

*Reprinted*

APR 23 1992

HOUSE FILE 2484  
BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

(SUCCESSOR TO HSB 738)

Passed House, Date 4/23/92 Passed Senate, Date May 3, 1992  
Vote: Ayes 84 Nays 13 Vote: Ayes 41 Nays 0  
Approved May 26, 1992

*Repassed 5/3/92  
Vote 82-11*

A BILL FOR

1 An Act relating to speculative shell buildings by allowing a for-  
2 profit entity to receive a property tax exemption for the  
3 building under certain circumstances and allowing accelerated  
4 depreciation of the building for income tax purposes and  
5 providing applicability date provisions.

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

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*HF 2484*

1 Section 1. Section 422.7, Code Supplement 1991, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 26. Notwithstanding the classification of  
4 depreciable property under the modified accelerated cost  
5 recovery system, if the federal adjusted gross income includes  
6 income or loss from a for-profit entity which has received a  
7 property tax exemption during the tax year for a speculative  
8 shell building under section 427.1, subsection 41, the  
9 speculative shell building shall be depreciated as if it was  
10 classified as fifteen-year property during the period during  
11 which it is owned by the for-profit entity.

12 Sec. 2. Section 422.35, Code Supplement 1991, is amended  
13 by adding the following new subsection:

14 NEW SUBSECTION. 15. Notwithstanding the classification of  
15 depreciable property under the modified accelerated cost  
16 recovery system, if the taxpayer has received a property tax  
17 exemption during the tax year for a speculative shell building  
18 under section 427.1, subsection 41, the speculative shell  
19 building shall be depreciated as if it was classified as  
20 fifteen-year property during the period during which it is  
21 owned by the taxpayer and is receiving the property tax  
22 exemption.

23 Sec. 3. Section 427.1, subsection 41, unnumbered paragraph  
24 1, Code Supplement 1991, is amended to read as follows:

25 New construction of shell buildings by community  
26 development organizations or for-profit entities for  
27 speculative purposes or the portion of the value added to  
28 buildings being reconstructed or renovated by community  
29 development organizations or for-profit entities in order to  
30 become speculative shell buildings. The exemption or partial  
31 exemption shall be allowed only pursuant to ordinance of a  
32 city council or board of supervisors, which ordinance shall  
33 specify if the exemption will be available for community  
34 development organizations, for-profit entities, or both, and  
35 shall be effective for the assessment year in which the

1 building is first assessed for property taxation or the  
2 assessment year in which the reconstruction or renovation  
3 first adds value and all subsequent years until the property  
4 is leased or sold or for a specific time period stated in the  
5 ordinance or until the exemption is terminated by ordinance of  
6 the city council or board of supervisors which approved the  
7 exemption. If the shell building or any portion of the shell  
8 building is leased or sold, the portion of the shell building  
9 which is leased or sold shall not be entitled to an exemption  
10 under this subsection for subsequent years. An application  
11 shall be filed pursuant to section 427B.4 for each project for  
12 which an exemption is claimed. Upon the sale of the shell  
13 building, the shell building shall be considered new  
14 construction for purposes of section 427B.1 if used for  
15 purposes set forth in section 427B.1.

16 Sec. 4. Section 427.1, subsection 41, paragraphs b and c,  
17 Code Supplement 1991, are amended to read as follows:

18 b. "New construction" means new buildings or structures  
19 and includes new buildings or structures which are constructed  
20 as additions to existing buildings or structures. "New  
21 construction" also includes reconstruction or renovation of an  
22 existing building or structure which constitutes complete  
23 replacement of an existing building or structure or refitting  
24 of an existing building or structure, if the reconstruction or  
25 renovation of the existing building or structure is required  
26 due to economic obsolescence, if the reconstruction or  
27 renovation is necessary to implement recognized industry  
28 standards for the manufacturing or processing of products, and  
29 the reconstruction or renovation is required in order to  
30 competitively manufacture or process products or for community  
31 development organizations or for-profit entities to market a  
32 building or structure as a speculative shell building, which  
33 determination must receive prior approval from the city  
34 council of the city or county board of supervisors of the  
35 county.

