

Senate File 365 - Introduced

SENATE FILE 365

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1085)

A BILL FOR

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

1 Section 1. Section 404.2, subsection 2, paragraph f, Code
2 2021, is amended to read as follows:

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

24 Sec. 2. Section 404.3, subsection 4, paragraph a, Code 2021,
25 is amended by striking the paragraph and inserting in lieu
26 thereof the following:

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

30 Sec. 3. Section 441.21, subsection 2, Code 2021, is amended
31 to read as follows:

32 2. In the event market value of the property being assessed
33 cannot be readily established in the foregoing manner, then
34 the assessor may determine the value of the property using the
35 other uniform and recognized appraisal methods including its

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

1 elects to withdraw the property from the assessment procedures
2 for section 42 property under [this subsection](#). The property
3 shall not be subject to section 42 assessment procedures
4 for the assessment year for which section 42 eligibility is
5 withdrawn or an election is made. This notification must
6 be provided to the assessor no later than March 1 of the
7 assessment year or the owner will be subject to a penalty of
8 five hundred dollars for that assessment year. The penalty
9 shall be collected at the same time and in the same manner
10 as regular property taxes. An election to withdraw from the
11 assessment procedures for section 42 property is irrevocable.
12 Property that is withdrawn from the assessment procedures
13 for section 42 property shall be classified and assessed as
14 ~~multiresidential~~ residential property unless the property
15 otherwise fails to meet the requirements of [subsection 13 14](#).
16 Upon adoption of uniform rules by the department of revenue
17 or succeeding authority covering assessments and valuations
18 of such properties, the valuation on such properties shall be
19 determined in accordance with such rules and in accordance with
20 forms and guidelines contained in the real property appraisal
21 manual prepared by the department as updated from time to time
22 for assessment purposes to assure uniformity, but such rules,
23 forms, and guidelines shall not be inconsistent with or change
24 the foregoing means of determining the actual, market, taxable
25 and assessed values.

26 Sec. 4. Section 441.21, subsection 8, paragraph b, Code
27 2021, is amended to read as follows:

28 *b.* Notwithstanding paragraph "a", any construction or
29 installation of a solar energy system on property classified
30 as agricultural, residential, commercial, ~~multiresidential~~, or
31 industrial property shall not increase the actual, assessed,
32 and taxable values of the property for five full assessment
33 years.

34 Sec. 5. Section 441.21, subsections 9 and 10, Code 2021, are
35 amended to read as follows:

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

20 10. The percentage of actual value computed by the
21 department of revenue for agricultural property, residential
22 property, commercial property, industrial property,
23 ~~multiresidential property,~~ property valued by the department
24 of revenue pursuant to [chapter 434](#), and property valued by the
25 department of revenue pursuant to [chapters 428, 433, 437, and](#)
26 [438](#) and used to determine assessed values of those classes
27 of property does not constitute a rule as defined in section
28 17A.2, subsection 11.

29 Sec. 6. Section 441.21, subsection 13, paragraphs a, b, and
30 c, Code 2021, are amended to read as follows:

31 a. ~~(1) For the assessment year beginning January 1, 2015,~~
32 ~~mobile home parks, manufactured home communities, land-leased~~
33 ~~communities, assisted living facilities, property primarily~~
34 ~~used or intended for human habitation containing three or more~~
35 ~~separate dwelling units, and that portion of a building that is~~

1 ~~used or intended for human habitation and a proportionate share~~
2 ~~of the land upon which the building is situated, regardless of~~
3 ~~the number of dwelling units located in the building, if the~~
4 ~~use for human habitation is not the primary use of the building~~
5 ~~and such building is not otherwise classified as residential~~
6 ~~property, shall be valued as a separate class of property~~
7 ~~known as multiresidential property and, excluding properties~~
8 ~~referred to in [section 427A.1, subsection 9](#), shall be assessed~~
9 ~~at a percentage of its actual value, as determined in this~~
10 ~~subsection.~~

11 (2) Beginning with valuations established on or after
12 January 1, 2016, but before January 1, 2022, all of the
13 following shall be valued as a separate class of property
14 known as multiresidential property and, excluding properties
15 referred to in [section 427A.1, subsection 9](#), shall be assessed
16 at a percentage of its actual value, as determined in this
17 subsection:

18 (a) (1) Mobile home parks.

19 (b) (2) Manufactured home communities.

20 (c) (3) Land-leased communities.

21 (d) (4) Assisted living facilities.

22 (e) (5) A parcel primarily used or intended for human
23 habitation containing three or more separate dwelling units.
24 If a portion of such a parcel is used or intended for a purpose
25 that, if the primary use, would be classified as commercial
26 property or industrial property, each such portion, including
27 a proportionate share of the land included in the parcel, if
28 applicable, shall be assigned the appropriate classification
29 pursuant to paragraph "c".

