

FEB 11 1997
WAYS AND MEANS

HOUSE FILE 199
BY RICHARDSON and HUSER

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to urban revitalization tax exemptions for
2 property assessed as residential property and providing an
3 effective date and applicability provisions.

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

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HF 199

1 Section 1. Section 404.1, subsection 4, Code 1997, is
2 amended to read as follows:

3 4. An area which is appropriate as an economic development
4 area as defined in section 403.17, except that, for purposes
5 of this chapter, "economic development area" shall not include
6 public improvements to property assessed as residential
7 property.

8 Sec. 2. Section 404.2, subsection 2, paragraph f,
9 unnumbered paragraph 1, Code 1997, is amended to read as
10 follows:

11 A statement specifying whether the revitalization is
12 applicable to none, some, or all of the property assessed as
13 ~~residential~~, agricultural, commercial, or industrial property
14 within the designated area or a combination thereof and
15 whether the revitalization is for rehabilitation and additions
16 to existing buildings or new construction or both. If
17 revitalization is made applicable only to some property within
18 an assessment classification, the definition of that subset of
19 eligible property must be by uniform criteria which further
20 some planning objective identified in the plan. The city
21 shall state how long it is estimated that the area shall
22 remain a designated revitalization area which time shall be
23 longer than one year from the date of designation and shall
24 state any plan by the city to issue revenue bonds for
25 revitalization projects within the area. For a county, a
26 revitalization area shall include only property which will be
27 used as industrial property, or commercial property, including
28 commercial property consisting of three or more separate
29 living quarters with at least seventy-five percent of the
30 space used for residential purposes, ~~or-residential-property.~~
31 However, a county shall not provide a tax exemption under this
32 chapter to commercial property, including commercial property
33 consisting of three or more separate living quarters with at
34 least seventy-five percent of the space used for residential
35 purposes, ~~or-residential-property~~ which is located within the

1 limits of a city.

2 Sec. 3. Section 404.2, subsection 2, paragraph h, Code
3 1997, is amended to read as follows:

4 h. Any tax exemption schedule that shall be used in lieu
5 of the schedule set out in section 404.3, subsection ~~1~~ 2, 3,
6 or 4. This schedule shall not allow a greater exemption, but
7 may allow a smaller exemption, than allowed in the schedule
8 specified in the corresponding subsection of section 404.3.

9 Sec. 4. Section 404.2, subsection 2, paragraph j, Code
10 1997, is amended by striking the paragraph.

11 Sec. 5. Section 404.3, subsection 1, Code 1997, is amended
12 by striking the subsection.

13 Sec. 6. Section 404.3, subsections 4, 5, 6, and 7, Code
14 1997, are amended to read as follows:

15 4. All qualified real estate assessed as ~~residential~~
16 ~~property-or-assessed-as~~ commercial property, if the commercial
17 property consists of three or more separate living quarters
18 with at least seventy-five percent of the space used for
19 residential purposes, is eligible to receive a one hundred
20 percent exemption from taxation on the actual value added by
21 the improvements. The exemption is for a period of ten years.

22 5. The owners of qualified real estate eligible for the
23 exemption provided in this section shall elect to take the
24 applicable exemption provided in subsection ~~1~~ 2, 3, or 4 or
25 provided in the different schedule adopted in the city or
26 county plan if a different schedule has been adopted. Once
27 the election has been made and the exemption granted, the
28 owner is not permitted to change the method of exemption.

29 6. The tax exemption schedule specified in subsection ~~1~~
30 2, 3, or 4 shall apply to every revitalization area within a
31 city or county unless a different schedule is adopted in the
32 city or county plan as provided in section 404.2. However, a
33 city or county shall not adopt a different schedule unless
34 every revitalization area within the city or county has the
35 same schedule applied to it, except in areas of the city or

1 county which have been designated as both urban renewal and
2 urban revitalization areas. In an area designated for both
3 urban renewal and urban revitalization, a city or county may
4 adopt a different schedule than has been adopted for
5 revitalization areas which have not been designated as urban
6 renewal areas. The different schedule adopted shall not
7 provide for a larger tax exemption in a particular year than
8 is provided for that year in the schedule specified in the
9 corresponding subsection of this section.

10 7. "Qualified real estate" as used in this chapter and
11 section 419.17 means real property, other than land, which is
12 located in a designated revitalization area and to which
13 improvements have been added, during the time the area was so
14 designated, which have increased the actual value by at least
15 the percent specified in the plan adopted by the city or
16 county pursuant to section 404.2 or if no percent is specified
17 then by at least fifteen percent, or ~~at least ten percent in~~
18 ~~the case of real property assessed as residential property or~~
19 ~~which improvements have, in the case of land upon which is~~
20 ~~located more than one building and not assessed as residential~~
21 ~~property,~~ increased the actual value of the buildings to which
22 the improvements have been made by at least fifteen percent.
23 "Qualified real estate" also means land upon which no
24 structure existed at the start of the new construction, which
25 is located in a designated revitalization area and upon which
26 new construction has been added during the time the area was
27 so designated. "Improvements" as used in this chapter and
28 section 419.17 includes rehabilitation and additions to
29 existing structures as well as new construction on vacant land
30 or on land with existing structures. However, new
31 construction on land assessed as agricultural property shall
32 not qualify as "improvements" for purposes of this chapter and
33 section 419.17 unless the governing body of the city or county
34 has presented justification at a public hearing held pursuant
35 to section 404.2 for the revitalization of land assessed as