1 c. "Speculative shell building" means a building or  
2 structure owned and constructed or reconstructed by a  
3 community development organization or a for-profit entity  
4 without a tenant or buyer for the purpose of attracting an  
5 employer or user which will complete the building to the  
6 employer's or user's specification for manufacturing,  
7 processing, or warehousing the employer's or user's product  
8 line.

9 Sec. 5. Section 1 of this Act applies retroactively to  
10 January 1, 1992, for tax years beginning on or after that  
11 date. Section 2 of this Act applies to tax years beginning on  
12 or after July 1, 1992.

13 EXPLANATION

14 The bill permits for-profit entities to construct  
15 speculative shell buildings and receive a property tax  
16 exemption, provided it is granted by a city or county, until  
17 the building is leased or sold. In addition, the for-profit  
18 entity would be able to depreciate the cost of the building at  
19 a faster rate than normal for state individual and corporate  
20 tax purposes during the period for which it receives the  
21 property tax exemption.

22 The bill provides applicability provisions.

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HOUSE FILE 2484

H-6021

1 Amend House File 2484 as follows:

2 1. Page 1, line 11, by inserting after the word  
3 "entity" the following: "and is receiving the  
4 property tax exemption. However, this subsection does  
5 not apply to a speculative shell building which is  
6 used by the for-profit entity, subsidiary of the for-  
7 profit entity, or majority owners of the for-profit  
8 entity, for other than as a speculative shell  
9 building, as defined in section 427.1, subsection 41."

10 2. Page 1, line 22, by inserting after the word  
11 "exemption." the following "However, this subsection  
12 does not apply to a speculative shell building which  
13 is used by the taxpayer, subsidiary of the taxpayer,  
14 or majority owners of the taxpayer, for other than as  
15 a speculative shell building, as defined in section  
16 427.1, subsection 41."

17 3. Page 2, line 7, by inserting after the word  
18 "exemption." the following: "However, an exemption  
19 shall not be granted a speculative shell building of a  
20 for-profit entity if the building is used by the for-  
21 profit entity, subsidiary of the for-profit entity, or  
22 majority owners of the for-profit entity for other  
23 than as a speculative shell building."

By HIBBARD of Madison

H-6021 FILED APRIL 23, 1992  
ADOPTED

**HOUSE FILE 2484  
FISCAL NOTE**

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A fiscal note for House File 2484 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 2484 permits for-profit entities to construct speculative buildings and receive a property tax exemption, provided it is granted by a city or county, until the building is leased or sold. In addition, the for-profit entity would be able to depreciate the cost for the building at a faster rate than normal for State individual and corporate tax purposes during the period for which it receives the property tax exemption.

Fiscal Effect:

The fiscal effect can not be determined at this time. It is not known how many for-profit entities will apply for tax exemption, whether the exemption will be granted by a city or county, or the length of the exemption if granted.

(LSB 6303hv, JKH)

FILED APRIL 27, 1992

BY DENNIS PROUTY, FISCAL DIRECTOR

Sen. Ways + Means, No Pass 5/3

HOUSE FILE 2484  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 738)

(As Amended and Passed by the House April 23, 1992)

Re- Passed House, Date 5/3/92 (p.2148) Passed Senate, Date 5/3/92 (p.1804)  
Vote: Ayes 82 Nays 11 Vote: Ayes 41 Nays 0  
Approved May 26, 1992

**A BILL FOR**

1 An Act relating to speculative shell buildings by allowing a for-  
2 profit entity to receive a property tax exemption for the  
3 building under certain circumstances and allowing accelerated  
4 depreciation of the building for income tax purposes and  
5 providing applicability date provisions.

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

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House Amendments \_\_\_\_\_

1 Section 1. Section 422.7, Code Supplement 1991, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 26. Notwithstanding the classification of  
4 depreciable property under the modified accelerated cost  
5 recovery system, if the federal adjusted gross income includes  
6 income or loss from a for-profit entity which has received a  
7 property tax exemption during the tax year for a speculative  
8 shell building under section 427.1, subsection 41, the  
9 speculative shell building shall be depreciated as if it was  
10 classified as fifteen-year property during the period during  
11 which it is owned by the for-profit entity and is receiving  
12 the property tax exemption. However, this subsection does not  
13 apply to a speculative shell building which is used by the  
14 for-profit entity, subsidiary of the for-profit entity, or  
15 majority owners of the for-profit entity, for other than as a  
16 speculative shell building, as defined in section 427.1,  
17 subsection 41.

