

House File 418 - Introduced

HOUSE FILE 418
BY GOLDING

A BILL FOR

1 An Act relating to property taxes by modifying the methodology
2 for determining actual value of residential property, certain
3 levy rates, and assessment limitations of certain classes of
4 property, and including retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

DIVISION I

RESIDENTIAL PROPERTY ACTUAL VALUATION LIMITATION

Section 1. Section 441.21, subsection 1, paragraph a, Code 2025, is amended to read as follows:

a. (1) All property subject to taxation shall be valued at its actual value which shall be entered opposite each item, and, except as otherwise provided in this section, shall be assessed at one hundred percent of its actual value, and the value so assessed shall be taken and considered as the assessed value and taxable value of the property upon which the levy shall be made.

(2) For assessment years beginning on or after January 1, 2026, and notwithstanding any provision of law to the contrary, the actual value of each individual residential property, including after adjustments to actual values made as the result of equalization, shall not exceed one hundred percent of the actual value of the property for the immediately preceding assessment year unless the property was not assessed in the immediately preceding assessment year, the property's boundaries change, there is a change to the property's classification, or new construction, additions, or improvements have been made to the property other than normal and necessary maintenance or repairs, not amounting to structural replacements or modification.

Sec. 2. Section 441.21, subsection 1, paragraph b, subparagraph (1), Code 2025, is amended to read as follows:

(1) The Subject to the limitation under paragraph "a", subparagraph (2), the actual value of all property subject to assessment and taxation shall be the fair and reasonable market value of such property except as otherwise provided in this section. "Market value" is defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property. Sale prices of the property or comparable property in normal transactions

1 reflecting market value, and the probable availability or
2 unavailability of persons interested in purchasing the property,
3 shall be taken into consideration in arriving at its market
4 value. In arriving at market value, sale prices of property in
5 abnormal transactions not reflecting market value shall not be
6 taken into account, or shall be adjusted to eliminate the effect
7 of factors which distort market value, including but not limited
8 to sales to immediate family of the seller, foreclosure or other
9 forced sales, contract sales, discounted purchase transactions or
10 purchase of adjoining land or other land to be operated as a
11 unit.

12 Sec. 3. Section 441.21, subsection 1, paragraph g, Code 2025,
13 is amended to read as follows:

14 g. Notwithstanding any other provision of this section,
15 the actual value of any property shall not exceed its
16 fair and reasonable market value, subject to paragraph "a",
17 subparagraph (2), except agricultural property which shall be
18 valued exclusively as provided in paragraph "e" and paragraph
19 "a", subparagraph (2), of this subsection.

20 Sec. 4. Section 441.21, subsection 2, Code 2025, is amended
21 to read as follows:

22 2. In the event market value of the property being assessed
23 cannot be readily established in the foregoing manner, then
24 the assessor may, subject to the limitation under subsection
25 1, paragraph "a", subparagraph (2), determine the value of the
26 property using the other uniform and recognized appraisal methods
27 including its productive and earning capacity, if any, industrial
28 conditions, its cost, physical and functional depreciation and
29 obsolescence and replacement cost, and all other factors which
30 would assist in determining the fair and reasonable market value
31 of the property but the actual value shall not be determined
32 by use of only one such factor. The following shall not
33 be taken into consideration: Special value or use value of
34 the property to its present owner, and the goodwill or value
35 of a business which uses the property as distinguished from

1 the value of the property as property. In addition, for
2 assessment years beginning on or after January 1, 2018, and
3 unless otherwise required for property valued by the department
4 of revenue pursuant to chapters 428, 437, and 438, the assessor
5 shall not take into consideration and shall not request from
6 any person sales or receipts data, expense data, balance sheets,
7 bank account information, or other data related to the financial
8 condition of a business operating in whole or in part on the
9 property if the property is both classified as commercial or
10 industrial property and owned and used by the owner of the
11 business. However, in assessing property that is rented or
12 leased to low-income individuals and families as authorized
13 by section 42 of the Internal Revenue Code, as amended, and
14 which section limits the amount that the individual or family
15 pays for the rental or lease of units in the property, the
16 assessor shall, unless the owner elects to withdraw the property
17 from the assessment procedures for section 42 property, use the
18 productive and earning capacity from the actual rents received
19 as a method of appraisal and shall take into account the extent
20 to which that use and limitation reduces the market value of
21 the property. The assessor shall not consider any tax credit
22 equity or other subsidized financing as income provided to the
23 property in determining the assessed value. The property owner
24 shall notify the assessor when property is withdrawn from section
25 42 eligibility under the Internal Revenue Code or if the owner
26 elects to withdraw the property from the assessment procedures
27 for section 42 property under this subsection. The property
28 shall not be subject to section 42 assessment procedures for the
29 assessment year for which section 42 eligibility is withdrawn
30 or an election is made. This notification must be provided to
31 the assessor no later than March 1 of the assessment year or
32 the owner will be subject to a penalty of five hundred dollars
33 for that assessment year. The penalty shall be collected at
34 the same time and in the same manner as regular property taxes.
35 An election to withdraw from the assessment procedures for