30 (f) (6) For a parcel that is primarily used or intended for
31 use as commercial property or industrial property, that portion
32 of the parcel that is used or intended for human habitation,
33 regardless of the number of dwelling units contained on the
34 parcel, including a proportionate share of the land included
35 in the parcel, if applicable. The portion of such a parcel

1 used or intended for use as commercial property or industrial
2 property, including a proportionate share of the land included
3 in the parcel, if applicable, shall be assigned the appropriate
4 classification pursuant to paragraph "c".

5 *b.* For valuations established for the assessment year
6 beginning January 1, 2015, the percentage of actual value as
7 equalized by the department of revenue as provided in section
8 441.49 at which multiresidential property shall be assessed
9 shall be the greater of eighty-six and twenty-five hundredths
10 percent or the percentage of actual value determined by the
11 department of revenue at which property assessed as residential
12 property is assessed for the same assessment year under
13 subsection 4. For valuations established for the assessment
14 year beginning January 1, 2016, the percentage of actual
15 value as equalized by the department of revenue as provided
16 in [section 441.49](#) at which multiresidential property shall be
17 assessed shall be the greater of eighty-two and five-tenths
18 percent or the percentage of actual value determined by the
19 department of revenue at which property assessed as residential
20 property is assessed for the same assessment year under
21 subsection 4. For valuations established for the assessment
22 year beginning January 1, 2017, the percentage of actual
23 value as equalized by the department of revenue as provided
24 in [section 441.49](#) at which multiresidential property shall be
25 assessed shall be the greater of seventy-eight and seventy-five
26 hundredths percent or the percentage of actual value determined
27 by the department of revenue at which property assessed as
28 residential property is assessed for the same assessment
29 year under [subsection 4](#). For valuations established for the
30 assessment year beginning January 1, 2018, the percentage of
31 actual value as equalized by the department of revenue as
32 provided in [section 441.49](#) at which multiresidential property
33 shall be assessed shall be the greater of seventy-five percent
34 or the percentage of actual value determined by the department
35 of revenue at which property assessed as residential property

1 is assessed for the same assessment year under [subsection 4](#).
2 For valuations established for the assessment year beginning
3 January 1, 2019, the percentage of actual value as equalized
4 by the department of revenue as provided in [section 441.49](#) at
5 which multiresidential property shall be assessed shall be the
6 greater of seventy-one and twenty-five hundredths percent or
7 the percentage of actual value determined by the department
8 of revenue at which property assessed as residential property
9 is assessed for the same assessment year under [subsection 4](#).

10 For valuations established for the assessment year beginning
11 January 1, 2020, the percentage of actual value as equalized
12 by the department of revenue as provided in [section 441.49](#)
13 at which multiresidential property shall be assessed shall
14 be the greater of sixty-seven and five-tenths percent or the
15 percentage of actual value determined by the department of
16 revenue at which property assessed as residential property
17 is assessed for the same assessment year under [subsection 4](#).

18 For valuations established for the assessment year beginning
19 January 1, 2021, the percentage of actual value as equalized
20 by the department of revenue as provided in [section 441.49](#) at
21 which multiresidential property shall be assessed shall be the
22 greater of sixty-three and seventy-five hundredths percent or
23 the percentage of actual value determined by the department
24 of revenue at which property assessed as residential property
25 is assessed for the same assessment year under [subsection 4](#).

26 ~~For valuations established for the assessment year beginning~~
27 ~~January 1, 2022, and each assessment year thereafter, the~~
28 ~~percentage of actual value as equalized by the department of~~
29 ~~revenue as provided in [section 441.49](#) at which multiresidential~~
30 ~~property shall be assessed shall be equal to the percentage of~~
31 ~~actual value determined by the department of revenue at which~~
32 ~~property assessed as residential property is assessed under~~
33 ~~[subsection 4](#) for the same assessment year.~~

34 ~~c. (1) For the assessment year beginning January 1,~~
35 ~~2015, for parcels that, in part, satisfy the requirements for~~

1 ~~classification as multiresidential property, the assessor~~
2 ~~shall assign to that portion of the parcel the classification~~
3 ~~of multiresidential property and to such other portions of~~
4 ~~the parcel the property classification for which such other~~
5 ~~portions qualify.~~

6 (2) Beginning with valuations established on or after
7 January 1, 2016, but before January 1, 2022, for parcels for
8 which a portion of the parcel satisfies the requirements
9 for classification as multiresidential property pursuant
10 to paragraph "a", subparagraph (2), ~~subparagraph division~~
11 ~~(e) or (f)~~ (5) or (6), the assessor shall assign to that
12 portion of the parcel the classification of multiresidential
13 property and to such other portions of the parcel the property
14 classification for which such other portions qualify.