18 Sec. 2. Section 422.35, Code Supplement 1991, is amended  
19 by adding the following new subsection:

20 NEW SUBSECTION. 15. Notwithstanding the classification of  
21 depreciable property under the modified accelerated cost  
22 recovery system, if the taxpayer has received a property tax  
23 exemption during the tax year for a speculative shell building  
24 under section 427.1, subsection 41, the speculative shell  
25 building shall be depreciated as if it was classified as  
26 fifteen-year property during the period during which it is  
27 owned by the taxpayer and is receiving the property tax  
28 exemption. However, this subsection does not apply to a  
29 speculative shell building which is used by the taxpayer,  
30 subsidiary of the taxpayer, or majority owners of the  
31 taxpayer, for other than as a speculative shell building, as  
32 defined in section 427.1, subsection 41.

33 Sec. 3. Section 427.1, subsection 41, unnumbered paragraph  
34 1, Code Supplement 1991, is amended to read as follows:

35 New construction of shell buildings by community



1 development organizations or for-profit entities for  
2 speculative purposes or the portion of the value added to  
3 buildings being reconstructed or renovated by community  
4 development organizations or for-profit entities in order to  
5 become speculative shell buildings. The exemption or partial  
6 exemption shall be allowed only pursuant to ordinance of a  
7 city council or board of supervisors, which ordinance shall  
8 specify if the exemption will be available for community  
9 development organizations, for-profit entities, or both, and  
10 shall be effective for the assessment year in which the  
11 building is first assessed for property taxation or the  
12 assessment year in which the reconstruction or renovation  
13 first adds value and all subsequent years until the property  
14 is leased or sold or for a specific time period stated in the  
15 ordinance or until the exemption is terminated by ordinance of  
16 the city council or board of supervisors which approved the  
17 exemption. However, an exemption shall not be granted a  
18 speculative shell building of a for-profit entity if the  
19 building is used by the for-profit entity, subsidiary of the  
20 for-profit entity, or majority owners of the for-profit entity  
21 for other than as a speculative shell building. If the shell  
22 building or any portion of the shell building is leased or  
23 sold, the portion of the shell building which is leased or  
24 sold shall not be entitled to an exemption under this  
25 subsection for subsequent years. An application shall be  
26 filed pursuant to section 427B.4 for each project for which an  
27 exemption is claimed. Upon the sale of the shell building,  
28 the shell building shall be considered new construction for  
29 purposes of section 427B.1 if used for purposes set forth in  
30 section 427B.1.

31 Sec. 4. Section 427.1, subsection 41, paragraphs b and c,  
32 Code Supplement 1991, are amended to read as follows:

33 b. "New construction" means new buildings or structures  
34 and includes new buildings or structures which are constructed  
35 as additions to existing buildings or structures. "New

1 construction" also includes reconstruction or renovation of an  
2 existing building or structure which constitutes complete  
3 replacement of an existing building or structure or refitting  
4 of an existing building or structure, if the reconstruction or  
5 renovation of the existing building or structure is required  
6 due to economic obsolescence, if the reconstruction or  
7 renovation is necessary to implement recognized industry  
8 standards for the manufacturing or processing of products, and  
9 the reconstruction or renovation is required in order to  
10 competitively manufacture or process products or for community  
11 development organizations or for-profit entities to market a  
12 building or structure as a speculative shell building, which  
13 determination must receive prior approval from the city  
14 council of the city or county board of supervisors of the  
15 county.

16 c. "Speculative shell building" means a building or  
17 structure owned and constructed or reconstructed by a  
18 community development organization or a for-profit entity  
19 without a tenant or buyer for the purpose of attracting an  
20 employer or user which will complete the building to the  
21 employer's or user's specification for manufacturing,  
22 processing, or warehousing the employer's or user's product  
23 line.

24 Sec. 5. Section 1 of this Act applies retroactively to  
25 January 1, 1992, for tax years beginning on or after that  
26 date. Section 2 of this Act applies to tax years beginning on  
27 or after July 1, 1992.