1 section 42 property is irrevocable. Property that is withdrawn
2 from the assessment procedures for section 42 property shall
3 be classified and assessed as residential property unless the
4 property otherwise fails to meet the requirements of subsection
5 14. Upon adoption of uniform rules by the department of revenue
6 or succeeding authority covering assessments and valuations of
7 such properties, the valuation on such properties shall be
8 determined in accordance with such rules and in accordance with
9 forms and guidelines contained in the real property appraisal
10 manual prepared by the department as updated from time to time
11 for assessment purposes to assure uniformity, but such rules,
12 forms, and guidelines shall not be inconsistent with or change
13 the foregoing means of determining the actual, market, taxable,
14 and assessed values.

15 DIVISION II

16 MODIFICATION OF ASSESSMENT LIMITATIONS

17 Sec. 5. Section 441.21, subsection 4, Code 2025, is amended
18 to read as follows:

19 4. For valuations established as of January 1, ~~1979~~ 2025, the
20 percentage of actual value at which agricultural and residential
21 property shall be assessed shall be ~~the quotient of the dividend~~
22 ~~and divisor as defined in this section~~ determined under this
23 subsection.

24 a. ~~(1)~~ The percentage of actual value at which agricultural
25 property shall be assessed shall be the quotient of the dividend
26 and divisor as defined in this paragraph. The dividend ~~for~~
27 ~~each class of property~~ shall be the dividend as determined for
28 ~~each class of~~ agricultural property for valuations established
29 as of January 1, ~~1978~~ 2024, adjusted by the product obtained
30 by multiplying the percentage determined for that year by the
31 amount of any additions or deletions to actual value, excluding
32 those resulting from the revaluation of existing properties, as
33 reported by the assessors on the abstracts of assessment for ~~1978~~
34 2024, plus ~~six~~ three percent of the amount so determined.

35 ~~(2) However, if the difference between the dividend so~~

1 ~~determined for either class of property and the dividend for~~
2 ~~that class of property for valuations established as of January~~
3 ~~1, 1978, adjusted by the product obtained by multiplying the~~
4 ~~percentage determined for that year by the amount of any~~
5 ~~additions or deletions to actual value, excluding those resulting~~
6 ~~from the revaluation of existing properties, as reported by~~
7 ~~the assessors on the abstracts of assessment for 1978, is less~~
8 ~~than six percent, the 1979 dividend for the other class of~~
9 ~~property shall be the dividend as determined for that class~~
10 ~~of property for valuations established as of January 1, 1978,~~
11 ~~adjusted by the product obtained by multiplying the percentage~~
12 ~~determined for that year by the amount of any additions or~~
13 ~~deletions to actual value, excluding those resulting from the~~
14 ~~revaluation of existing properties, as reported by the assessors~~
15 ~~on the abstracts of assessment for 1978, plus a percentage of~~
16 ~~the amount so determined which is equal to the percentage by~~
17 ~~which the dividend as determined for the other class of property~~
18 ~~for valuations established as of January 1, 1978, adjusted by~~
19 ~~the product obtained by multiplying the percentage determined~~
20 ~~for that year by the amount of any additions or deletions to~~
21 ~~actual value, excluding those resulting from the revaluation~~
22 ~~of existing properties, as reported by the assessors on the~~
23 ~~abstracts of assessment for 1978, is increased in arriving at the~~
24 ~~1979 dividend for the other class of property.~~

25 ~~(3) For valuations established for assessment years beginning~~
26 ~~on or after January 1, 2022, the calculation of the dividend~~
27 ~~for residential property under this subsection shall exclude the~~
28 ~~value of all property described in subsection 14, paragraph "a",~~
29 ~~subparagraphs (2), (3), (4), (5), and (6), and the property~~
30 ~~described in subsection 14, paragraph "a", subparagraph (7), that~~
31 ~~contains three or more separate dwelling units.~~

32 ~~b.—(1) The divisor for each class of property shall be the~~
33 ~~total actual value of all such agricultural property in the~~
34 ~~state in the preceding year, as reported by the assessors on the~~
35 ~~abstracts of assessment submitted for 1978 2024, plus the amount~~

1 of value added to said total actual value by the revaluation of
2 existing properties in 1979 2025 as equalized by the director
3 of revenue pursuant to section 441.49. The director shall
4 utilize information reported on abstracts of assessment submitted
5 pursuant to section 441.45 in determining such percentage. For
6 valuations established as of January 1, 2026, and each assessment
7 year thereafter, the percentage of actual value as equalized by
8 the department of revenue as provided in section 441.49 at which
9 agricultural property shall be assessed shall be calculated in
10 accordance with the methods provided in this paragraph.

