

House File 418 - Introduced

HOUSE FILE 418

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 93)

A BILL FOR

1 An Act relating to property tax levies, exemptions,
2 classifications, assessment limitations, and administration,
3 and including effective date and applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 386.8, Code 2021, is amended to read as
2 follows:

3 **386.8 Operation tax.**

4 A city may establish a self-supported improvement district
5 operation fund, and may certify taxes not to exceed the
6 rate limitation as established in the ordinance creating the
7 district, or any amendment thereto, each year to be levied
8 for the fund against all of the property in the district,
9 for the purpose of paying the administrative expenses of
10 the district, which may include but are not limited to
11 administrative personnel salaries, a separate administrative
12 office, planning costs including consultation fees, engineering
13 fees, architectural fees, and legal fees and all other expenses
14 reasonably associated with the administration of the district
15 and the fulfilling of the purposes of the district. The taxes
16 levied for this fund may also be used for the purpose of paying
17 maintenance expenses of improvements or self-liquidating
18 improvements for a specified length of time with one or more
19 options to renew if such is clearly stated in the petition
20 which requests the council to authorize construction of the
21 improvement or self-liquidating improvement, whether or not
22 such petition is combined with the petition requesting creation
23 of a district. Parcels of property which are assessed as
24 residential property for property tax purposes are exempt
25 from the tax levied under [this section](#) except residential
26 properties within a duly designated historic district or
27 property classified as residential property under section
28 441.21, subsection 14, paragraph "a", subparagraph (6). A tax
29 levied under [this section](#) is not subject to the levy limitation
30 in [section 384.1](#).

31 Sec. 2. Section 386.9, Code 2021, is amended to read as
32 follows:

33 **386.9 Capital improvement tax.**

34 A city may establish a capital improvement fund for a
35 district and may certify taxes, not to exceed the rate

1 established by the ordinance creating the district, or any
2 subsequent amendment thereto, each year to be levied for
3 the fund against all of the property in the district, for
4 the purpose of accumulating moneys for the financing or
5 payment of a part or all of the costs of any improvement or
6 self-liquidating improvement. However, parcels of property
7 which are assessed as residential property for property tax
8 purposes are exempt from the tax levied under [this section](#)
9 except residential properties within a duly designated historic
10 district or property classified as residential property under
11 section 441.21, subsection 14, paragraph "a", subparagraph (6).
12 A tax levied under [this section](#) is not subject to the levy
13 limitations in [section 384.1](#) or [384.7](#).

14 Sec. 3. Section 386.10, Code 2021, is amended to read as
15 follows:

16 **386.10 Debt service tax.**

17 A city shall establish a self-supported municipal
18 improvement district debt service fund whenever any
19 self-supported municipal improvement district bonds are issued
20 and outstanding, other than revenue bonds, and shall certify
21 taxes to be levied against all of the property in the district
22 for the debt service fund in the amount necessary to pay
23 interest as it becomes due and the amount necessary to pay,
24 or to create a sinking fund to pay, the principal at maturity
25 of all self-supported municipal improvement district bonds as
26 authorized in [section 386.11](#), issued by the city. However,
27 parcels of property which are assessed as residential property
28 for property tax purposes at the time of the issuance of the
29 bonds are exempt from the tax levied under [this section](#) until
30 the parcels are no longer assessed as residential property
31 or until the residential properties are designated as a part
32 of a historic district or property classified as residential
33 property under section 441.21, subsection 14, paragraph "a",
34 subparagraph (6).