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HOUSE FILE 2484

S-5972

1 Amend House File 2484, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 3 through 10 and  
4 inserting the following:

5 "NEW SUBSECTION. 26. Add depreciation taken for  
6 federal income tax purposes on a speculative shell  
7 building defined in section 427.1, subsection 41 which  
8 is owned by a for-profit entity and the for-profit  
9 entity is receiving the proper tax exemption.

10 Subtract depreciation computed as if the speculative  
11 shell building were classified as fifteen-year  
12 property under the accelerated cost recovery system of  
13 the Internal Revenue Code during the period during".

14 2. Page 1, by striking lines 20 through 25 and  
15 inserting the following:

16 NEW SUBSECTION. 15. Add depreciation taken for  
17 federal income tax purposes on a speculative shell  
18 building defined in section 427.1, subsection 41 which  
19 is owned by a for-profit entity and the for-profit  
20 entity is receiving the proper tax exemption.

21 Subtract depreciation computed as if the speculative  
22 shell building were classified as".

23 3. Page 2, line 17, by inserting after the word  
24 "exemption." the following: "Eligibility for an  
25 exemption as a speculative shell building shall be  
26 determined as of January 1 of the assessment year."

By BILL HUTCHINS

S-5972 FILED MAY 3, 1992

ADOPTED (p. 1804)

SENATE AMENDMENT TO HOUSE FILE 2484

H-6100

1 Amend House File 2484, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 3 through 10 and  
4 inserting the following:

5 "NEW SUBSECTION. 26. Add depreciation taken for  
6 federal income tax purposes on a speculative shell  
7 building defined in section 427.1, subsection 41 which  
8 is owned by a for-profit entity and the for-profit  
9 entity is receiving the proper tax exemption.

10 Subtract depreciation computed as if the speculative  
11 shell building were classified as fifteen-year  
12 property under the accelerated cost recovery system of  
13 the Internal Revenue Code during the period during".

14 2. Page 1, by striking lines 20 through 25 and  
15 inserting the following:

16 NEW SUBSECTION. 15. Add depreciation taken for  
17 federal income tax purposes on a speculative shell  
18 building defined in section 427.1, subsection 41 which  
19 is owned by a for-profit entity and the for-profit  
20 entity is receiving the proper tax exemption.

21 Subtract depreciation computed as if the speculative  
22 shell building were classified as".

23 3. Page 2, line 17, by inserting after the word  
24 "exemption." the following: "Eligibility for an  
25 exemption as a speculative shell building shall be  
26 determined as of January 1 of the assessment year."

RECEIVED FROM THE SENATE

H-6100 FILED MAY 3, 1992  
CONCURRED (p. 2148)

HSB 738

WAYS AND MEANS

HOUSE FILE 2484  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON GRONINGA)

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

A BILL FOR

1 An Act relating to speculative shell buildings by allowing linked  
2 investments to be made for purposes of speculative shell  
3 buildings under certain circumstances and providing income tax  
4 credits and property tax and sales and use tax exemptions for  
5 construction of certain speculative shell buildings.

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

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1 Section 1. Section 12.32, subsection 1, Code 1991, is  
2 amended to read as follows:

3 1. "Eligible borrower" means any a person who is in the  
4 business or is entering the business of producing, processing,  
5 or marketing horticultural crops or nontraditional crops in  
6 this state or a for-profit entity constructing a speculative  
7 shell building which building will be exempt or partially  
8 exempt from property tax under section 427.1, subsection 41.

9 Sec. 2. Section 12.33, Code 1991, is amended to read as  
10 follows:

11 12.33 LEGISLATIVE FINDINGS AND INTENT -- PURPOSE.

12 1. The general assembly finds the following:

13 a. That many horticultural operations throughout the state  
14 are experiencing economic stagnation or decline.

15 b. That high interest rates have caused potentially viable  
16 operations to cease or not expand in the area of horticultural  
17 or nontraditional crop production, processing, or marketing.

18 c. That speculative shell buildings are a needed tool in  
19 providing economic development in local areas.

20 2. The linked investments for tomorrow program provided  
21 for in this division is intended to provide statewide  
22 availability of lower cost funds for lending purposes that  
23 will stimulate existing or encourage new businesses in the  
24 area of producing, processing, or marketing horticultural or  
25 nontraditional crops or will encourage the construction of  
26 speculative shell buildings.

