

# House File 153 - 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 a commercial property owner to protest such  
4 an assessment, and providing an applicability date.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 1493YH 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, a  
1 26 commercial property owner or taxpayer may protest an  
1 27 assessment of commercial property based on an income approach  
1 28 pursuant to section 441.37, subsection 1, paragraph "f".  
1 29 c. However, in In assessing property that is rented or  
1 30 leased to low-income individuals and families as authorized by  
1 31 section 42 of the Internal Revenue Code, as amended, and which  
1 32 section limits the amount that the individual or family pays  
1 33 for the rental or lease of units in the property, the assessor  
1 34 shall use the productive and earning capacity from the actual  
1 35 rents received as a method of appraisal and shall take into  
2 1 account the extent to which that use and limitation reduces  
2 2 the market value of the property. The assessor shall not  
2 3 consider any tax credit equity or other subsidized financing  
2 4 as income provided to the property in determining the assessed  
2 5 value. The property owner shall notify the assessor when  
2 6 property is withdrawn from section 42 eligibility under the  
2 7 Internal Revenue Code. The property shall not be subject to  
2 8 section 42 assessment procedures for the assessment year for  
2 9 which section 42 eligibility is withdrawn. This notification  
2 10 must be provided to the assessor no later than March 1 of the  
2 11 assessment year or the owner will be subject to a penalty of  
2 12 five hundred dollars for that assessment year. The penalty  
2 13 shall be collected at the same time and in the same manner as  
2 14 regular property taxes. Upon adoption of uniform rules by the  
2 15 department of revenue or succeeding authority covering  
2 16 assessments and valuations of such properties, the valuation  
2 17 on such properties shall be determined in accordance with such  
2 18 rules and in accordance with forms and guidelines contained in

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

2 24 d. When using any uniform and recognized appraisal method  
2 25 to value property, the following shall not be taken into  
2 26 consideration:

2 27 (1) Special value or use value of the property to its  
2 28 present owner.

2 29 (2) The goodwill or value of a business which uses the  
2 30 property as distinguished from the value of the property as  
2 31 property.

2 32 Sec. 2. Section 441.37, subsection 1, Code 2009, is  
2 33 amended by adding the following new paragraph:

2 34 NEW PARAGRAPH. f. For commercial property, that use of  
2 35 the income approach for the assessment of the property under  
3 1 section 441.21, subsection 2, paragraph "b", does not  
3 2 accurately reflect the actual value of the property. When  
3 3 this ground is relied upon as the basis of a protest, the  
3 4 property owner or aggrieved taxpayer shall provide evidence  
3 5 that the actual value of the property is more accurately  
3 6 determined by using an alternative uniform and recognized  
3 7 appraisal method. If the board determines that use of the  
3 8 income approach for the assessment does not accurately reflect  
3 9 the actual value of the property, the board shall direct the  
3 10 assessor to reassess the property using an alternative  
3 11 appraisal method.

3 12 Sec. 3. APPLICABILITY DATE. This Act applies to  
3 13 assessment years beginning on or after January 1, 2010.

3 14 EXPLANATION

3 15 This bill requires as the sole method of assessing  
3 16 commercial property for property taxation purposes an income  
3 17 approach which measures productive and earning capacity of the  
3 18 property and which applies a capitalization rate determined by  
3 19 the assessor. The bill requires the department of revenue to  
3 20 establish the income approach by rule and to adopt by rule a  
3 21 method for determining capitalization rates. The bill allows  
3 22 a commercial property owner or taxpayer to protest an  
3 23 assessment by asserting that the income approach does not  
3 24 accurately reflect the actual value of the commercial  
3 25 property. If such a protest is filed, the commercial property  
3 26 owner or taxpayer is required to provide evidence that the  
3 27 actual value is more accurately determined using an  
3 28 alternative appraisal method.

3 29 The bill applies to assessment years beginning on or after  
3 30 January 1, 2010.

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