35 Sec. 4. Section 404.2, subsection 2, paragraph f, Code 2021,

1 is amended to read as follows:

2 *f.* A statement specifying whether the revitalization is
3 applicable to none, some, or all of the property assessed as
4 residential, ~~multiresidential~~, agricultural, commercial, or
5 industrial property within the designated area or a combination
6 thereof and whether the revitalization is for rehabilitation
7 and additions to existing buildings or new construction or
8 both. If revitalization is made applicable only to some
9 property within an assessment classification, the definition of
10 that subset of eligible property must be by uniform criteria
11 which further some planning objective identified in the plan.
12 The city shall state how long it is estimated that the area
13 shall remain a designated revitalization area which time
14 shall be longer than one year from the date of designation
15 and shall state any plan by the city to issue revenue bonds
16 for revitalization projects within the area. For a county,
17 a revitalization area shall include only property which
18 will be used as industrial property, commercial property,
19 ~~multiresidential property~~, or residential property. However, a
20 county shall not provide a tax exemption under [this chapter](#) to
21 commercial property, ~~multiresidential property~~, or residential
22 property which is located within the limits of a city.

23 Sec. 5. Section 404.3, subsection 4, paragraph a, Code 2021,
24 is amended by striking the paragraph and inserting in lieu
25 thereof the following:

26 *a.* All qualified real estate assessed as residential
27 property is eligible to receive a one hundred percent exemption
28 from taxation on the actual value added by the improvements.

29 Sec. 6. Section 404.3A, Code 2021, is amended to read as
30 follows:

31 **404.3A Residential development area exemption.**

32 Notwithstanding the schedules provided for in [section 404.3](#),
33 all qualified real estate assessed as residential property,
34 excluding property classified as residential property under
35 section 441.21, subsection 14, paragraph "a", subparagraph (6),

1 in an area designated under [section 404.1, subsection 5](#), is
2 eligible to receive an exemption from taxation on the first
3 seventy-five thousand dollars of actual value added by the
4 improvements. The exemption is for a period of five years.

5 Sec. 7. Section 441.21, subsection 2, Code 2021, is amended
6 to read as follows:

7 2. In the event market value of the property being assessed
8 cannot be readily established in the foregoing manner, then
9 the assessor may determine the value of the property using the
10 other uniform and recognized appraisal methods including its
11 productive and earning capacity, if any, industrial conditions,
12 its cost, physical and functional depreciation and obsolescence
13 and replacement cost, and all other factors which would assist
14 in determining the fair and reasonable market value of the
15 property but the actual value shall not be determined by use
16 of only one such factor. The following shall not be taken into
17 consideration: Special value or use value of the property to
18 its present owner, and the goodwill or value of a business
19 which uses the property as distinguished from the value of
20 the property as property. In addition, for assessment years
21 beginning on or after January 1, 2018, and unless otherwise
22 required for property valued by the department of revenue
23 pursuant to [chapters 428, 433, 437, and 438](#), the assessor
24 shall not take into consideration and shall not request from
25 any person sales or receipts data, expense data, balance
26 sheets, bank account information, or other data related to
27 the financial condition of a business operating in whole or
28 in part on the property if the property is both classified as
29 commercial or industrial property and owned and used by the
30 owner of the business. However, in assessing property that
31 is rented or leased to low-income individuals and families
32 as authorized by section 42 of the Internal Revenue Code,
33 as amended, and which section limits the amount that the
34 individual or family pays for the rental or lease of units
35 in the property, the assessor shall, unless the owner elects