27 3. It is the public policy of the state through the linked  
28 investments for tomorrow program to create an availability of  
29 lower cost funds to inject needed capital into the business of  
30 producing, processing, or marketing horticultural crops or  
31 nontraditional crops or for the construction of speculative  
32 shell buildings.

33 Sec. 3. Section 12.35, subsection 1, Code 1991, is amended  
34 to read as follows:

35 1. An eligible lending institution that desires to receive

1 a linked investment shall accept and review applications for  
 2 loans from eligible borrowers. The lending institution shall  
 3 apply all usual lending standards to determine the credit  
 4 worthiness of each eligible borrower. Loan applications shall  
 5 be for the purchase or lease of land, machinery, equipment,  
 6 seed, fertilizer, direct marketing facilities, or new or  
 7 expanding processing facilities for horticultural crops or  
 8 nontraditional crops, or for the construction of speculative  
 9 shell buildings by an eligible borrower. The maximum size of  
 10 a loan is two hundred thousand dollars per borrower for a  
 11 production loan, and five hundred thousand dollars for  
 12 processing or marketing facilities, and two hundred fifty  
 13 thousand dollars for the construction of a speculative shell  
 14 building.

15 Sec. 4. NEW SECTION. 422.11D SPECULATIVE SHELL BUILDING  
 16 TAX CREDIT.

17 1. The taxes imposed under this division less the credits  
 18 allowed under sections 422.11A, 422.11B, 422.12, and 422.12B  
 19 shall be reduced by an investment tax credit for a speculative  
 20 shell building, which building is receiving or will receive an  
 21 exemption or partial exemption from property taxation under  
 22 section 427.1, subsection 41. An individual may claim the  
 23 credit allowed a partnership, subchapter S corporation, or  
 24 estate or trust electing to have the income taxed directly to  
 25 the individual. The amount claimed by the individual shall be  
 26 based upon the pro rata share of the individual's earnings of  
 27 a partnership, subchapter S corporation, or estate or trust.

28 2. The amount of the credit is equal to five percent of  
 29 the cost of constructing a speculative shell building. The  
 30 tax credit is available for the first tax year in which the  
 31 taxpayer may take depreciation on the speculative shell  
 32 building. Any credit in excess of the tax liability for the  
 33 tax year may be credited to the tax liability for the  
 34 following five years or until depleted, whichever is earlier.

35 Sec. 5. Section 422.33, Code Supplement 1991, is amended

1 by adding the following new subsection:

2 NEW SUBSECTION. 9. a. The taxes imposed under this  
3 division shall be reduced by an investment tax credit for a  
4 speculative shell building, which building is receiving or  
5 will receive an exemption or partial exemption from property  
6 taxation under section 427.1, subsection 41.

7 The amount of the credit is equal to five percent of the  
8 cost of constructing a speculative shell building. The tax  
9 credit is available for the first tax year in which the  
10 taxpayer may take depreciation on the speculative shell  
11 building.

12 b. Any credit in excess of the tax liability for the tax  
13 year may be credited to the tax liability for the following  
14 five years or until depleted, whichever is earlier.

15 Sec. 6. Section 422.45, Code Supplement 1991, is amended  
16 by adding the following new subsection:

17 NEW SUBSECTION. 47. a. The gross receipts from the sale  
18 of tangible personal property to a for-profit entity to be  
19 used in the construction of a speculative shell building which  
20 will be exempt or partially exempt from property taxation  
21 under section 427.1, subsection 41, if such tangible personal  
22 property becomes an integral part of the building.

23 b. If the speculative shell building which will be exempt  
24 or partially exempt from property taxation under section  
25 427.1, subsection 41, is to be built by a contractor under a  
26 written construction contract with the for-profit entity, the  
27 for-profit entity may make application to the department for  
28 refund of the sales or use tax paid on tangible personal  
29 property which becomes an integral part of the building.

30 (1) Such contractor shall state under oath, on forms  
31 provided by the department, the amount of such sales of  
32 tangible personal property used in the performance of such  
33 contract, and upon which sales or use tax has been paid, and  
34 shall file such forms with the for-profit entity which has  
35 made any written contract for performance by the contractor.