1 agricultural property by means of new construction. Such
2 justification shall demonstrate, in addition to the other
3 requirements of this chapter and section 419.17, that the
4 improvements on land assessed as agricultural land will
5 utilize the minimum amount of agricultural land necessary to
6 accomplish the revitalization of the other classes of property
7 within the urban revitalization area. However, if such
8 construction, rehabilitation or additions were begun prior to
9 January 29, 1979, or one year prior to the adoption by the
10 city or county of a plan of urban revitalization pursuant to
11 section 404.2, whichever occurs later, the value added by such
12 construction, rehabilitation or additions shall not constitute
13 an increase in value for purposes of qualifying for the
14 exemptions listed in this section. "Actual value added by the
15 improvements" as used in this chapter and section 419.17 means
16 the actual value added as of the first year for which the
17 exemption was received.

18 Sec. 7. Section 404.4, unnumbered paragraph 3, Code 1997,
19 is amended to read as follows:

20 The governing body of the city or county shall approve the
21 application, subject to review by the local assessor pursuant
22 to section 404.5, if the project is in conformance with the
23 plan for revitalization developed by the city or county, is
24 located within a designated revitalization area, and if the
25 improvements were made during the time the area was so
26 designated. The governing body of the city or county shall
27 forward for review all approved applications to the
28 appropriate local assessor by March 1 of each year with a
29 statement indicating whether section 404.3, subsection 1, 2,
30 3, or 4, applies or if a different schedule has been adopted,
31 which exemption from that schedule applies. However, if the
32 approved application is for an improvement project that will
33 be assessed pursuant to sections 428.24 through 428.29, the
34 application and statement shall be subject to review by the
35 department of revenue and finance and shall be sent to the

1 department for its review by March 1. The department shall
2 submit the results of its review at the time it certifies the
3 assessments to the county under section 428.29. Applications
4 for exemption for succeeding years on approved projects shall
5 not be required.

6 Sec. 8. Section 404.5, unnumbered paragraph 1, Code 1997,
7 is amended to read as follows:

8 The local assessor shall review each first-year application
9 by making a physical review of the property, to determine if
10 the improvements made increased the actual value of the
11 qualified real estate by at least fifteen percent or ~~at least~~
12 ~~ten-percent-in-the-case-of-real-property-assessed-as~~
13 ~~residential-property-or~~ the applicable percent increase
14 requirement adopted by the city or county under section 404.2.
15 If the assessor determines that the actual value of that real
16 estate has increased by at least the requisite percent, the
17 assessor shall proceed to determine the actual value of the
18 property and certify the valuation determined pursuant to
19 section 404.3 to the county auditor at the time of
20 transmitting the assessment rolls. However, if a new
21 structure is erected on land upon which no structure existed
22 at the start of the new construction, the assessor shall
23 proceed to determine the actual value of the property and
24 certify the valuation determined pursuant to section 404.3 to
25 the county auditor at the time of transmitting the assessment
26 rolls. The assessor shall notify the applicant of the
27 determination, and the assessor's decision may be appealed to
28 the local board of review at the times specified in section
29 441.37. If an application for exemption is denied as a result
30 of failure to sufficiently increase the value of the real
31 estate as provided in section 404.3, the owner may file a
32 first annual application in a subsequent year when additional
33 improvements are made to satisfy requirements of section
34 404.3, and the provisions of section 404.4 shall apply. After
35 the tax exemption is granted, the local assessor shall

1 continue to grant the tax exemption, with periodic physical
2 review by the assessor, for the time period specified in
3 section 404.3, subsection 17 2, 3, or 4, or specified in the
4 different schedule if one has been adopted, under which the
5 exemption was granted. The tax exemptions for the succeeding
6 years shall be granted without the taxpayer having to file an
7 application for the succeeding years.

8 Sec. 9. EFFECTIVE DATE AND APPLICABILITY. This Act takes
9 effect July 1, 1998. Any urban revitalization tax exemptions
10 for property assessed as residential property which are in
11 existence before July 1, 1998, for completed improvement
12 projects shall continue until their expiration. Any proposal
13 for an improvement project for property assessed as
14 residential property approved by a city or county prior to
15 July 1, 1998, which has not been completed by that date shall
16 receive an exemption from taxation and that exemption shall
17 continue until its expiration. On or after July 1, 1998, a
18 city or county shall not give consideration to new improvement
19 project proposals for property assessed as residential
20 property in urban revitalization areas established before July
21 1, 1998.

22 EXPLANATION

23 This bill repeals the urban revitalization tax exemption
24 for residential property, effective July 1, 1998. Existing
25 exemptions for completed improvement projects shall continue
26 until their expiration. Improvement projects approved for
27 exemption by a city or county but which have not been
28 completed by July 1, 1998, will be allowed the exemption until
29 their expiration. Revitalization areas in existence on July
30 1, 1998, will not be allowed to add new residential property
31 improvement projects for exemption on or after July 1, 1998.

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