15 Sec. 7. Section 441.21, Code 2021, is amended by adding the
16 following new subsection:

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

- 20 (1) Property primarily used or intended for human
21 habitation containing two or fewer dwelling units.
- 22 (2) Mobile home parks.
- 23 (3) Manufactured home communities.
- 24 (4) Land-leased communities.
- 25 (5) Assisted living facilities.
- 26 (6) A parcel primarily used or intended for human habitation
27 containing three or more separate dwelling units. If a
28 portion of such a parcel is used or intended for a purpose
29 that, if the primary use, would be classified as commercial
30 property or industrial property, each such portion, including
31 a proportionate share of the land included in the parcel, if
32 applicable, shall be assigned the appropriate classification
33 pursuant to paragraph "b".
- 34 (7) For a parcel that is primarily used or intended for use
35 as commercial property or industrial property, that portion

1 of the parcel that is used or intended for human habitation,
2 regardless of the number of dwelling units contained on the
3 parcel, including a proportionate share of the land included
4 in the parcel, if applicable. The portion of such a parcel
5 used or intended for use as commercial property or industrial
6 property, including a proportionate share of the land included
7 in the parcel, if applicable, shall be assigned the appropriate
8 classification pursuant to paragraph "b".

9 **b.** Beginning with valuations established on or after
10 January 1, 2022, for parcels for which a portion of the parcel
11 satisfies the requirements for classification as residential
12 property pursuant to paragraph "a", subparagraph (6) or (7),
13 the assessor shall assign to that portion of the parcel the
14 classification of residential property and to such other
15 portions of the parcel the property classification for which
16 such other portions qualify.

17 **c.** Property that is rented or leased to low-income
18 individuals and families as authorized by section 42 of the
19 Internal Revenue Code, and that has not been withdrawn from
20 section 42 assessment procedures under subsection 2 of this
21 section, or a hotel, motel, inn, or other building where rooms
22 or dwelling units are usually rented for less than one month
23 shall not be classified as residential property under this
24 subsection.

25 **d.** As used in this subsection:

26 (1) "*Assisted living facility*" means property for providing
27 assisted living as defined in section 231C.2. "*Assisted living*
28 *facility*" also includes a health care facility, as defined in
29 section 135C.1, an elder group home, as defined in section
30 231B.1, a child foster care facility under chapter 237, or
31 property used for a hospice program as defined in section
32 135J.1.

33 (2) "*Dwelling unit*" means an apartment, group of rooms,
34 or single room which is occupied as separate living quarters
35 or, if vacant, is intended for occupancy as separate living

1 quarters, in which a tenant can live and sleep separately from
2 any other persons in the building.

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

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

7 (5) "*Mobile home park*" means the same as defined in section
8 435.1.

9 Sec. 8. Section 558.46, subsection 5, Code 2021, is amended
10 by striking the subsection.

11 Sec. 9. SAVINGS PROVISION. This Act, pursuant to section
12 4.13, does not affect the operation of, or prohibit the
13 application of, prior provisions of the Code sections amended
14 by this Act, or rules adopted under chapter 17A to administer
15 such prior provisions, for assessment years beginning before
16 January 1, 2022, and for duties, powers, protests, appeals,
17 proceedings, actions, or remedies attributable to an assessment
18 year beginning before January 1, 2022.

19 Sec. 10. EFFECTIVE DATE. This Act takes effect January 1,
20 2022.

21 Sec. 11. APPLICABILITY. This Act applies to assessment
22 years beginning on or after January 1, 2022.

23 EXPLANATION

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

26 This bill relates to property tax classifications,
27 assessment limitations, and administration.

28 Code section 441.21 provides that for assessment years
29 beginning on or after January 1, 2015, property can be
30 classified as multiresidential property. Multiresidential
31 property largely includes property that prior to the assessment
32 year beginning January 1, 2015, was classified as commercial
33 property and includes mobile home parks, manufactured
34 home communities, land-leased communities, assisted living
35 facilities, and property primarily used or intended for human

1 habitation containing three or more separate dwelling units.
2 The percentage of actual value at which multiresidential
3 property is subject to tax has been reduced each assessment
4 year beginning with the 2015 assessment year. The percentage
5 of actual value is reduced by law until the percentage is equal
6 to or below the percentage that is applicable to residential
7 property, at which time the two classifications are subject to
8 the same percentage, but not later than the assessment year
9 beginning January 1, 2022.

10 The bill eliminates the classification of multiresidential
11 property for assessment years beginning on or after January
12 1, 2022. The bill also provides that the types of property
13 previously classified as multiresidential will, for assessment
14 years beginning on or after January 1, 2022, be classified as
15 residential property.

16 The bill makes corresponding changes to various other
17 provisions of law to reflect the elimination of the
18 multiresidential property classification.

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

21 The bill does not affect the operation of, or prohibit
22 the application of, prior provisions of the Code sections
23 amended by the bill, or rules adopted to administer such prior
24 provisions, for assessment years beginning before January 1,
25 2022, and for duties, powers, protests, appeals, proceedings,
26 actions, or remedies attributable to an assessment year
27 beginning before January 1, 2022.