

APR 26 1995  
WAYS & MEANS CALENDAR

HOUSE FILE 576  
BY COMMITTEE ON WAYS AND MEANS  
(SUCCESSOR TO HSB 296)

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

**A BILL FOR**

1 An Act relating to the assessment of certain long distance  
2 telephone companies for purposes of property taxation.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 576

1 Section 1. NEW SECTION. 433.16 ASSESSMENT OF LONG  
2 DISTANCE TELEPHONE COMPANIES.

3 Beginning with the assessment year beginning January 1,  
4 1996, property of a long distance telephone company, which  
5 property is first assessed for taxation in this state on or  
6 after July 1, 1996, shall be assessed by the director of  
7 revenue and finance in the same manner as all other property  
8 assessed as commercial property by the local assessor under  
9 chapters 427, 427A, 427B, 428, and 441. As used in this  
10 section, "long distance telephone company" means an entity  
11 that provides telephone service and facilities between local  
12 exchanges, but does not include a cellular service provider or  
13 a local exchange utility holding a certificate issued under  
14 section 476.29.

15 Sec. 2. Section 441.21, subsection 6, Code 1995, is  
16 amended to read as follows:

17 6. For valuations established as of January 1, 1979,  
18 commercial property and industrial property, excluding  
19 properties referred to in section 427A.1, subsection 6, shall  
20 be assessed as a percentage of the actual value of each class  
21 of property. The percentage shall be determined for each  
22 class of property by the director of revenue for the state in  
23 accordance with the provisions of this section. For  
24 valuations established as of January 1, 1979, the percentage  
25 shall be the quotient of the dividend and divisor as defined  
26 in this section. The dividend for each class of property  
27 shall be the total actual valuation for each class of property  
28 established for 1978, plus six percent of the amount so  
29 determined. The divisor for each class of property shall be  
30 the valuation for each class of property established for 1978,  
31 as reported by the assessors on the abstracts of assessment  
32 for 1978, plus the amount of value added to the total actual  
33 value by the revaluation of existing properties in 1979 as  
34 equalized by the director of revenue pursuant to section  
35 441.49. For valuations established as of January 1, 1979,

1 property valued by the department of revenue pursuant to  
2 chapters 428, 433, 436, 437, and 438 shall be considered as  
3 one class of property and shall be assessed as a percentage of  
4 its actual value. The percentage shall be determined by the  
5 director of revenue in accordance with the provisions of this  
6 section. For valuations established as of January 1, 1979,  
7 the percentage shall be the quotient of the dividend and  
8 divisor as defined in this section. The dividend shall be the  
9 total actual valuation established for 1978 by the department  
10 of revenue, plus ten percent of the amount so determined. The  
11 divisor for property valued by the department of revenue  
12 pursuant to chapters 428, 433, 436, 437, and 438 shall be the  
13 valuation established for 1978, plus the amount of value added  
14 to the total actual value by the revaluation of the property  
15 by the department of revenue as of January 1, 1979. For  
16 valuations established as of January 1, 1980, commercial  
17 property and industrial property, excluding properties  
18 referred to in section 427A.1, subsection 6, shall be assessed  
19 at a percentage of the actual value of each class of property.  
20 The percentage shall be determined for each class of property  
21 by the director of revenue for the state in accordance with  
22 the provisions of this section. For valuations established as  
23 of January 1, 1980, the percentage shall be the quotient of  
24 the dividend and divisor as defined in this section. The  
25 dividend for each class of property shall be the dividend as  
26 determined for each class of property for valuations  
27 established as of January 1, 1979, adjusted by the product  
28 obtained by multiplying the percentage determined for that  
29 year by the amount of any additions or deletions to actual  
30 value, excluding those resulting from the revaluation of  
31 existing properties, as reported by the assessors on the  
32 abstracts of assessment for 1979, plus four percent of the  
33 amount so determined. The divisor for each class of property  
34 shall be the total actual value of all such property in 1979,  
35 as equalized by the director of revenue pursuant to section

