

Senate File 504 - Introduced

SENATE FILE 504

BY FEENSTRA

A BILL FOR

1 An Act relating to state and local taxes, by establishing
2 tax credits for commercial property taxes paid, amending
3 provisions relating to property assessment limitations, and
4 including applicability provisions.

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

1 Section 1. NEW SECTION. 422.11Y Commercial property tax
2 credit.

3 1. The taxes imposed under this division, less the credits
4 allowed under section 422.12, shall be reduced by a commercial
5 property tax credit. An owner of real property assessed as
6 commercial property located in the state is eligible to receive
7 a tax credit equal to three percent of the total amount of
8 property taxes paid by the owner during the tax year on all
9 such commercial property owned by the person within the state.

10 2. For purposes of this section, an individual may claim
11 a commercial property tax credit incurred by a partnership,
12 S corporation, limited liability company, estate, or trust
13 electing to have the income taxed directly to the individual.
14 The amount claimed by the individual shall be based upon the
15 pro rata share of the individual's earnings of a partnership, S
16 corporation, limited liability company, estate, or trust.

17 3. Any credit in excess of the tax liability imposed by
18 section 422.5 less the amounts of nonrefundable credits allowed
19 under this division for the taxable year shall be refunded with
20 interest computed under section 422.25. In lieu of claiming
21 a refund, a taxpayer may elect to have the overpayment shown
22 on the taxpayer's final, completed return credited to the tax
23 liability for the following taxable year.

24 Sec. 2. Section 422.33, Code 2011, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 29. The taxes imposed under this division
27 shall be reduced by a commercial property tax credit. A
28 corporation that owns real property assessed as commercial
29 property located in the state is eligible to receive a tax
30 credit equal to three percent of the total amount of property
31 taxes paid during the tax year on all such commercial property
32 owned by the corporation within the state. Any credit in
33 excess of the tax liability for the taxable year shall be
34 refunded with interest computed under section 422.25. In
35 lieu of claiming a refund, a taxpayer may elect to have the

1 overpayment shown on the taxpayer's final, completed return
2 credited to the tax liability for the following taxable year.

3 Sec. 3. Section 422.60, Code 2011, is amended by adding the
4 following new subsection:

5 NEW SUBSECTION. 13. The taxes imposed under this division
6 shall be reduced by a commercial property tax credit in the
7 same manner, for the same amount, and under the same conditions
8 as provided in section 422.11Y.

9 Sec. 4. NEW SECTION. **432.12M Commercial property tax**
10 **credit.**

11 The taxes imposed under this chapter shall be reduced by a
12 commercial property tax credit in the same manner, for the same
13 amount, and under the same conditions as provided in section
14 422.11Y.

15 Sec. 5. Section 441.21, subsection 5, Code 2011, is amended
16 to read as follows:

17 5. For valuations established as of January 1, 1979,
18 commercial property and industrial property, excluding
19 properties referred to in section 427A.1, subsection 8, shall
20 be assessed as a percentage of the actual value of each class
21 of property. The percentage shall be determined for each
22 class of property by the director of revenue for the state in
23 accordance with the provisions of this section. For valuations
24 established as of January 1, 1979, the percentage shall be
25 the quotient of the dividend and divisor as defined in this
26 section. The dividend for each class of property shall be the
27 total actual valuation for each class of property established
28 for 1978, plus six percent of the amount so determined. The
29 divisor for each class of property shall be the valuation
30 for each class of property established for 1978, as reported
31 by the assessors on the abstracts of assessment for 1978,
32 plus the amount of value added to the total actual value by
33 the revaluation of existing properties in 1979 as equalized
34 by the director of revenue pursuant to section 441.49. For
35 valuations established as of January 1, 1979, property valued

1 by the department of revenue pursuant to chapters 428, 433,
2 437, and 438 shall be considered as one class of property and
3 shall be assessed as a percentage of its actual value. The
4 percentage shall be determined by the director of revenue in
5 accordance with the provisions of this section. For valuations
6 established as of January 1, 1979, the percentage shall be
7 the quotient of the dividend and divisor as defined in this
8 section. The dividend shall be the total actual valuation
9 established for 1978 by the department of revenue, plus ten
10 percent of the amount so determined. The divisor for property
11 valued by the department of revenue pursuant to chapters 428,
12 433, 437, and 438 shall be the valuation established for 1978,
13 plus the amount of value added to the total actual value by
14 the revaluation of the property by the department of revenue
15 as of January 1, 1979. For valuations established as of
16 January 1, 1980, commercial property and industrial property,
17 excluding properties referred to in section 427A.1, subsection
18 8, shall be assessed at a percentage of the actual value of
19 each class of property. The percentage shall be determined
20 for each class of property by the director of revenue for the
21 state in accordance with the provisions of this section. For
22 valuations established as of January 1, 1980, the percentage
23 shall be the quotient of the dividend and divisor as defined in
24 this section. The dividend for each class of property shall
25 be the dividend as determined for each class of property for
26 valuations established as of January 1, 1979, adjusted by the
27 product obtained by multiplying the percentage determined
28 for that year by the amount of any additions or deletions to
29 actual value, excluding those resulting from the revaluation
30 of existing properties, as reported by the assessors on the
31 abstracts of assessment for 1979, plus four percent of the
32 amount so determined. The divisor for each class of property
33 shall be the total actual value of all such property in 1979,
34 as equalized by the director of revenue pursuant to section
35 441.49, plus the amount of value added to the total actual