1 to withdraw the property from the assessment procedures for
2 section 42 property, use the productive and earning capacity
3 from the actual rents received as a method of appraisal and
4 shall take into account the extent to which that use and
5 limitation reduces the market value of the property. The
6 assessor shall not consider any tax credit equity or other
7 subsidized financing as income provided to the property in
8 determining the assessed value. The property owner shall
9 notify the assessor when property is withdrawn from section 42
10 eligibility under the Internal Revenue Code or if the owner
11 elects to withdraw the property from the assessment procedures
12 for section 42 property under [this subsection](#). The property
13 shall not be subject to section 42 assessment procedures
14 for the assessment year for which section 42 eligibility is
15 withdrawn or an election is made. This notification must
16 be provided to the assessor no later than March 1 of the
17 assessment year or the owner will be subject to a penalty of
18 five hundred dollars for that assessment year. The penalty
19 shall be collected at the same time and in the same manner
20 as regular property taxes. An election to withdraw from the
21 assessment procedures for section 42 property is irrevocable.
22 Property that is withdrawn from the assessment procedures
23 for section 42 property shall be classified and assessed as
24 ~~multiresidential~~ residential property unless the property
25 otherwise fails to meet the requirements of [subsection 13 14](#).
26 Upon adoption of uniform rules by the department of revenue
27 or succeeding authority covering assessments and valuations
28 of such properties, the valuation on such properties shall be
29 determined in accordance with such rules and in accordance with
30 forms and guidelines contained in the real property appraisal
31 manual prepared by the department as updated from time to time
32 for assessment purposes to assure uniformity, but such rules,
33 forms, and guidelines shall not be inconsistent with or change
34 the foregoing means of determining the actual, market, taxable
35 and assessed values.

1 Sec. 8. Section 441.21, subsection 8, paragraph b, Code
2 2021, is amended to read as follows:

3 *b.* Notwithstanding paragraph "a", any construction or
4 installation of a solar energy system on property classified
5 as agricultural, residential, commercial, ~~multiresidential~~, or
6 industrial property shall not increase the actual, assessed,
7 and taxable values of the property for five full assessment
8 years.

9 Sec. 9. Section 441.21, subsections 9 and 10, Code 2021, are
10 amended to read as follows:

11 9. Not later than November 1, 1979, and November 1 of each
12 subsequent year, the director shall certify to the county
13 auditor of each county the percentages of actual value at
14 which residential property, agricultural property, commercial
15 property, industrial property, ~~multiresidential property~~,
16 property valued by the department of revenue pursuant to
17 chapter 434, and property valued by the department of revenue
18 pursuant to [chapters 428, 433, 437, and 438](#) in each assessing
19 jurisdiction in the county shall be assessed for taxation. The
20 county auditor shall proceed to determine the assessed values
21 of agricultural property, residential property, commercial
22 property, industrial property, ~~multiresidential property~~,
23 property valued by the department of revenue pursuant to
24 chapter 434, and property valued by the department of revenue
25 pursuant to [chapters 428, 433, 437, and 438](#) by applying such
26 percentages to the current actual value of such property,
27 as reported to the county auditor by the assessor, and the
28 assessed values so determined shall be the taxable values of
29 such properties upon which the levy shall be made.

30 10. The percentage of actual value computed by the
31 department of revenue for agricultural property, residential
32 property, commercial property, industrial property,
33 ~~multiresidential property~~, property valued by the department
34 of revenue pursuant to [chapter 434](#), and property valued by the
35 department of revenue pursuant to [chapters 428, 433, 437, and](#)

1 438 and used to determine assessed values of those classes
2 of property does not constitute a rule as defined in section
3 17A.2, subsection 11.

4 Sec. 10. Section 441.21, subsection 13, paragraphs a, b, and
5 c, Code 2021, are amended to read as follows:

6 a. ~~(1) For the assessment year beginning January 1, 2015,~~
7 ~~mobile home parks, manufactured home communities, land-leased~~
8 ~~communities, assisted living facilities, property primarily~~
9 ~~used or intended for human habitation containing three or more~~
10 ~~separate dwelling units, and that portion of a building that is~~
11 ~~used or intended for human habitation and a proportionate share~~
12 ~~of the land upon which the building is situated, regardless of~~
13 ~~the number of dwelling units located in the building, if the~~
14 ~~use for human habitation is not the primary use of the building~~
15 ~~and such building is not otherwise classified as residential~~
16 ~~property, shall be valued as a separate class of property~~
17 ~~known as multiresidential property and, excluding properties~~
18 ~~referred to in [section 427A.1, subsection 9](#), shall be assessed~~
19 ~~at a percentage of its actual value, as determined in this~~
20 ~~subsection.~~

21 ~~(2)~~ Beginning with valuations established on or after
22 January 1, 2016, but before January 1, 2022, all of the
23 following shall be valued as a separate class of property
24 known as multiresidential property and, excluding properties
25 referred to in [section 427A.1, subsection 9](#), shall be assessed
26 at a percentage of its actual value, as determined in this
27 subsection:

28 ~~(a)~~ (1) Mobile home parks.