1 441.49, plus the amount of value added to the total actual  
2 value by the revaluation of existing properties in 1980. The  
3 director shall utilize information reported on the abstracts  
4 of assessment submitted pursuant to section 441.45 in  
5 determining such percentage. For valuations established as of  
6 January 1, 1980, property valued by the department of revenue  
7 pursuant to chapters 428, 433, 436, 437, and 438 shall be  
8 assessed at a percentage of its actual value. The percentage  
9 shall be determined by the director of revenue in accordance  
10 with the provisions of this section. For valuations  
11 established as of January 1, 1980, the percentage shall be the  
12 quotient of the dividend and divisor as defined in this  
13 section. The dividend shall be the total actual valuation  
14 established for 1979 by the department of revenue, plus eight  
15 percent of the amount so determined. The divisor for property  
16 valued by the department of revenue pursuant to chapters 428,  
17 433, 436, 437, and 438 shall be the valuation established for  
18 1979, plus the amount of value added to the total actual value  
19 by the revaluation of the property by the department of  
20 revenue as of January 1, 1980. For valuations established as  
21 of January 1, 1981, and each year thereafter, the percentage  
22 of actual value as equalized by the director of revenue and  
23 finance as provided in section 441.49 at which commercial  
24 property and industrial property, excluding properties  
25 referred to in section 427A.1, subsection 6, shall be assessed  
26 shall be calculated in accordance with the methods provided  
27 herein, except that any references to six percent in this  
28 subsection shall be four percent. For valuations established  
29 as of January 1, 1981, and each year thereafter, the  
30 percentage of actual value at which property valued by the  
31 department of revenue and finance pursuant to chapters 428,  
32 433, 436, 437, and 438 shall be assessed shall be calculated  
33 in accordance with the methods provided herein, except that  
34 any references to ten percent in this subsection shall be  
35 eight percent. Beginning with valuations established as of

1 January 1, 1979, and each year thereafter, property valued by  
2 the department of revenue and finance pursuant to chapter 434  
3 shall also be assessed at a percentage of its actual value  
4 which percentage shall be equal to the percentage determined  
5 by the director of revenue and finance for commercial  
6 property, industrial property, or property valued by the  
7 department of revenue and finance pursuant to chapters 428,  
8 433, 436, 437, and 438, whichever is lowest. However,  
9 property described in section 433.16, and first assessed for  
10 taxation in this state on or after July 1, 1996, shall be  
11 assessed by the director of revenue and finance as all other  
12 commercial property in the county.

13 EXPLANATION

14 This bill provides that, beginning January 1, 1996,  
15 property of a long distance telephone company which is first  
16 assessed for taxation in Iowa on or after July 1, 1996, shall  
17 be assessed by the director of revenue and finance as other  
18 commercial property in the county. The bill defines "long  
19 distance telephone company".

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HOUSE FILE 576  
FISCAL NOTE

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A fiscal note for **House File 576** 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 576 provides that property of a long distance telephone company which is first assessed for taxation in Iowa on or after July 1, 1996, shall be assessed by the Director of the Department of Revenue and Finance as other commercial property in the county.

Under current law, property of long distance telephone companies is centrally assessed by the Department of Revenue and Finance through a formula. As a result, the personal property and machinery and equipment (M&E) of these companies is assessed. The personal property of non-centrally assessed companies is not assessed for taxation, and M&E is assessed at 30.0% of net acquisition cost. New M&E purchases are exempt from taxation.

**FISCAL IMPACT:**

The effect of HF 576 will be a reduction in property tax revenue to local governments of an amount greater than \$6.0 million once all property is ultimately replaced. The phase-out of this revenue source will begin in FY 1999.

(LSB 259lhv, JAM)

FILED MAY 1, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

## HOUSE FILE 576

H-4168

1 Amend the amendment, H-4122, to House File 576 as  
2 follows:

3 1. Page 1, by inserting after line 8 the  
4 following:

5 "\_\_\_\_\_. Page 1, by inserting before line 15 the  
6 following:

7 "Sec. \_\_\_\_\_. NEW SECTION. 433.17 ASSESSMENT OF  
8 LOCAL EXCHANGE UTILITIES.

9 Beginning with the assessment year beginning  
10 January 1, 1996, property used to provide long  
11 distance telephone service of a local exchange utility  
12 holding a certificate issued under section 476.29,  
13 which property is first assessed for taxation in this  
14 state on or after July 1, 1996, shall be assessed by  
15 the director of revenue and finance in the same manner  
16 as all other property assessed as commercial property  
17 by the local assessor under chapters 427, 427A, 427B,  
18 428, and 441. As used in this section, "property used  
19 to provide long distance telephone service" means the  
20 amount certified to the department by the utilities  
21 board, pursuant to section 476.29, subsection 16. The  
22 department shall consult with the utilities board in  
23 developing rules to implement this subsection."

24 \_\_\_\_\_. Page 4, line 9, by striking the word and  
25 figure "section 433.16" and inserting the following:  
26 "sections 433.16 and 433.17".