1 value by the revaluation of existing properties in 1980. The
2 director shall utilize information reported on the abstracts of
3 assessment submitted pursuant to section 441.45 in determining
4 such percentage. For valuations established as of January 1,
5 1980, property valued by the department of revenue pursuant
6 to chapters 428, 433, 437, and 438 shall be assessed at a
7 percentage of its actual value. The percentage shall be
8 determined by the director of revenue in accordance with the
9 provisions of this section. For valuations established as of
10 January 1, 1980, the percentage shall be the quotient of the
11 dividend and divisor as defined in this section. The dividend
12 shall be the total actual valuation established for 1979 by
13 the department of revenue, plus eight percent of the amount so
14 determined. The divisor for property valued by the department
15 of revenue pursuant to chapters 428, 433, 437, and 438 shall
16 be the valuation established for 1979, plus the amount of
17 value added to the total actual value by the revaluation of
18 the property by the department of revenue as of January 1,
19 1980. For valuations established as of January 1, 1981,
20 and each year thereafter, the percentage of actual value as
21 equalized by the director of revenue as provided in section
22 441.49 at which commercial property and industrial property,
23 excluding properties referred to in section 427A.1, subsection
24 8, shall be assessed shall be calculated in accordance with
25 the methods provided herein in this subsection, except that
26 any references to six percent in this subsection shall be four
27 percent. For valuations established for the assessment year
28 beginning January 1, 2012, and each assessment year thereafter,
29 the percentage of actual value as equalized by the director
30 of revenue as provided in section 441.49 at which commercial
31 property, excluding properties referred to in section 427A.1,
32 subsection 8, shall be assessed shall be calculated in
33 accordance with the methods provided in this subsection, except
34 that in no assessment year shall the percentage of actual value
35 exceed ninety-seven percent. For valuations established as

1 of January 1, 1981, and each year thereafter, the percentage
2 of actual value at which property valued by the department of
3 revenue pursuant to chapters 428, 433, 437, and 438 shall be
4 assessed shall be calculated in accordance with the methods
5 provided herein, except that any references to ten percent
6 in this subsection shall be eight percent. Beginning with
7 valuations established as of January 1, 1979, and each year
8 thereafter, property valued by the department of revenue
9 pursuant to chapter 434 shall also be assessed at a percentage
10 of its actual value which percentage shall be equal to the
11 percentage determined by the director of revenue for commercial
12 property, industrial property, or property valued by the
13 department of revenue pursuant to chapters 428, 433, 437, and
14 438, whichever is lowest.

15 Sec. 6. Section 533.329, subsection 2, Code 2011, is amended
16 by adding the following new paragraph:

17 NEW PARAGRAPH. 1. The moneys and credits tax imposed under
18 this section shall be reduced by a commercial property tax
19 credit in the same manner, for the same amount, and under the
20 same conditions as provided in section 422.11Y.

21 Sec. 7. APPLICABILITY. The sections of this Act enacting
22 section 422.11Y, section 422.33, subsection 29, section 422.60,
23 subsection 13, section 432.12M, and section 533.329, subsection
24 2, paragraph "1", apply to tax years beginning on or after
25 January 1, 2012.

26 EXPLANATION

27 This bill establishes an individual income tax credit for
28 persons who own and pay property taxes on commercial property
29 located in the state. Each person is eligible to receive an
30 income tax credit equal to 3 percent of the total amount of
31 property taxes paid by the person during the tax year on all
32 commercial property owned by the person within the state. The
33 tax credit is refundable.

34 The bill establishes a corporate income tax credit for
35 corporations that own and pay property taxes on commercial

1 property located in the state. Each corporation that owns
2 and pays property taxes on commercial property located in
3 the state is eligible to receive a tax credit equal to three
4 percent of the total amount of property taxes paid during the
5 tax year on all commercial property owned by the corporation
6 within the state. Any credit in excess of the tax liability is
7 refundable.

8 The bill also provides a commercial property credit against
9 the franchise tax under Code section 422.60, a credit against
10 the insurance premiums tax under Code chapter 432, and a credit
11 against the money and credits tax under Code section 533.329.
12 Such credits are for the same amount and are administered in
13 the same manner as the individual income tax credit created in
14 the bill.

15 The bill provides that for valuations established for
16 the assessment years beginning on or after January 1, 2012,
17 the percentage of actual value at which commercial property,
18 excluding properties referred to in Code section 427A.1(8),
19 shall be assessed shall be calculated in accordance with
20 the methods for previous assessments years, except that the
21 percentage of actual value at which commercial property is
22 assessed shall not exceed 97 percent.

23 The sections of the bill enacting new Code sections 422.11Y
24 and 432.12M, Code section 422.33, new subsection 29, Code
25 section 422.60, new subsection 13, and Code section 533.329,
26 subsection 2, new paragraph "1", apply to tax years beginning
27 on or after January 1, 2012.