

SENATE FILE 2193  
BY WARNSTADT and WIECK

(COMPANION TO LSB 5706HH  
BY RANTS)

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

**A BILL FOR**

1 An Act relating to qualified historic property located in  
2 designated enterprise zones and other historic property,  
3 taxation of such property and its owners, developers, and  
4 investors, and including effective and applicability date  
5 provisions.

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

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ECONOMIC GROWTH

SE 2193

1 Section 1. Section 15E.192, Code Supplement 2005, is  
2 amended by adding the following new subsection:

3 NEW SUBSECTION. 0A. For the purposes of this division,  
4 "qualified historic property" means property that is at least  
5 fifty years old and is listed on the national register of  
6 historic places or eligible for such listing and has been  
7 rehabilitated without significant changes to the original  
8 exterior of the property and without affecting its status with  
9 regard to the national register of historic places.

10 Sec. 2. Section 15E.193B, subsection 2, Code Supplement  
11 2005, is amended to read as follows:

12 2. An eligible housing business under this section  
13 includes a either of the following:

14 a. A housing developer, housing contractor, or nonprofit  
15 organization that builds or rehabilitates a minimum of four  
16 single-family homes located in that part of a city or county  
17 in which there is a designated enterprise zone or one multiple  
18 dwelling unit building containing three or more individual  
19 dwelling units located in that part of a city or county in  
20 which there is a designated enterprise zone.

21 b. An owner or developer that rehabilitates a qualified  
22 historic property to be used for dwelling purposes which is  
23 located in that part of a city or county in which there is a  
24 designated enterprise zone.

25 Sec. 3. Section 15E.193B, subsection 6, paragraph a, Code  
26 Supplement 2005, is amended to read as follows:

27 a. An eligible housing business may claim a tax credit up  
28 to a maximum of ten percent of the new investment which is  
29 directly related to the building or rehabilitating of a  
30 minimum of four single-family homes located in that part of a  
31 city or county in which there is a designated enterprise zone,  
32 ~~or~~ one multiple dwelling unit building containing three or  
33 more individual dwelling units located in that part of a city  
34 or county in which there is a designated enterprise zone, or  
35 qualified historic property located in that part of a city or

1 county in which there is a designated enterprise zone. The  
2 new investment that may be used to compute the tax credit  
3 shall not exceed the new investment used for the first one  
4 hundred forty thousand dollars of value for each single-family  
5 home, ~~or~~ for each unit of a multiple dwelling unit building  
6 containing three or more units, or for each dwelling unit  
7 located in the qualified historic property. The tax credit  
8 may be used to reduce the tax liability imposed under chapter  
9 422, division II, III, or V, or chapter 432. Any credit in  
10 excess of the tax liability for the tax year may be credited  
11 to the tax liability for the following seven years or until  
12 depleted, whichever occurs earlier. If the business is a  
13 partnership, S corporation, limited liability company, or  
14 estate or trust electing to have the income taxed directly to  
15 the individual, an individual may claim the tax credit  
16 allowed. The amount claimed by the individual shall be based  
17 upon the pro rata share of the individual's earnings of the  
18 partnership, S corporation, limited liability company, or  
19 estate or trust except as allowed for under subsection 8 when  
20 low-income housing tax credits authorized under section 42 of  
21 the Internal Revenue Code are used to assist in the financing  
22 of the housing development.

23 Sec. 4. Section 15E.195, subsections 1, 2, and 4, Code  
24 2005, are amended to read as follows:

25 1. A county which designates an enterprise zone pursuant  
26 to section 15E.194, subsection 1, and in which an eligible  
27 enterprise zone is certified shall establish an enterprise  
28 zone commission to review applications from qualified  
29 businesses located within or requesting to locate within an  
30 enterprise zone designated pursuant to section 15E.194,  
31 subsection 1, to receive incentives or assistance as provided  
32 in section 15E.196. The enterprise zone commission shall also  
33 review applications from qualified housing businesses  
34 requesting to receive incentives or assistance as provided in  
35 section 15E.193B. The enterprise zone commission shall review

