

MAR 31 1995

WAYS AND MEANS

HOUSE FILE 551

BY KREIMAN

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the homestead credit by establishing a
2 refundable income tax credit rather than a property tax credit
3 and providing applicability dates.

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

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HF 551

DIVISION I

INCOME TAX CREDIT -- HOMESTEAD

Section 1. NEW SECTION. 422.11 HOMESTEAD CREDIT.

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4 1. The taxes imposed under this division, less the credits
5 allowed under sections 422.11A, 422.11B, 422.11C, 422.12, and
6 422.12B, shall be reduced by a homestead credit equal to the
7 amount of property taxes paid by the taxpayer which were
8 levied on the first four thousand eight hundred fifty dollars
9 of the taxpayer's homestead, as defined in this section. Not
10 more than one credit under this section may be claimed for the
11 same dwelling. In determining if the property tax has been
12 paid, any installment payment of property taxes shall be
13 considered as being paid towards the taxes on the first four
14 thousand eight hundred fifty dollars. However, if the
15 taxpayer received a property tax credit pursuant to sections
16 425.16 through 425.40 for property taxes payable in the fiscal
17 year beginning in the tax year on the same dwelling, the
18 amount of the credit under this section shall be reduced, but
19 not below zero, by the amount so received.

20 2. Any credit in excess of the tax liability shall be
21 refunded. In lieu of claiming a refund, a taxpayer may elect
22 to have the overpayment shown on the taxpayer's final,
23 completed return credited to the tax liability for the
24 following taxable year.

25 3. The word "homestead" shall have the following meaning:
26 a. The homestead includes the dwelling house which the
27 owner, in good faith, occupied as a home on July 1 of the tax
28 year for which the credit is claimed and occupied as a home
29 for at least six months during the tax year, except as
30 otherwise provided.

31 When any person is inducted into active service under the
32 Selective Training and Service Act of the United States or
33 whose voluntary entry into active service results in a credit
34 on the quota of persons required for service under the
35 Selective Training and Service Act, or who, being a member of

1 any component part of the military, naval, or air forces or
2 nurse corps of this state or nation, is called or ordered into
3 active service, the person shall be considered as occupying or
4 living on the homestead during such service and, where
5 equitable or legal title of the homestead is in the spouse of
6 the person who is a member of or is inducted into the armed
7 services of the United States, the spouse shall be considered
8 as occupying or living on the homestead during such service.

9 When a person is confined in a nursing home, extended-care
10 facility, or hospital, that person shall be considered as
11 occupying or living on a homestead where that person is the
12 owner of the homestead and that person maintains the homestead
13 and does not lease, rent, or otherwise receive profits from
14 other persons for the use of it.

15 b. The homestead may contain one or more contiguous lots
16 or tracts of land with the buildings or other appurtenances
17 thereon habitually, and in good faith, used as a part of the
18 homestead.

19 c. The homestead must not embrace more than one dwelling
20 house, but where a homestead has more than one dwelling house
21 situated on it, the credit provided for in this section shall
22 apply to the home and buildings used by the owner, but shall
23 not apply to any other dwelling house and buildings
24 appurtenant.

25 d. The words "dwelling house" shall embrace any building
26 occupied wholly or in part by the taxpayer as a home.

27 4. The word "owner" shall mean the person who holds the
28 fee simple title to the homestead, and in addition shall mean
29 the person occupying as a surviving spouse or the person
30 occupying under a contract of purchase which contract has been
31 recorded in the office of the county recorder of the county in
32 which the property is located, or the person occupying the
33 homestead under devise or by operation of the inheritance laws
34 where the whole interest passes or where the divided interest
35 is shared only by persons related or formerly related to each

1 other by blood, marriage or adoption, or the person occupying
2 the homestead is a shareholder of a family farm corporation
3 that owns the property, or the person occupying the homestead
4 under a deed which conveys a divided interest where the
5 divided interest is shared only by persons related or formerly
6 related to each other by blood, marriage or adoption or where
7 the person occupying the homestead holds a life estate with
8 the reversion interest held by a nonprofit corporation
9 organized under chapter 504A, provided that the holder of the
10 life estate is liable for and pays property tax on the
11 homestead or where the person occupying the homestead holds an
12 interest in a horizontal property regime under chapter 499B,
13 regardless of whether the underlying land committed to the
14 horizontal property regime is in fee or as a leasehold
15 interest, provided that the holder of the interest in the
16 horizontal property regime is liable for and pays property tax
17 on the homestead. For the purpose of this section the word
18 "owner" shall be construed to mean a bona fide owner and not
19 one for the purpose only of availing the person of the
20 benefits of this section.

