

House File 2428 - Introduced

HOUSE FILE 2428

BY SCHUELLER

A BILL FOR

1 An Act relating to the valuation of commercial property for
2 purposes of property assessment and taxation, duties of
3 the department of revenue, and including applicability
4 provisions.

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

1 Section 1. Section 441.21, subsection 2, Code Supplement
2 2009, is amended to read as follows:

3 2. a. In the event market value of the property being
4 assessed cannot be readily established in the foregoing manner,
5 then the assessor may determine the value of the property using
6 the other uniform and recognized appraisal methods including
7 its productive and earning capacity, if any, industrial
8 conditions, its cost, physical and functional depreciation and
9 obsolescence and replacement cost, and all other factors which
10 would assist in determining the fair and reasonable market
11 value of the property but, except as otherwise provided in
12 paragraphs "b" and "c", the actual value shall not be determined
13 by use of only one such factor. ~~The following shall not be~~
14 ~~taken into consideration: Special value or use value of the~~
15 ~~property to its present owner, and the goodwill or value of~~
16 ~~a business which uses the property as distinguished from the~~
17 ~~value of the property as property.~~

18 b. In assessing and determining the actual value of
19 commercial property, the assessor shall, if feasible, first
20 consider an income approach measuring productive and earning
21 capacity of the property using uniform and recognized appraisal
22 methods and capitalized at a rate determined by the assessor.
23 An income approach to valuation, including a method for
24 determining capitalization rates for the various commercial
25 uses of property, shall be established by rule by the
26 department. The income approach established by the department
27 may take into account the stabilized vacancy rate or stabilized
28 expenses associated with each property.

29 c. ~~However, in~~ In assessing property that is rented or
30 leased to low-income individuals and families as authorized by
31 section 42 of the Internal Revenue Code, as amended, and which
32 section limits the amount that the individual or family pays
33 for the rental or lease of units in the property, the assessor
34 shall use the productive and earning capacity from the actual
35 rents received as a method of appraisal and shall take into

1 account the extent to which that use and limitation reduces
2 the market value of the property. The assessor shall not
3 consider any tax credit equity or other subsidized financing
4 as income provided to the property in determining the assessed
5 value. The property owner shall notify the assessor when
6 property is withdrawn from section 42 eligibility under the
7 Internal Revenue Code. The property shall not be subject to
8 section 42 assessment procedures for the assessment year for
9 which section 42 eligibility is withdrawn. This notification
10 must be provided to the assessor no later than March 1 of the
11 assessment year or the owner will be subject to a penalty of
12 five hundred dollars for that assessment year. The penalty
13 shall be collected at the same time and in the same manner as
14 regular property taxes.

15 d. Upon adoption of uniform rules by the department of
16 revenue or succeeding authority covering assessments and
17 valuations of ~~such~~ properties described in this subsection, the
18 valuation on such properties shall be determined in accordance
19 with such rules and in accordance with forms and guidelines
20 contained in the real property appraisal manual prepared by the
21 department as updated from time to time for assessment purposes
22 to assure uniformity, but such rules, forms, and guidelines
23 shall not be inconsistent with or change the foregoing means of
24 determining the actual, market, taxable, and assessed values.

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

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

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

33 Sec. 2. ADOPTION OF RULES — CONTINUING EDUCATION PROVIDED
34 BY THE DEPARTMENT OF REVENUE.

35 1. The department of revenue shall adopt the rules required

1 under section 441.21, subsection 2, paragraph "b", as enacted in
2 this Act, not later than January 1, 2011.

3 2. As part of continuing education programs under section
4 441.8, the director of revenue shall establish, designate, or
5 approve courses, workshops, seminars, or symposiums relating
6 to the income approach established by rule pursuant to section
7 441.21, subsection 2, paragraph "b", as enacted in this Act.
8 Not less than five such courses, workshops, seminars, or
9 symposiums shall be established, designated, or approved during
10 each of the two assessment years following adoption of the
11 rules.

12 Sec. 3. APPLICABILITY. This Act applies to assessment years
13 beginning on or after January 1, 2012.

14 EXPLANATION

15 This bill requires assessors to, if feasible, first consider
16 an income approach measuring productive and earning capacity of
17 the property using uniform and recognized appraisal methods and
18 capitalized at a rate determined by the assessor when assessing
19 and determining the actual value of commercial property. The
20 bill requires the department of revenue to adopt rules that
21 establish an income approach to valuation, including a method
22 for determining capitalization rates for various commercial
23 uses of property. The income approach established by the
24 department may take into account the stabilized vacancy rate or
25 stabilized expenses associated with each property.

26 The bill requires the department of revenue to adopt the
27 rules relating to the income approach not later than January
28 1, 2011. The bill also requires the director of revenue to
29 establish, designate, or approve courses, workshops, seminars,
30 or symposiums relating to the income approach established by
31 rule. Not less than five such courses, workshops, seminars, or
32 symposiums must be established, designated, or approved during
33 each of the two assessment years following adoption of the
34 rules.

35 This Act applies to assessment years beginning on or after

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1 January 1, 2012.