1 applications from owners or developers of qualified historic  
2 properties to receive incentives or assistance as provided in  
3 section 15E.193B or 15E.196, as applicable. The commission  
4 shall consist of nine members. Five of these members shall  
5 consist of one representative of the board of supervisors, one  
6 member with economic development expertise chosen by the  
7 department of economic development, one representative of the  
8 county zoning board, one member of the local community college  
9 board of directors, and one representative of the local  
10 workforce development center. These five members shall select  
11 the remaining four members. If the enterprise zone consists  
12 of an area meeting the requirements for eligibility for an  
13 urban or rural enterprise community under Title XIII of the  
14 federal Omnibus Budget Reconciliation Act of 1993, one of the  
15 remaining four members shall be a representative of that  
16 community. A county shall have only one enterprise zone  
17 commission to review applications for incentives and  
18 assistance for businesses located within or requesting to  
19 locate within a certified enterprise zone designated pursuant  
20 to section 15E.194, subsection 1.

21 2. A city with a population of twenty-four thousand or  
22 more which designates an enterprise zone pursuant to section  
23 15E.194, subsection 2, and in which an eligible enterprise  
24 zone is certified shall establish an enterprise zone  
25 commission to review applications from qualified businesses  
26 located within or requesting to locate within an enterprise  
27 zone to receive incentives or assistance as provided in  
28 section 15E.196. The enterprise zone commission shall review  
29 applications from qualified housing businesses requesting to  
30 receive incentives or assistance as provided in section  
31 15E.193B. The enterprise zone commission shall review  
32 applications from owners or developers of qualified historic  
33 properties to receive incentives or assistance as provided in  
34 section 15E.193B or 15E.196, as applicable. The commission  
35 shall consist of nine members. Six of these members shall

1 consist of one representative of an international labor  
2 organization, one member with economic development expertise  
3 chosen by the department of economic development, one  
4 representative of the city council, one member of the local  
5 community college board of directors, one member of the city  
6 planning and zoning commission, and one representative of the  
7 local workforce development center. These six members shall  
8 select the remaining three members. If the enterprise zone  
9 consists of an area meeting the requirements for eligibility  
10 for an urban enterprise community under Title XIII of the  
11 federal Omnibus Budget Reconciliation Act of 1993, one of the  
12 remaining three members shall be a representative of that  
13 community. If a city contiguous to the city designating the  
14 enterprise zone is included in an enterprise zone, a  
15 representative of the contiguous city, chosen by the city  
16 council, shall be a member of the commission. A city in which  
17 an eligible enterprise zone is certified shall have only one  
18 enterprise zone commission. If a city has established an  
19 enterprise zone commission prior to July 1, 1998, the city may  
20 petition to the department of economic development to change  
21 the structure of the existing commission.

22 4. If the enterprise zone commission determines that a  
23 business or an owner or developer of a qualified historic  
24 property qualifies and is eligible to receive incentives or  
25 assistance as provided in section 15E.193B or 15E.196, the  
26 commission shall submit an application for incentives or  
27 assistance to the department of economic development. The  
28 department may approve, defer, or deny the application.

29 Sec. 5. Section 15E.196, unnumbered paragraph 1, Code  
30 Supplement 2005, is amended to read as follows:

31 For purposes of determining the incentives or assistance  
32 provided in this section, "eligible business" means a business  
33 or owner or developer of a qualified historic property which  
34 has been approved to receive incentives and assistance by the  
35 department of economic development pursuant to application as

1 provided in section 15E.195. The incentives and assistance  
2 provided under this division for businesses or for  
3 rehabilitating qualified historic property located in  
4 enterprise zones shall be for a period not to exceed ten years  
5 and shall include all of the following:

6 Sec. 6. Section 15E.196, subsections 3 and 6, Code  
7 Supplement 2005, are amended to read as follows:

8 3. Investment tax credit of up to ten percent, as provided  
9 in section 15.333. In the case of an owner or developer of  
10 qualified historic property, the tax credit shall be based  
11 upon the rehabilitation costs related to the new jobs created  
12 by the occupant business.