21 Sec. 2. REPEALS. Sections 425.1 through 425.15, Code
22 1995, are repealed.

23 DIVISION II

24 COORDINATING AMENDMENTS

25 Sec. 3. Section 8.59, Code 1995, is amended to read as
26 follows:

27 8.59 APPROPRIATIONS FREEZE.

28 Notwithstanding contrary provisions of the Code, the
29 amounts appropriated under the applicable sections of the Code
30 for fiscal years commencing on or after July 1, 1993, are
31 limited to those amounts expended under those sections for the
32 fiscal year commencing July 1, 1992. If an applicable section
33 appropriates moneys to be distributed to different recipients
34 and the operation of this section reduces the total amount to
35 be distributed under the applicable section, the moneys shall

1 be prorated among the recipients. As used in this section,
2 "applicable sections" means the following sections: 53.50,
3 229.35, 230.8, 230.11, 405A.8, 411.20, ~~425.17~~, 425.39, 426A.1,
4 663.44, and 822.5.

5 Sec. 4. Section 100.18, subsection 2, paragraph b, Code
6 1995, is amended to read as follows:

7 b. The rules shall require the installation of smoke
8 detectors in existing single-family rental units and multiple-
9 unit residential buildings. Existing single-family dwelling
10 units shall be equipped with approved smoke detectors. A
11 person who files for a homestead property tax credit pursuant
12 to chapter 425 or claims the homestead income tax credit in
13 section 422.11 shall certify that the single-family dwelling
14 unit for which the credit is filed or claimed, as appropriate,
15 has a smoke detector installed in compliance with this
16 section, or that one will be installed within thirty days of
17 the date the filing or the claim for the credit is made. The
18 state fire marshal shall adopt rules and establish appropriate
19 procedures to administer this subsection.

20 Sec. 5. Section 216.12, subsection 5, Code 1995, is
21 amended to read as follows:

22 5. The rental or leasing of a housing accommodation in a
23 building which contains housing accommodations for not more
24 than four families living independently of each other, if the
25 owner resides in one of the housing accommodations for which
26 the owner qualifies for the homestead income tax credit under
27 section ~~425.1~~ 422.11.

28 Sec. 6. Section 331.401, subsection 1, paragraphs e and f,
29 Code 1995, are amended to read as follows:

30 e. Adopt resolutions authorizing the county assessor to
31 provide forms for ~~homestead-exemption-claimants-as-provided-in~~
32 ~~section-425.2-and~~ military service tax exemptions as provided
33 in section 427.6.

34 f. Examine and allow or disallow claims for homestead
35 ~~exemption-in-accordance-with-section-425.3-and-claims-for~~

1 military service tax exemption in accordance with chapter 426A
2 and sections 427.3 to 427.6. The board, by a single
3 resolution, may allow or disallow the exemptions recommended
4 by the assessor.

5 Sec. 7. Section 331.512, subsection 3, Code 1995, is
6 amended to read as follows:

7 3. Carry out duties relating to the homestead-tax-credit
8 and agricultural land tax credit as provided in ~~chapters-425~~
9 and chapter 426.

10 Sec. 8. Section 331.559, subsection 12, Code 1995, is
11 amended to read as follows:

12 12. Carry out duties relating to the administration of the
13 homestead property tax credit as provided in ~~sections-425-4,~~
14 ~~425-5,-425-7,-425-9,-425-10-and~~ section 425.25.

15 Sec. 9. Section 404.3, subsection 1, Code 1995, is amended
16 to read as follows:

17 1. All qualified real estate assessed as residential
18 property is eligible to receive an exemption from taxation
19 based on the actual value added by the improvements. The
20 exemption is for a period of ten years. The amount of the
21 exemption is equal to a percent of the actual value added by
22 the improvements, determined as follows: ~~One~~ one hundred
23 fifteen percent of the value added by the improvements.
24 However, the amount of the actual value added by the
25 improvements which shall be used to compute the exemption
26 shall not exceed twenty thousand dollars and the granting of
27 the exemption shall not result in the actual value of the
28 qualified real estate being reduced below the actual value on
29 which the homestead income tax credit is computed under
30 ~~section 425-1~~ 422.11.

31 Sec. 10. Section 425.16, Code 1995, is amended to read as
32 follows:

33 425.16 ADDITIONAL TAX CREDIT.

