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WAYS & MEANS CALENDAR

HOUSE FILE 558

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 497)

Passed House, Date 4/17/95 Passed Senate, Date 4/26/95  
Vote: Ayes 97 Nays 0 Vote: Ayes 50 Nays 0  
Approved May 4, 1995

A BILL FOR

1 An Act relating to the recapture tax on property maintained as a  
2 fruit-tree or forest reservation for which a property tax  
3 exemption was granted and providing effective and  
4 applicability date provisions.

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

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HF 558

1 Section 1. Section 427C.12, unnumbered paragraph 2, Code  
2 1995, is amended to read as follows:

3 The board of supervisors shall designate the county  
4 conservation board or the assessor who shall inspect the area  
5 for which an application is filed for a fruit-tree or forest  
6 reservation tax exemption before the application is accepted.  
7 Use of aerial photographs may be substituted for on-site  
8 inspection when appropriate. The application can only be  
9 accepted if it meets the criteria established by the natural  
10 resource commission to be a fruit-tree or forest reservation.  
11 Once the application has been accepted, the area shall  
12 continue to receive the tax exemption during each year in  
13 which the area is maintained as a fruit-tree or forest  
14 reservation without the owner having to refile. If the  
15 property is sold or transferred, ~~the-buyer-or-transferee-does~~  
16 ~~not-have-to-refile-for-the-tax-exemption~~ the seller shall  
17 notify the buyer that all, or part of, the property is in  
18 fruit-tree or forest reservation and subject to the recapture  
19 tax provisions of this section. The tax exemption shall  
20 continue to be granted for the remainder of the eight-year  
21 period for fruit-tree reservation and for the following years  
22 for forest reservation or until the property no longer  
23 qualifies as a fruit-tree or forest reservation. The area may  
24 be inspected each year by the county conservation board or the  
25 assessor to determine if the area is maintained as a fruit-  
26 tree or forest reservation. If the area is not maintained or  
27 is used for economic gain other than as a fruit-tree  
28 reservation during any year of the eight-year exemption period  
29 and any year of the following five years or as a forest  
30 reservation during any year for which the exemption is granted  
31 and any of the five years following those exemption years, the  
32 assessor shall assess the property for taxation at its fair  
33 market value as of January 1 of that year and in addition the  
34 area shall be subject to a recapture tax. However, the area  
35 shall not be subject to the recapture tax if the owner,

1 including one possessing under a contract of sale, and the  
2 owner's direct antecedents or descendants have owned the area  
3 for more than ten years. The tax shall be computed by  
4 multiplying the consolidated levy for each of those years, if  
5 any, of the five preceding years for which the area received  
6 the exemption for fruit-tree or forest reservation times the  
7 assessed value of the area that would have been taxed but for  
8 the tax exemption. This tax shall be entered against the  
9 property on the tax list for the current year and shall  
10 constitute a lien against the property in the same manner as a  
11 lien for property taxes. The tax when collected shall be  
12 apportioned in the manner provided for the apportionment of  
13 the property taxes for the applicable tax year.

14 Sec. 2. This Act, being deemed of immediate importance,  
15 takes effect upon enactment and applies to sales or transfers  
16 of property made on or after the date of enactment.

17 EXPLANATION

18 Under present law, property tax exemptions are allowed for  
19 fruit-tree reservations (8 years) and forest reservations (no  
20 limit) that meet certain criteria. However, a recapture tax  
21 is imposed if at any time during the exemption period or  
22 within five years after the exemption is no longer applied,  
23 the property ceases to be used as a fruit-tree or forest  
24 reservation. The recapture tax also applies to a person who  
25 may have not owned the property when it was receiving the  
26 exemption. This bill requires the seller to notify the buyer  
27 that the property is subject to a recapture tax.

28 The bill takes effect upon enactment for sales or transfers  
29 of property made on or after that date.

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HOUSE FILE 558

AN ACT

RELATING TO THE RECAPTURE TAX ON PROPERTY MAINTAINED AS A FRUIT-TREE OR FOREST RESERVATION FOR WHICH A PROPERTY TAX EXEMPTION WAS GRANTED AND PROVIDING EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 427C.12, unnumbered paragraph 2, Code 1995, is amended to read as follows:

The board of supervisors shall designate the county conservation board or the assessor who shall inspect the area for which an application is filed for a fruit-tree or forest reservation tax exemption before the application is accepted. Use of aerial photographs may be substituted for on-site inspection when appropriate. The application can only be accepted if it meets the criteria established by the natural resource commission to be a fruit-tree or forest reservation. Once the application has been accepted, the area shall continue to receive the tax exemption during each year in which the area is maintained as a fruit-tree or forest reservation without the owner having to refile. If the

~~property is sold or transferred, the buyer or transferee does not have to refile for the tax exemption~~ the seller shall notify the buyer that all, or part of, the property is in fruit-tree or forest reservation and subject to the recapture tax provisions of this section. The tax exemption shall continue to be granted for the remainder of the eight-year period for fruit-tree reservation and for the following years for forest reservation or until the property no longer qualifies as a fruit-tree or forest reservation. The area may be inspected each year by the county conservation board or the assessor to determine if the area is maintained as a fruit-tree or forest reservation. If the area is not maintained or is used for economic gain other than as a fruit-tree reservation during any year of the eight-year exemption period and any year of the following five years or as a forest reservation during any year for which the exemption is granted and any of the five years following those exemption years, the assessor shall assess the property for taxation at its fair market value as of January 1 of that year and in addition the area shall be subject to a recapture tax. However, the area shall not be subject to the recapture tax if the owner, including one possessing under a contract of sale, and the owner's direct antecedents or descendants have owned the area for more than ten years. The tax shall be computed by multiplying the consolidated levy for each of those years, if any, of the five preceding years for which the area received the exemption for fruit-tree or forest reservation times the assessed value of the area that would have been taxed but for the tax exemption. This tax shall be entered against the property on the tax list for the current year and shall constitute a lien against the property in the same manner as a lien for property taxes. The tax when collected shall be apportioned in the manner provided for the apportionment of the property taxes for the applicable tax year.

Sec. 2. This Act, being deemed of immediate importance, takes effect upon enactment and applies to sales or transfers of property made on or after the date of enactment.

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RON J. CORBETT  
Speaker of the House

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LEONARD L. BOSWELL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 558, Seventy-sixth General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved May 4, 1995

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TERRY E. BRANSTAD  
Governor