29 ~~(b)~~ (2) Manufactured home communities.

30 ~~(c)~~ (3) Land-leased communities.

31 ~~(d)~~ (4) Assisted living facilities.

32 ~~(e)~~ (5) A parcel primarily used or intended for human
33 habitation containing three or more separate dwelling units.

34 If a portion of such a parcel is used or intended for a purpose
35 that, if the primary use, would be classified as commercial

1 property or industrial property, each such portion, including
2 a proportionate share of the land included in the parcel, if
3 applicable, shall be assigned the appropriate classification
4 pursuant to paragraph "c".

5 ~~(f)~~ (6) For a parcel that is primarily used or intended for
6 use as commercial property or industrial property, that portion
7 of the parcel that is used or intended for human habitation,
8 regardless of the number of dwelling units contained on the
9 parcel, including a proportionate share of the land included
10 in the parcel, if applicable. The portion of such a parcel
11 used or intended for use as commercial property or industrial
12 property, including a proportionate share of the land included
13 in the parcel, if applicable, shall be assigned the appropriate
14 classification pursuant to paragraph "c".

15 b. For valuations established for the assessment year
16 beginning January 1, 2015, the percentage of actual value as
17 equalized by the department of revenue as provided in section
18 441.49 at which multiresidential property shall be assessed
19 shall be the greater of eighty-six and twenty-five hundredths
20 percent or the percentage of actual value determined by the
21 department of revenue at which property assessed as residential
22 property is assessed for the same assessment year under
23 subsection 4. For valuations established for the assessment
24 year beginning January 1, 2016, the percentage of actual
25 value as equalized by the department of revenue as provided
26 in [section 441.49](#) at which multiresidential property shall be
27 assessed shall be the greater of eighty-two and five-tenths
28 percent or the percentage of actual value determined by the
29 department of revenue at which property assessed as residential
30 property is assessed for the same assessment year under
31 subsection 4. For valuations established for the assessment
32 year beginning January 1, 2017, the percentage of actual
33 value as equalized by the department of revenue as provided
34 in [section 441.49](#) at which multiresidential property shall be
35 assessed shall be the greater of seventy-eight and seventy-five

1 hundredths percent or the percentage of actual value determined
2 by the department of revenue at which property assessed as
3 residential property is assessed for the same assessment
4 year under [subsection 4](#). For valuations established for the
5 assessment year beginning January 1, 2018, the percentage of
6 actual value as equalized by the department of revenue as
7 provided in [section 441.49](#) at which multiresidential property
8 shall be assessed shall be the greater of seventy-five percent
9 or the percentage of actual value determined by the department
10 of revenue at which property assessed as residential property
11 is assessed for the same assessment year under [subsection 4](#).
12 For valuations established for the assessment year beginning
13 January 1, 2019, the percentage of actual value as equalized
14 by the department of revenue as provided in [section 441.49](#) at
15 which multiresidential property shall be assessed shall be the
16 greater of seventy-one and twenty-five hundredths percent or
17 the percentage of actual value determined by the department
18 of revenue at which property assessed as residential property
19 is assessed for the same assessment year under [subsection 4](#).
20 For valuations established for the assessment year beginning
21 January 1, 2020, the percentage of actual value as equalized
22 by the department of revenue as provided in [section 441.49](#)
23 at which multiresidential property shall be assessed shall
24 be the greater of sixty-seven and five-tenths percent or the
25 percentage of actual value determined by the department of
26 revenue at which property assessed as residential property
27 is assessed for the same assessment year under [subsection 4](#).
28 For valuations established for the assessment year beginning
29 January 1, 2021, the percentage of actual value as equalized
30 by the department of revenue as provided in [section 441.49](#) at
31 which multiresidential property shall be assessed shall be the
32 greater of sixty-three and seventy-five hundredths percent or
33 the percentage of actual value determined by the department
34 of revenue at which property assessed as residential property
35 is assessed for the same assessment year under [subsection 4](#).