34 ~~In-addition-to-the-homestead-tax-credit-allowed-under~~
35 ~~section-425-1,-subsections-1-to-4,-persons~~ Persons who own or

1 rent their homesteads and who meet the qualifications provided
2 in this division are eligible for an extraordinary homestead
3 property tax credit or reimbursement.

4 Sec. 11. Section 425.17, subsection 8, Code 1995, is
5 amended to read as follows:

6 8. "Property taxes due" means property taxes including any
7 special assessments, but exclusive of delinquent interest and
8 charges for services, due on a claimant's homestead in this
9 state, but includes only property taxes for which the claimant
10 is liable and which will actually be paid by the claimant.

11 However, if the claimant is a person whose property taxes have
12 been suspended under sections 427.8 and 427.9, "property taxes
13 due" means property taxes including any special assessments,
14 but exclusive of delinquent interest and charges for services,
15 due on a claimant's homestead in this state, but includes only
16 property taxes for which the claimant is liable and which
17 would have to be paid by the claimant if the payment of the
18 taxes has not been suspended pursuant to sections 427.8 and
19 427.9. "Property taxes due" shall be computed with no
20 deduction for any credit under this division or for any
21 homestead income tax credit allowed under section ~~425.1~~

22 422.11. Each claim shall be based upon the taxes due during
23 the fiscal year next following the base year. If a homestead
24 is owned by two or more persons as joint tenants or tenants in
25 common, and one or more persons are not members of claimant's
26 household, "property taxes due" is that part of property taxes
27 due on the homestead which equals the ownership percentage of
28 the claimant and the claimant's household. The county
29 treasurer shall include with the tax receipt a statement that
30 if the owner of the property is eighteen years of age or over,
31 the person may be eligible for the credit allowed under this
32 division. If a homestead is an integral part of a farm, the
33 claimant may use the total property taxes due for the larger
34 unit. If a homestead is an integral part of a multidwelling
35 or multipurpose building the property taxes due for the

1 purpose of this subsection shall be prorated to reflect the
2 portion which the value of the property that the household
3 occupies as its homestead is to the value of the entire
4 structure. For purposes of this subsection, "unit" refers to
5 that parcel of property covered by a single tax statement of
6 which the homestead is a part.

7 Sec. 12. Section 425.23, subsection 1, Code 1995, is
8 amended to read as follows:

9 1. a. The tentative credit or reimbursement for a
10 claimant described in section 425.17, subsection 2, paragraph
11 "a" and paragraph "b" if no appropriation is made to the fund
12 created in section 425.40 shall be determined in accordance
13 with the following schedule:

14		Percent of property taxes
15		due or rent constituting
16		property taxes paid
17	If the household	allowed as a credit or
18	income is:	reimbursement:
19	\$ 0 -- 5,999.99.....	100%
20	6,000 -- 6,999.99.....	85
21	7,000 -- 7,999.99.....	70
22	8,000 -- 9,999.99.....	50
23	10,000 -- 11,999.99.....	35
24	12,000 -- 13,999.99.....	25

25 b. If moneys have been appropriated to the fund created in
26 section 425.40, the tentative credit or reimbursement for a
27 claimant described in section 425.17, subsection 2, paragraph
28 "b", shall be determined as follows:

29 (1) If the amount appropriated under section 425.40 plus
30 any supplemental appropriation made for a fiscal year for
31 purposes of this lettered paragraph is at least twenty-seven
32 million dollars, the tentative credit or reimbursement shall
33 be determined in accordance with the following schedule:

34		Percent of property taxes
35		due or rent constituting

1 property taxes paid
2 If the household allowed as a credit or
3 income is: reimbursement:

4	\$	0 -- 5,999.99.....	100%
5		6,000 -- 6,999.99.....	85
6		7,000 -- 7,999.99.....	70
7		8,000 -- 9,999.99.....	50
8		10,000 -- 11,999.99.....	35
9		12,000 -- 13,999.99.....	25

10 (2) If the amount appropriated under section 425.40 plus
11 any supplemental appropriation made for a fiscal year for
12 purposes of this lettered paragraph is less than twenty-seven
13 million dollars the tentative credit or reimbursement shall be
14 determined in accordance with the following schedule:

15 Percent of property taxes
16 due or rent constituting
17 property taxes paid
18 If the household allowed as a credit or
19 income is: reimbursement:

20	\$	0 -- 5,999.99.....	50%
21		6,000 -- 6,999.99.....	42
22		7,000 -- 7,999.99.....	35
23		8,000 -- 9,999.99.....	25
24		10,000 -- 11,999.99.....	17
25		12,000 -- 13,999.99.....	12