13 6. Insurance premium tax credit of up to ten percent, as  
14 provided in section 15.333A. In the case of an owner or  
15 developer of qualified historic property, the tax credit shall  
16 be based upon the rehabilitation costs related to the new jobs  
17 created by the occupant business.

18 Sec. 7. Section 404A.1, subsection 2, Code Supplement  
19 2005, is amended by adding the following new paragraph:

20 NEW PARAGRAPH. e. Property that is at least fifty years  
21 old and is listed on the national register of historic places  
22 or eligible for such listing and is located in a designated  
23 enterprise zone pursuant to chapter 15E, division XVIII.

24 Sec. 8. Section 404A.4, subsection 4, Code Supplement  
25 2005, is amended to read as follows:

26 4. a. The total amount of tax credits that may be  
27 approved for a fiscal year under this chapter shall not exceed  
28 two million four hundred thousand dollars. For the fiscal  
29 period beginning July 1, 2005, and ending June 30, 2015, an  
30 additional four million dollars of tax credits may be approved  
31 each fiscal year for purposes of projects located in cultural  
32 and entertainment districts certified pursuant to section  
33 303.3B. Any of the additional tax credits allocated for  
34 projects located in certified cultural and entertainment  
35 districts that are not approved during a fiscal year shall be

1 applied to reserved tax credits issued in accordance with  
2 section 404A.3 in order of original reservation.

3 b. For fiscal years beginning on or after July 1, 2006,  
4 there is not a limit on the amount of tax credits that may be  
5 approved for a fiscal year for the rehabilitation of eligible  
6 property as defined in section 404A.1, subsection 2, paragraph  
7 "e". Such tax credits shall not be counted as part of the  
8 limitation on the amount of tax credits that may be approved  
9 under paragraph "a".

10 c. The department of cultural affairs shall establish by  
11 rule the procedures for the application, review, selection,  
12 and awarding of certifications of completion. The departments  
13 of economic development, cultural affairs, and revenue shall  
14 each adopt rules to jointly administer this subsection and  
15 shall provide by rule for the method to be used to determine  
16 for which fiscal year the tax credits are available. With the  
17 exception of tax credits issued pursuant to contracts entered  
18 into prior to July 1, 2005, tax credits shall not be reserved  
19 for more than five years.

20 Sec. 9. Section 422.7, Code Supplement 2005, is amended by  
21 adding the following new subsection:

22 NEW SUBSECTION. 45. Subtract two thousand dollars for  
23 each of the first five tax years the taxpayer owns and resides  
24 in a condominium unit in a qualified historic property located  
25 in a designated enterprise zone that was redeveloped into a  
26 multiunit condominium building. This deduction is only  
27 available for the first five calendar years following the  
28 calendar year in which the redevelopment of the qualified  
29 historic property was completed. If the original taxpayer  
30 sells the condominium unit during the first five calendar  
31 years, the subsequent owner who resides in that unit is  
32 eligible for the deduction under this subsection for the  
33 remainder of the first five calendar years.

34 If the taxpayer does not own and reside in the condominium  
35 unit during the entire tax year, the amount subtracted shall

1 be a pro rata amount with any portion of a month considered a  
2 whole month. The amount subtracted shall be rounded to the  
3 nearest multiple of fifty dollars.

4 For purposes of this subsection, "qualified historic  
5 property" means the same as defined in section 15E.192,  
6 subsection 0A.

7 Sec. 10. Section 441.21, subsection 2, Code Supplement  
8 2005, is amended to read as follows:

9 2. In the event market value of the property being  
10 assessed cannot be readily established in the foregoing  
11 manner, then the assessor may determine the value of the  
12 property using the other uniform and recognized appraisal  
13 methods including its productive and earning capacity, if any,  
14 industrial conditions, its cost, physical and functional  
15 depreciation and obsolescence and replacement cost, and all  
16 other factors which would assist in determining the fair and  
17 reasonable market value of the property but the actual value  
18 shall not be determined by use of only one such factor. The  
19 following shall not be taken into consideration: Special  
20 value or use value of the property to its present owner, and  
21 the goodwill or value of a business which uses the property as  
22 distinguished from the value of the property as property.  
23 However, in assessing property that is rented or leased to  
24 low-income individuals and families as authorized by section  
25 42 of the Internal Revenue Code, as amended, and which section  
26 limits the amount that the individual or family pays for the  
27 rental or lease of units in the property, the assessor shall  
28 use the productive and earning capacity from the actual rents  
29 received as a method of appraisal and shall take into account  
30 the extent to which that use and limitation reduces the market  
31 value of the property. The assessor shall not consider any  
32 tax credit equity or other subsidized financing as income  
33 provided to the property in determining the assessed value.  
34 The property owner shall notify the assessor when property is  
35 withdrawn from section 42 eligibility under the Internal