27 \_\_\_\_\_. Page 4, by inserting after line 13 the  
28 following:

29 "Sec. \_\_\_\_\_. Section 476.29, Code 1995, is amended  
30 by adding the following new subsection:

31 NEW SUBSECTION. 16. A local exchange utility may  
32 request the board to certify to the department of  
33 revenue and finance, that proportion of the local  
34 exchange utility's property which supports the  
35 provision of telephone service between local  
36 exchanges. The board shall consult with the  
37 department of revenue and finance in developing rules  
38 to implement this subsection.""

39 2. By renumbering as necessary.

By BRAND of Benton

H-4168 FILED APRIL 28, 1995

## HOUSE FILE 576

H-4119

1 Amend House File 576 as follows:

- 2 1. Page 1, line 6, by striking the word "July"
- 3 and inserting the following: "January".
- 4 2. Page 4, line 10, by striking the word "July"
- 5 and inserting the following: "January".

By HALVORSON of Clayton

H-4119 FILED APRIL 27, 1995

## HOUSE FILE 576

H-4122

1 Amend House File 576 as follows:

- 2 1. Page 1, lines 1 and 2, by striking the words
- 3 "LONG DISTANCE".
- 4 2. Page 1, line 4, by striking the words "long
- 5 distance".
- 6 3. Page 1, by striking lines 9 through 14 and
- 7 inserting the following: "chapters 427, 427A, 427B,
- 8 428, and 441."
- 9 4. Title page, line 1, by striking the words
- 10 "certain long distance".

By RENKEN of Grundy  
MILLAGE of Scott  
NELSON of Pottawattamie

H-4122 FILED APRIL 27, 1995

## HOUSE FILE 576

H-4137

1 Amend House File 576 as follows:

- 2 1. Page 1, by striking lines 1 through 14.
- 3 2. Page 4, line 9, by striking the word and
- 4 figure "section 433.16," and inserting the following:
- 5 "sections 428.24 through 428.29, or chapters 433, 434,
- 6 and 436 through 438,".
- 7 3. Title page, lines 1 and 2, by striking the
- 8 words "long distance telephone companies" and
- 9 inserting the following: "property by the department
- 10 of revenue and finance".
- 11 4. By renumbering as necessary.

By BERNAU of Story

H-4137 FILED APRIL 27, 1995

*Halvorson, Chair*  
*Dinkla*  
*Bernau*  
*Gregg*  
*Myers*

**HSB 296**

**WAYS AND MEANS**

**HOUSE FILE 576**

BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL  
BY CHAIRPERSON HALVORSON)

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

**A BILL FOR**

1 An Act relating to the assessment of certain long distance  
2 telephone companies for purposes of property taxation.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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271472  
Succeeded By

1 ~~Section 1.~~ NEW SECTION. 433.16 ASSESSMENT OF LONG  
2 DISTANCE TELEPHONE COMPANIES.

3 Beginning with the assessment year beginning January 1,  
4 1996, property of a long distance telephone company shall not  
5 be assessed by the director of revenue and finance under the  
6 provisions of this chapter. Beginning with the assessment  
7 year beginning January 1, 1996, property of a long distance  
8 telephone company shall be assessed by the local assessor in  
9 the same manner as all other property assessed as commercial  
10 property. As used in this chapter, "long distance telephone  
11 company" means a long distance company as defined in section  
12 477.10.

13 Sec. 2. Section 441.21, subsection 6, Code 1995, is  
14 amended to read as follows:

15 6. For valuations established as of January 1, 1979,  
16 commercial property and industrial property, excluding  
17 properties referred to in section 427A.1, subsection 6, shall  
18 be assessed as a percentage of the actual value of each class  
19 of property. The percentage shall be determined for each  
20 class of property by the director of revenue for the state in  
21 accordance with the provisions of this section. For  
22 valuations established as of January 1, 1979, the percentage  
23 shall be the quotient of the dividend and divisor as defined  
24 in this section. The dividend for each class of property  
25 shall be the total actual valuation for each class of property  
26 established for 1978, plus six percent of the amount so  
27 determined. The divisor for each class of property shall be  
28 the valuation for each class of property established for 1978,  
29 as reported by the assessors on the abstracts of assessment  
30 for 1978, plus the amount of value added to the total actual  
31 value by the revaluation of existing properties in 1979 as  
32 equalized by the director of revenue pursuant to section  
33 441.49. For valuations established as of January 1, 1979,  
34 property valued by the department of revenue pursuant to  
35 chapters 428, 433, 436, 437, and 438 shall be considered as