1 The forms shall be filed by the contractor with the for-profit  
2 entity before final settlement is made.

3 (2) Such for-profit entity shall, not more than six months  
4 after the final settlement has been made, make application to  
5 the department for any refund of the amount of such sales or  
6 use tax which shall have been paid upon any tangible personal  
7 property, such application to be made in the manner and upon  
8 forms to be provided by the department, and the department  
9 shall forthwith audit such claim and, if approved, issue a  
10 warrant to such for-profit entity in the amount of such sales  
11 or use tax which has been paid to the state of Iowa under such  
12 contract.

13 (3) Any contractor who shall willfully make false report  
14 of tax paid under the provisions of this subsection shall be  
15 guilty of a simple misdemeanor and shall be liable for the  
16 payment of the tax and any applicable penalty and interest.

17 Sec. 7. Section 427.1, subsection 41, unnumbered paragraph  
18 1, Code Supplement 1991, is amended to read as follows:

19 New construction of shell buildings by community  
20 development organizations or for-profit entities for  
21 speculative purposes or the portion of the value added to  
22 buildings being reconstructed or renovated by community  
23 development organizations or for-profit entities in order to  
24 become speculative shell buildings. The exemption or partial  
25 exemption shall be allowed only pursuant to ordinance of a  
26 city council or board of supervisors, which ordinance shall  
27 specify if the exemption will be available for community  
28 development organizations, for-profit entities, or both, and  
29 shall be effective for the assessment year in which the  
30 building is first assessed for property taxation or the  
31 assessment year in which the reconstruction or renovation  
32 first adds value and all subsequent years until the property  
33 is leased or sold or for a specific time period stated in the  
34 ordinance or until the exemption is terminated by ordinance of  
35 the city council or board of supervisors which approved the

1 exemption. If the shell building or any portion of the shell  
2 building is leased or sold, the portion of the shell building  
3 which is leased or sold shall not be entitled to an exemption  
4 under this subsection for subsequent years. An application  
5 shall be filed pursuant to section 427B.4 for each project for  
6 which an exemption is claimed. Upon the sale of the shell  
7 building, the shell building shall be considered new  
8 construction for purposes of section 427B.1 if used for  
9 purposes set forth in section 427B.1.

10 Sec. 8. Section 427.1, subsection 41, paragraphs b and c,  
11 Code Supplement 1991, are amended to read as follows:

12 b. "New construction" means new buildings or structures  
13 and includes new buildings or structures which are constructed  
14 as additions to existing buildings or structures. "New  
15 construction" also includes reconstruction or renovation of an  
16 existing building or structure which constitutes complete  
17 replacement of an existing building or structure or refitting  
18 of an existing building or structure, if the reconstruction or  
19 renovation of the existing building or structure is required  
20 due to economic obsolescence, if the reconstruction or  
21 renovation is necessary to implement recognized industry  
22 standards for the manufacturing or processing of products, and  
23 the reconstruction or renovation is required in order to  
24 competitively manufacture or process products or for community  
25 development organizations or for-profit entities to market a  
26 building or structure as a speculative shell building, which  
27 determination must receive prior approval from the city  
28 council of the city or county board of supervisors of the  
29 county.

30 c. "Speculative shell building" means a building or  
31 structure owned and constructed or reconstructed by a  
32 community development organization or a for-profit entity  
33 without a tenant or buyer for the purpose of attracting an  
34 employer or user which will complete the building to the  
35 employer's or user's specification for manufacturing,

1 processing, or warehousing the employer's or user's product  
2 line.

3 EXPLANATION

4 The bill allows loans to be made under the linked  
5 investments for tomorrow program for the construction of  
6 speculative shell buildings. In addition, tax exemptions are  
7 granted to these buildings funded through the linked  
8 investment program for sales and use taxes on the construction  
9 materials and property tax. An investment-type credit is  
10 provided for construction of these buildings for state  
11 individual and corporate income tax purposes.