1 ~~For valuations established for the assessment year beginning~~
2 ~~January 1, 2022, and each assessment year thereafter, the~~
3 ~~percentage of actual value as equalized by the department of~~
4 ~~revenue as provided in [section 441.49](#) at which multiresidential~~
5 ~~property shall be assessed shall be equal to the percentage of~~
6 ~~actual value determined by the department of revenue at which~~
7 ~~property assessed as residential property is assessed under~~
8 ~~[subsection 4](#) for the same assessment year.~~

9 ~~c. (1) For the assessment year beginning January 1,~~
10 ~~2015, for parcels that, in part, satisfy the requirements for~~
11 ~~classification as multiresidential property, the assessor~~
12 ~~shall assign to that portion of the parcel the classification~~
13 ~~of multiresidential property and to such other portions of~~
14 ~~the parcel the property classification for which such other~~
15 ~~portions qualify.~~

16 ~~(2) Beginning with valuations established on or after~~
17 ~~January 1, 2016, but before January 1, 2022, for parcels for~~
18 ~~which a portion of the parcel satisfies the requirements~~
19 ~~for classification as multiresidential property pursuant~~
20 ~~to paragraph "a", subparagraph (2), ~~subparagraph division~~~~
21 ~~(e) or (f) (5) or (6), the assessor shall assign to that~~
22 ~~portion of the parcel the classification of multiresidential~~
23 ~~property and to such other portions of the parcel the property~~
24 ~~classification for which such other portions qualify.~~

25 ~~Sec. 11. Section 441.21, Code 2021, is amended by adding the~~
26 ~~following new subsection:~~

27 ~~NEW SUBSECTION. 14. a. Beginning with valuations~~
28 ~~established on or after January 1, 2022, all of the following~~
29 ~~shall be classified and valued as residential property:~~

- 30 ~~(1) Property primarily used or intended for human~~
31 ~~habitation containing two or fewer dwelling units.~~
32 ~~(2) Mobile home parks.~~
33 ~~(3) Manufactured home communities.~~
34 ~~(4) Land-leased communities.~~
35 ~~(5) Assisted living facilities.~~

1 (6) A parcel primarily used or intended for human habitation
2 containing three or more separate dwelling units. If a
3 portion of such a parcel is used or intended for a purpose
4 that, if the primary use, would be classified as commercial
5 property or industrial property, each such portion, including
6 a proportionate share of the land included in the parcel, if
7 applicable, shall be assigned the appropriate classification
8 pursuant to paragraph "b".

9 (7) For a parcel that is primarily used or intended for use
10 as commercial property or industrial property, that portion
11 of the parcel that is used or intended for human habitation,
12 regardless of the number of dwelling units contained on the
13 parcel, including a proportionate share of the land included
14 in the parcel, if applicable. The portion of such a parcel
15 used or intended for use as commercial property or industrial
16 property, including a proportionate share of the land included
17 in the parcel, if applicable, shall be assigned the appropriate
18 classification pursuant to paragraph "b".

19 *b.* Beginning with valuations established on or after
20 January 1, 2022, for parcels for which a portion of the parcel
21 satisfies the requirements for classification as residential
22 property pursuant to paragraph "a", subparagraph (6) or (7),
23 the assessor shall assign to that portion of the parcel the
24 classification of residential property and to such other
25 portions of the parcel the property classification for which
26 such other portions qualify.