1 one class of property and shall be assessed as a percentage of  
2 its actual value. The percentage shall be determined by the  
3 director of revenue in accordance with the provisions of this  
4 section. For valuations established as of January 1, 1979,  
5 the percentage shall be the quotient of the dividend and  
6 divisor as defined in this section. The dividend shall be the  
7 total actual valuation established for 1978 by the department  
8 of revenue, plus ten percent of the amount so determined. The  
9 divisor for property valued by the department of revenue  
10 pursuant to chapters 428, 433, 436, 437, and 438 shall be the  
11 valuation established for 1978, plus the amount of value added  
12 to the total actual value by the revaluation of the property  
13 by the department of revenue as of January 1, 1979. For  
14 valuations established as of January 1, 1980, commercial  
15 property and industrial property, excluding properties  
16 referred to in section 427A.1, subsection 6, shall be assessed  
17 at a percentage of the actual value of each class of property.  
18 The percentage shall be determined for each class of property  
19 by the director of revenue for the state in accordance with  
20 the provisions of this section. For valuations established as  
21 of January 1, 1980, the percentage shall be the quotient of  
22 the dividend and divisor as defined in this section. The  
23 dividend for each class of property shall be the dividend as  
24 determined for each class of property for valuations  
25 established as of January 1, 1979, adjusted by the product  
26 obtained by multiplying the percentage determined for that  
27 year by the amount of any additions or deletions to actual  
28 value, excluding those resulting from the revaluation of  
29 existing properties, as reported by the assessors on the  
30 abstracts of assessment for 1979, plus four percent of the  
31 amount so determined. The divisor for each class of property  
32 shall be the total actual value of all such property in 1979,  
33 as equalized by the director of revenue pursuant to section  
34 441.49, plus the amount of value added to the total actual  
35 value by the revaluation of existing properties in 1980. The

1 director shall utilize information reported on the abstracts  
2 of assessment submitted pursuant to section 441.45 in  
3 determining such percentage. For valuations established as of  
4 January 1, 1980, property valued by the department of revenue  
5 pursuant to chapters 428, 433, 436, 437, and 438 shall be  
6 assessed at a percentage of its actual value. The percentage  
7 shall be determined by the director of revenue in accordance  
8 with the provisions of this section. For valuations  
9 established as of January 1, 1980, the percentage shall be the  
10 quotient of the dividend and divisor as defined in this  
11 section. The dividend shall be the total actual valuation  
12 established for 1979 by the department of revenue, plus eight  
13 percent of the amount so determined. The divisor for property  
14 valued by the department of revenue pursuant to chapters 428,  
15 433, 436, 437, and 438 shall be the valuation established for  
16 1979, plus the amount of value added to the total actual value  
17 by the revaluation of the property by the department of  
18 revenue as of January 1, 1980. For valuations established as  
19 of January 1, 1981, and each year thereafter, the percentage  
20 of actual value as equalized by the director of revenue and  
21 finance as provided in section 441.49 at which commercial  
22 property and industrial property, excluding properties  
23 referred to in section 427A.1, subsection 6, shall be assessed  
24 shall be calculated in accordance with the methods provided  
25 herein, except that any references to six percent in this  
26 subsection shall be four percent. For valuations established  
27 as of January 1, 1981, and each year thereafter, the  
28 percentage of actual value at which property valued by the  
29 department of revenue and finance pursuant to chapters 428,  
30 433, 436, 437, and 438 shall be assessed shall be calculated  
31 in accordance with the methods provided herein, except that  
32 any references to ten percent in this subsection shall be  
33 eight percent. Beginning with valuations established as of  
34 January 1, 1979, and each year thereafter, property valued by  
35 the department of revenue and finance pursuant to chapter 434

1 shall also be assessed at a percentage of its actual value  
2 which percentage shall be equal to the percentage determined  
3 by the director of revenue and finance for commercial  
4 property, industrial property, or property valued by the  
5 department of revenue and finance pursuant to chapters 428,  
6 433, 436, 437, and 438, whichever is lowest. However,  
7 property described in section 433.16, and assessed on or after  
8 January 1, 1996, shall be assessed by the local assessor as  
9 all other commercial property in the county.

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EXPLANATION

This bill provides that, beginning January 1, 1996,  
property of a long distance telephone company shall not be  
assessed by the director of revenue and finance but shall be  
assessed by the local assessor as other commercial property in  
the county. The bill defines "long distance telephone  
company".