1 Revenue Code. The property shall not be subject to section 42  
2 assessment procedures for the assessment year for which  
3 section 42 eligibility is withdrawn. This notification must  
4 be provided to the assessor no later than March 1 of the  
5 assessment year or the owner will be subject to a penalty of  
6 five hundred dollars for that assessment year. The penalty  
7 shall be collected at the same time and in the same manner as  
8 regular property taxes. However, in assessing property that  
9 is qualified historic property, as defined in section 15E.192,  
10 subsection 0A, which is located in a designated enterprise  
11 zone, the assessor shall use the productive and earning  
12 capacity of the property as the method of appraisal. Upon  
13 adoption of uniform rules by the department of revenue or  
14 succeeding authority covering assessments and valuations of  
15 such properties, the valuation on such properties shall be  
16 determined in accordance with such rules and in accordance  
17 with forms and guidelines contained in the real property  
18 appraisal manual prepared by the department as updated from  
19 time to time for assessment purposes to assure uniformity, but  
20 such rules, forms, and guidelines shall not be inconsistent  
21 with or change the foregoing means of determining the actual,  
22 market, taxable and assessed values.

23 Sec. 11. EFFECTIVE AND APPLICABILITY DATES. This Act,  
24 being deemed of immediate importance, takes effect upon  
25 enactment and applies as follows:

26 1. The sections of this Act amending sections 15E.192,  
27 15E.193B, 15E.195, and 15E.196 apply to qualified historic  
28 property where completion of rehabilitation occurs on or after  
29 the effective date of this Act.

30 2. The sections of this Act amending sections 404A.1 and  
31 404A.4 apply to fiscal years beginning on or after July 1,  
32 2006.

33 3. The section of this Act amending section 422.7 applies  
34 to tax years beginning on or after January 1, 2007.

35 4. The section of this Act amending section 441.21 applies

1 to assessment years beginning on or after January 1, 2007.

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EXPLANATION

3 This bill relates to qualified historic property that is 50  
4 years old, is either on the national register of historic  
5 places or is eligible for such listing, and is located in a  
6 designated enterprise zone.

7 The bill provides that upon approval by the local  
8 enterprise zone commission and the department of economic  
9 development, the owner or developer of the qualified historic  
10 property that is used for business purposes is eligible to  
11 receive an investment tax credit of up to 10 percent of the  
12 rehabilitation costs related to the new jobs created by the  
13 occupant business and a refund of state sales and use taxes  
14 paid on materials and services used in the rehabilitation. If  
15 the qualified historic property is used for residential  
16 purposes, the owner or developer of the property is eligible  
17 for an investment tax credit of up to 10 percent of the  
18 rehabilitation costs related to the development of the  
19 residential units and a refund of state sales and use taxes  
20 paid on materials and services used in the rehabilitation.

21 The bill provides that for property tax purposes, qualified  
22 historic property located in a designated enterprise zone is  
23 to be assessed based on its productive and earning capacity.

24 The bill provides that under Code chapter 404A, the  
25 limitations placed on the amount of historic preservation and  
26 cultural and entertainment district tax credits do not apply  
27 to the tax credits granted for qualified historic property  
28 located in a designated enterprise zone.

29 The bill also provides an individual income tax deduction  
30 of up to \$2,000 for each of the first five tax years that a  
31 taxpayer resides in a condominium located in a qualified  
32 historic property located in a designated enterprise zone.

33 The bill takes effect upon enactment and has various  
34 applicability date provisions.

35