26 Sec. 13. Section 425.23, subsection 2, Code 1995, is
27 amended by striking the subsection.

28 Sec. 14. Section 425.23, subsection 3, paragraph a, Code
29 1995, is amended to read as follows:

30 a. A person who is eligible to file a claim for credit for
31 property taxes due and who has a household income of six
32 thousand dollars or less and who has an unpaid special
33 assessment levied against the homestead may file a claim with
34 the county treasurer that the claimant had a household income
35 of six thousand dollars or less and that an unpaid special

1 assessment is presently levied against the homestead. The
2 department shall provide to the respective treasurers the
3 forms necessary for the administration of this subsection.
4 The claim shall be filed not later than September 30 of each
5 year. Upon the filing of the claim, interest for late payment
6 shall not accrue against the amount of the unpaid special
7 assessment due and payable. The claim filed by the claimant
8 constitutes a claim for credit of an amount equal to the
9 actual amount due upon the unpaid special assessment, plus
10 interest, payable during the fiscal year for which the claim
11 is filed against the homestead of the claimant. However,
12 where the claimant is an individual described in section
13 425.17, subsection 2, paragraph "b", and the tentative credit
14 is determined according to the schedule in section 425.23,
15 subsection 1, paragraph "b", subparagraph (2), the claim filed
16 constitutes a claim for credit of an amount equal to one-half
17 of the actual amount due and payable during the fiscal year.
18 The department of revenue and finance shall, upon the filing
19 of the claim with the department by the treasurer, pay that
20 amount of the unpaid special assessment during the current
21 fiscal year to the treasurer. The treasurer shall submit the
22 claims to the director of revenue and finance not later than
23 October 15 of each year. The director of revenue and finance
24 shall certify the amount of reimbursement due each county for
25 unpaid special assessment credits allowed under this
26 subsection. The amount of reimbursement due each county shall
27 be paid by the director of revenue and finance on October 20
28 of each year, drawn upon warrants payable to the respective
29 treasurer. There is appropriated annually from the general
30 fund of the state to the department of revenue and finance an
31 amount sufficient to carry out the provisions of this
32 subsection. The treasurer shall credit any moneys received
33 from the department against the amount of the unpaid special
34 assessment due and payable on the homestead of the claimant.

35 Sec. 15. Section 425.26, subsection 3, Code 1995, is

1 amended by striking the subsection.

2 Sec. 16. Section 435.26, subsection 1, paragraph a, Code
3 1995, is amended to read as follows:

4 a. A mobile home, modular home, or manufactured home which
5 is located outside a mobile home park shall be converted to
6 real estate by being placed on a permanent foundation and
7 shall be assessed for real estate taxes. A home, after
8 conversion to real estate, is eligible for the homestead
9 income tax credit and the military tax exemption as provided
10 in sections ~~425-2~~ 422.11 and 427.3.

11 Sec. 17. Section 441.73, subsection 4, Code 1995, is
12 amended to read as follows:

13 4. The executive council shall transfer for the fiscal
14 year beginning July 1, 1992, and each fiscal year thereafter,
15 from funds established in sections 405A.87--~~425-17~~ and 426.1,
16 an amount necessary to pay litigation expenses. However, the
17 amount of funds transferred to the litigation expense fund for
18 the fiscal year beginning July 1, 1992, shall not exceed three
19 hundred fifty thousand dollars and the amount of the fund for
20 the succeeding fiscal years shall not exceed seven hundred
21 thousand dollars. The executive council shall determine
22 annually the proportionate amounts to be transferred from the
23 three separate funds. At any time when no litigation is
24 pending or in progress the balance in the litigation defense
25 fund shall not exceed one hundred thousand dollars. Any
26 excess moneys shall be transferred in a proportionate amount
27 back to the funds from which they were originally transferred.

28 DIVISION III

29 APPLICABILITY DATES

30 Sec. 18. APPLICABILITY DATES.

31 1. Section 1 of division I of this Act applies to tax
32 years beginning on or after January 1, 1996.

33 2. Section 2 of division I of this Act and division II of
34 this Act apply to property taxes due and payable on or after
35 January 1, 1996.

EXPLANATION

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Division I of the bill changes the homestead credit from a property tax credit to a refundable individual income tax credit. The income tax credit will first apply to the tax year beginning January 1, 1996, for property taxes paid on the first \$4,850 of the homestead during the 1996-1997 fiscal year. The last homestead property tax credit will be received for taxes payable during the 1995-1996 fiscal year. Division II of the bill provides all coordinating changes. The bill provides applicability date provisions.