27 *c.* Property that is rented or leased to low-income
28 individuals and families as authorized by section 42 of the
29 Internal Revenue Code, and that has not been withdrawn from
30 section 42 assessment procedures under subsection 2 of this
31 section, or a hotel, motel, inn, or other building where rooms
32 or dwelling units are usually rented for less than one month
33 shall not be classified as residential property under this
34 subsection.

35 *d.* As used in this subsection:

1 (1) *"Assisted living facility"* means property for providing
2 assisted living as defined in section 231C.2. *"Assisted living*
3 *facility"* also includes a health care facility, as defined in
4 section 135C.1, an elder group home, as defined in section
5 231B.1, a child foster care facility under chapter 237, or
6 property used for a hospice program as defined in section
7 135J.1.

8 (2) *"Dwelling unit"* means an apartment, group of rooms,
9 or single room which is occupied as separate living quarters
10 or, if vacant, is intended for occupancy as separate living
11 quarters, in which a tenant can live and sleep separately from
12 any other persons in the building.

13 (3) *"Land-leased community"* means the same as defined in
14 sections 335.30A and 414.28A.

15 (4) *"Manufactured home community"* means the same as a
16 land-leased community.

17 (5) *"Mobile home park"* means the same as defined in section
18 435.1.

19 Sec. 12. Section 558.46, subsection 5, Code 2021, is amended
20 by striking the subsection.

21 Sec. 13. SAVINGS PROVISION. This Act, pursuant to section
22 4.13, does not affect the operation of, or prohibit the
23 application of, prior provisions of the Code sections amended
24 by this Act, or rules adopted under chapter 17A to administer
25 such prior provisions, for assessment years beginning before
26 January 1, 2022, and for duties, powers, protests, appeals,
27 proceedings, actions, or remedies attributable to an assessment
28 year beginning before January 1, 2022.

29 Sec. 14. EFFECTIVE DATE. This Act takes effect January 1,
30 2022.

31 Sec. 15. APPLICABILITY. This Act applies to assessment
32 years beginning on or after January 1, 2022.

33

EXPLANATION

34 The inclusion of this explanation does not constitute agreement with
35 the explanation's substance by the members of the general assembly.

1 This bill relates to property tax classifications,
2 assessment limitations, and administration.

3 Code section 441.21 provides that for assessment years
4 beginning on or after January 1, 2015, property can be
5 classified as multiresidential property. Multiresidential
6 property largely includes property that prior to the assessment
7 year beginning January 1, 2015, was classified as commercial
8 property and includes mobile home parks, manufactured
9 home communities, land-leased communities, assisted living
10 facilities, and property primarily used or intended for human
11 habitation containing three or more separate dwelling units.
12 The percentage of actual value at which multiresidential
13 property is subject to tax has been reduced each assessment
14 year beginning with the 2015 assessment year. The percentage
15 of actual value is reduced by law until the percentage is equal
16 to or below the percentage that is applicable to residential
17 property, at which time the two classifications are subject to
18 the same percentage, but not later than the assessment year
19 beginning January 1, 2022.

20 The bill eliminates the classification of multiresidential
21 property for assessment years beginning on or after January
22 1, 2022. The bill also provides that the types of property
23 previously classified as multiresidential will, for assessment
24 years beginning on or after January 1, 2022, be classified as
25 residential property.

26 The bill makes corresponding changes to various other
27 provisions of law to reflect the elimination of the
28 multiresidential property classification.

29 The bill takes effect January 1, 2022, and applies to
30 assessment years beginning on or after that date.

31 The bill does not affect the operation of, or prohibit
32 the application of, prior provisions of the Code sections
33 amended by the bill, or rules adopted to administer such prior
34 provisions, for assessment years beginning before January 1,
35 2022, and for duties, powers, protests, appeals, proceedings,

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1 actions, or remedies attributable to an assessment year
2 beginning before January 1, 2022.