11 dollars of assessed value in any year. Improvements and  
12 personal property located on such tracts of land and not used  
13 for agricultural or horticultural purposes and all residential  
14 dwellings shall be subject to the same rate of tax levied  
15 by the city on all other taxable property within the city.  
16 A city's tax levy for the general fund may not exceed eight  
17 dollars and ten cents per thousand dollars of taxable value  
18 in any tax year, except for the levies authorized in section  
19 384.12.

20 Sec. 2. The provisions of section one (1) of this Act  
21 are retroactive to January 1, 1978 for property valued and  
22 assessed on or after January 1, 1978 and to this extent the  
23 provisions of section one (1) of this Act are retroactive.

24 EXPLANATION

25 The bill provides that a tract of land and improvements  
26 thereon used for agricultural or horticultural purposes and  
27 located within the corporate limits of a city shall be subject  
28 to a levy rate which is less than the levy applied against  
29 the value of other taxable property in the city.

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BILL NO. 3 - DRAFT II

REVIEWED AND APPROVED BY THE  
TAX STUDY SUBCOMMITTEE AND  
REFERRED TO THE SENATE AND  
HOUSE STANDING COMMITTEES ON  
WAYS AND MEANS WITH A "DO  
PASS" RECOMMENDATION.

December, 1977

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the recapture of taxes on certain classes  
2 of property when a change in use of the property occurs.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. The provisions of sections two (2) through  
2 seven (7) of this Act shall be codified as a division of  
3 chapter four hundred forty-one (441) of the Code.

4 Sec. 2. NEW SECTION. There is imposed an additional tax  
5 on agricultural and residential realty and property valued  
6 and assessed pursuant to section four hundred forty-one point  
7 twenty-two (441.22) of the Code whenever the use of such  
8 property is changed to a use other than as agricultural or  
9 residential realty or a forest or fruit tree reservation,  
10 respectively. The additional tax shall be equal to the fair  
11 and reasonable market value of such realty, as defined in  
12 section four hundred forty-one point twenty-one (441.21),  
13 subsection one (1), unnumbered paragraph two (2) of the Code  
14 as of January first of the year in which the change in the  
15 use of such property took place and as of January first of  
16 each of the preceding four years times the consolidated tax  
17 levied against assessed valuations for those years, less the  
18 actual amount of tax levied against the taxable value of such  
19 property as of January first of the year in which the change  
20 in the use of such property took place and as of January first  
21 of each of the preceding four years. If the use of  
22 agricultural or residential realty or property valued and  
23 assessed pursuant to section four hundred forty-one point  
24 twenty-two (441.22) of the Code is changed prior to 1932,  
25 taxes levied on assessments made prior to January 1, 1978  
26 shall not be used to determine the additional tax imposed  
27 by this section. The additional tax shall apply to property  
28 assessed pursuant to sections four hundred forty-three point  
29 six (443.6) and four hundred forty-three point twelve (443.12)  
30 of the Code.

31 Sec. 3. NEW SECTION. Whenever the assessor determines  
32 that agricultural or residential realty or property valued  
33 and assessed pursuant to section four hundred forty-one point  
34 twenty-two (441.22) of the Code is no longer being used for  
35 such purposes, the assessor shall proceed to determine the

1 fair and reasonable market value of such property as of January  
2 first of the year in which the change in use took place and  
3 as of January first of each of the four preceding years.

4 At the time provided for the mailing of the real estate assess-  
5 ment roll in the calendar year following the change in the  
6 use of such property, the assessor shall notify the taxpayer  
7 by mail of the following:

8 1. That a change in the use of the property has taken  
9 place thereby subjecting the property to the additional tax  
10 imposed by section two (2) of this Act.

11 2. That the fair and reasonable market value of such  
12 property as of January first of the year in which the change  
13 in use took place and as of January first of each of the four  
14 preceding years.

15 However, the assessor may for a period of five years  
16 following the change in use of such property make a  
17 determination of a change in use and notify the taxpayer at  
18 the next time provided for the mailing of real estate  
19 assessment rolls.

20 Sec. 4. NEW SECTION. The assessor's determination of  
21 a change in the use of such property and of such property's  
22 fair and reasonable market value as of January first of the  
23 year in which the change in use took place and as of January  
24 first of each of the preceding four years may be appealed  
25 to the local board of review pursuant to section four hundred  
26 forty-one point thirty-seven (441.37) of the Code, and such  
27 right of appeal shall be stated clearly on the notice issued  
28 pursuant to section three (3) of this Act. The local board  
29 of review shall act on all protests arising from such  
30 determinations and notify the protesting taxpayer in the  
31 manner as provided in section four hundred forty-one point  
32 thirty-seven (441.37) of the Code. Decisions of the board  
33 of review regarding the change in use or market value of such  
34 property may be appealed to the district court pursuant to  
35 section four hundred forty-one point thirty-eight (441.38)



BILL NO. 4 - DRAFT II

REVIEWED AND APPROVED BY THE  
TAX STUDY SUBCOMMITTEE AND  
REFERRED TO THE SENATE AND  
HOUSE STANDING COMMITTEES ON  
WAYS AND MEANS WITH A "DO PASS"  
RECOMMENDATION

December, 1977

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

## A BILL FOR

1 An Act to define "political subdivision" for purposes of  
2 appeals to the state appeal board for suspension of  
3 statutory property tax levy limits on property tax  
4 budgets in certain situations.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Acts of the Sixty-seventh General Assembly,  
2 1977 Session, chapter forty-three (43), section one (1),  
3 amending chapter twenty-four (24), Code 1977, is amended by  
4 adding the following new unnumbered paragraph:

5 NEW UNNUMBERED PARAGRAPH. For purposes of this section  
6 only, "political subdivision" means a city, county, school  
7 district, or any other special purpose district which certifies  
8 its budget to the county auditor and derives funds from a  
9 property tax levied against taxable property situated within  
10 the political subdivision.

11 EXPLANATION

12 The bill defines the term "political subdivision" to include  
13 any taxing district and give each taxing district the right  
14 to appeal to the state appeal board to request suspension  
15 of statutory property tax levy limits to continue to fund  
16 present services provided if the property tax valuations  
17 effective January 1, 1978 or January 1, 1979 are reduced or  
18 there is an unusually low growth rate in the property tax  
19 base of the political subdivision.

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