

House File 152 - Introduced

HOUSE FILE _____
BY STRUYK

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

A BILL FOR

1 An Act relating to valuation of commercial property using an
2 income approach for purposes of property assessment and
3 taxation, allowing appraisal methods in lieu of an income
4 approach, and providing an applicability date.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 1548YH 83
7 md/sc/5

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1 1 Section 1. Section 441.21, subsection 2, Code 2009, is
1 2 amended to read as follows:
1 3 2. a. In the event market value of the property being
1 4 assessed cannot be readily established in the foregoing
1 5 manner, then the assessor may determine the value of the
1 6 property using the other uniform and recognized appraisal
1 7 methods including its productive and earning capacity, if any,
1 8 industrial conditions, its cost, physical and functional
1 9 depreciation and obsolescence and replacement cost, and all
1 10 other factors which would assist in determining the fair and
1 11 reasonable market value of the property but, except as
1 12 otherwise provided in paragraphs "b" and "c", the actual value
1 13 shall not be determined by use of only one such factor. The
1 14 following shall not be taken into consideration: Special
1 15 value or use value of the property to its present owner, and
1 16 the goodwill or value of a business which uses the property as
1 17 distinguished from the value of the property as property.
1 18 b. In assessing and determining the actual value of
1 19 commercial property, the assessor shall rely solely on an
1 20 income approach measuring productive and earning capacity of
1 21 the property using uniform and recognized appraisal methods
1 22 and capitalized at a rate determined by the assessor. Such
1 23 income approach to valuation, including a method for
1 24 determining capitalization rates, shall be established by rule
1 25 by the department. However, in any assessment year, an
1 26 assessing jurisdiction may request the director to permit the
1 27 use of an alternative appraisal method for some or all of the
1 28 commercial property in the jurisdiction if the assessor shows
1 29 that the income approach is not the approach best suited for
1 30 that property in that jurisdiction.
1 31 c. However, in assessing property that is rented or
1 32 leased to low-income individuals and families as authorized by
1 33 section 42 of the Internal Revenue Code, as amended, and which
1 34 section limits the amount that the individual or family pays
1 35 for the rental or lease of units in the property, the assessor
2 1 shall use the productive and earning capacity from the actual
2 2 rents received as a method of appraisal and shall take into
2 3 account the extent to which that use and limitation reduces
2 4 the market value of the property. The assessor shall not
2 5 consider any tax credit equity or other subsidized financing
2 6 as income provided to the property in determining the assessed
2 7 value. The property owner shall notify the assessor when
2 8 property is withdrawn from section 42 eligibility under the
2 9 Internal Revenue Code. The property shall not be subject to
2 10 section 42 assessment procedures for the assessment year for
2 11 which section 42 eligibility is withdrawn. This notification
2 12 must be provided to the assessor no later than March 1 of the
2 13 assessment year or the owner will be subject to a penalty of
2 14 five hundred dollars for that assessment year. The penalty
2 15 shall be collected at the same time and in the same manner as
2 16 regular property taxes. Upon adoption of uniform rules by the
2 17 department of revenue or succeeding authority covering
2 18 assessments and valuations of such properties, the valuation

2 19 on such properties shall be determined in accordance with such
2 20 rules and in accordance with forms and guidelines contained in
2 21 the real property appraisal manual prepared by the department
2 22 as updated from time to time for assessment purposes to assure
2 23 uniformity, but such rules, forms, and guidelines shall not be
2 24 inconsistent with or change the foregoing means of determining
2 25 the actual, market, taxable and assessed values.

2 26 d. When using any uniform and recognized appraisal method
2 27 to value property, the following shall not be taken into
2 28 consideration:

2 29 (1) Special value or use value of the property to its
2 30 present owner.

2 31 (2) The goodwill or value of a business which uses the
2 32 property as distinguished from the value of the property as
2 33 property.

2 34 Sec. 2. APPLICABILITY DATE. This Act applies to
2 35 assessment years beginning on or after January 1, 2010.

3 1 EXPLANATION

3 2 This bill requires as the sole method of assessing
3 3 commercial property for property taxation purposes an income
3 4 approach which measures productive and earning capacity of the
3 5 property and which applies a capitalization rate determined by
3 6 the assessor. The bill requires the department of revenue to
3 7 establish the income approach by rule and to adopt by rule a
3 8 method for determining capitalization rates. The bill allows
3 9 an assessing jurisdiction to request the director of revenue
3 10 to permit the use of an alternative appraisal method for some
3 11 or all of the commercial property in the jurisdiction if the
3 12 assessor shows that the income approach is not the approach
3 13 best suited for that property in that jurisdiction.

3 14 The bill applies to assessment years beginning on or after
3 15 January 1, 2010.

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