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HOUSE FILE 2484

AN ACT

RELATING TO SPECULATIVE SHELL BUILDINGS BY ALLOWING A FOR-PROFIT ENTITY TO RECEIVE A PROPERTY TAX EXEMPTION FOR THE BUILDING UNDER CERTAIN CIRCUMSTANCES AND ALLOWING ACCELERATED DEPRECIATION OF THE BUILDING FOR INCOME TAX PURPOSES AND PROVIDING APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 422.7, Code Supplement 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 26. Add depreciation taken for federal income tax purposes on a speculative shell building defined in section 427.1, subsection 41 which is owned by a for-profit entity and the for-profit entity is receiving the proper tax exemption. Subtract depreciation computed as if the speculative shell building were classified as fifteen-year property under the accelerated cost recovery system of the Internal Revenue Code during the period during which it is owned by the for-profit entity and is receiving the property tax exemption. However, this subsection does not apply to a speculative shell building which is used by the for-profit entity, subsidiary of the for-profit entity, or majority owners of the for-profit entity, for other than as a speculative shell building, as defined in section 427.1, subsection 41.

Sec. 2. Section 422.35, Code Supplement 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 15. Add depreciation taken for federal income tax purposes on a speculative shell building defined in section 427.1, subsection 41 which is owned by a for-profit entity and the for-profit entity is receiving the proper tax exemption. Subtract depreciation computed as if the

speculative shell building were classified as fifteen-year property during the period during which it is owned by the taxpayer and is receiving the property tax exemption. However, this subsection does not apply to a speculative shell building which is used by the taxpayer, subsidiary of the taxpayer, or majority owners of the taxpayer, for other than as a speculative shell building, as defined in section 427.1, subsection 41.

Sec. 3. Section 427.1, subsection 41, unnumbered paragraph 1, Code Supplement 1991, is amended to read as follows:

New construction of shell buildings by community development organizations or for-profit entities for speculative purposes or the portion of the value added to buildings being reconstructed or renovated by community development organizations or for-profit entities in order to become speculative shell buildings. The exemption or partial exemption shall be allowed only pursuant to ordinance of a city council or board of supervisors, which ordinance shall specify if the exemption will be available for community development organizations, for-profit entities, or both, and shall be effective for the assessment year in which the building is first assessed for property taxation or the assessment year in which the reconstruction or renovation first adds value and all subsequent years until the property is leased or sold or for a specific time period stated in the ordinance or until the exemption is terminated by ordinance of the city council or board of supervisors which approved the exemption. Eligibility for an exemption as a speculative shell building shall be determined as of January 1 of the assessment year. However, an exemption shall not be granted a speculative shell building of a for-profit entity if the building is used by the for-profit entity, subsidiary of the for-profit entity, or majority owners of the for-profit entity for other than as a speculative shell building. If the shell building or any portion of the shell building is leased or

sold, the portion of the shell building which is leased or sold shall not be entitled to an exemption under this subsection for subsequent years. An application shall be filed pursuant to section 427B.4 for each project for which an exemption is claimed. Upon the sale of the shell building, the shell building shall be considered new construction for purposes of section 427B.1 if used for purposes set forth in section 427B.1.

Sec. 4. Section 427.1, subsection 41, paragraphs b and c, Code Supplement 1991, are amended to read as follows:

b. "New construction" means new buildings or structures and includes new buildings or structures which are constructed as additions to existing buildings or structures. "New construction" also includes reconstruction or renovation of an existing building or structure which constitutes complete replacement of an existing building or structure or refitting of an existing building or structure, if the reconstruction or renovation of the existing building or structure is required due to economic obsolescence, if the reconstruction or renovation is necessary to implement recognized industry standards for the manufacturing or processing of products, and the reconstruction or renovation is required in order to competitively manufacture or process products or for community development organizations or for-profit entities to market a building or structure as a speculative shell building, which determination must receive prior approval from the city council of the city or county board of supervisors of the county.

c. "Speculative shell building" means a building or structure owned and constructed or reconstructed by a community development organization or a for-profit entity without a tenant or buyer for the purpose of attracting an employer or user which will complete the building to the employer's or user's specification for manufacturing, processing, or warehousing the employer's or user's product line.

Sec. 5. Section 1 of this Act applies retroactively to January 1, 1992, for tax years beginning on or after that date. Section 2 of this Act applies to tax years beginning on or after July 1, 1992.

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ROBERT C. ARNOULD  
Speaker of the House

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MICHAEL E. GRONSTAL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2484, Seventy-fourth General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved May 26, 1992

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TERRY E. BRANSTAD  
Governor