11 ~~(2) For valuations established for assessment years beginning~~
12 ~~on or after January 1, 2022, the calculation of the divisor~~
13 ~~for residential property under this subsection shall exclude the~~
14 ~~value of all property described in subsection 14, paragraph "a",~~
15 ~~subparagraphs (2), (3), (4), (5), and (6), and the property~~
16 ~~described in subsection 14, paragraph "a", subparagraph (7), that~~
17 ~~contains three or more separate dwelling units.~~

18 ~~c. (1) For valuations established as of January 1, 1980,~~
19 ~~and each assessment year thereafter beginning before January~~
20 ~~1, 2013, the percentage of actual value as equalized by the~~
21 ~~director of revenue as provided in section 441.49 at which~~
22 ~~agricultural and residential property shall be assessed shall~~
23 ~~be calculated in accordance with the methods provided in this~~
24 ~~subsection, including the limitation of increases in agricultural~~
25 ~~and residential assessed values to the percentage increase of~~
26 ~~the other class of property if the other class increases less~~
27 ~~than the allowable limit adjusted to include the applicable and~~
28 ~~current values as equalized by the director of revenue, except~~
29 ~~that any references to six percent in this subsection shall be~~
30 ~~four percent.~~

31 ~~(2) For valuations established as of January 1, 2013, and~~
32 ~~each assessment year thereafter, the percentage of actual value~~
33 ~~as equalized by the department of revenue as provided in~~
34 ~~section 441.49 at which agricultural and residential property~~
35 ~~shall be assessed shall be calculated in accordance with the~~

~~1 methods provided in this subsection, including the limitation of
2 increases in agricultural and residential assessed values to the
3 percentage increase of the other class of property if the other
4 class increases less than the allowable limit adjusted to include
5 the applicable and current values as equalized by the department
6 of revenue, except that any references to six percent in this
7 subsection shall be three percent.~~

8 b. (1) For valuations established for the assessment year
9 beginning January 1, 2025, the percentage of actual value as
10 equalized by the department of revenue as provided in section
11 441.49 at which residential property shall be assessed shall be
12 fifty-five percent.

13 (2) For valuations established for the assessment year
14 beginning January 1, 2026, the percentage of actual value as
15 equalized by the department of revenue as provided in section
16 441.49 at which residential property shall be assessed shall be
17 sixty percent.

18 (3) For valuations established for the assessment year
19 beginning January 1, 2027, the percentage of actual value as
20 equalized by the department of revenue as provided in section
21 441.49 at which residential property shall be assessed shall be
22 sixty-five percent.

23 (4) For valuations established for the assessment year
24 beginning January 1, 2028, the percentage of actual value as
25 equalized by the department of revenue as provided in section
26 441.49 at which residential property shall be assessed shall be
27 seventy percent.

28 (5) For valuations established for the assessment year
29 beginning January 1, 2029, the percentage of actual value as
30 equalized by the department of revenue as provided in section
31 441.49 at which residential property shall be assessed shall be
32 seventy-five percent.

33 (6) For valuations established for the assessment year
34 beginning January 1, 2030, the percentage of actual value as
35 equalized by the department of revenue as provided in section

1 441.49 at which residential property shall be assessed shall be
2 eighty percent.

3 (7) For valuations established for the assessment year
4 beginning January 1, 2031, the percentage of actual value as
5 equalized by the department of revenue as provided in section
6 441.49 at which residential property shall be assessed shall be
7 eighty-five percent.

8 (8) For valuations established for the assessment year
9 beginning January 1, 2032, the percentage of actual value as
10 equalized by the department of revenue as provided in section
11 441.49 at which residential property shall be assessed shall be
12 ninety percent.

13 (9) For valuations established for the assessment year
14 beginning January 1, 2033, the percentage of actual value as
15 equalized by the department of revenue as provided in section
16 441.49 at which residential property shall be assessed shall be
17 ninety-five percent.

18 (10) For valuations established for the assessment year
19 beginning January 1, 2034, and each assessment year thereafter,
20 the percentage of actual value as equalized by the department
21 of revenue as provided in section 441.49 at which residential
22 property shall be assessed shall be one hundred percent.

23 Sec. 6. RETROACTIVE APPLICABILITY. This division of this Act
24 applies retroactively to January 1, 2025, for assessment years
25 beginning on or after that date.

26 DIVISION III

27 PROPERTY TAX LEVY RATES

28 Sec. 7. NEW SECTION. **444.25 Maximum property tax levy rates**
29 **— adjustments.**

30 1. For purposes of this section:

31 a. "Base year total taxable value" is the statewide total
32 assessed value for all property tax classifications used to
33 calculate taxes for the fiscal year beginning July 1, 2025.

34 b. "Budget year total taxable value" is the statewide total
35 assessed value for all property classifications used to calculate

1 taxes due and payable in the fiscal year beginning during the
2 calendar year in which a budget is certified, excluding value
3 attributable to new construction.

4 c. "Rate-limited property tax levy" includes any ad valorem
5 property tax levy limited by law to a specific maximum property
6 tax levy rate per one thousand dollars of assessed value used to
7 calculate taxes.

8 2. For each fiscal year beginning on or after July 1, 2026,
9 each rate-limited property tax levy shall, by operation of this
10 section, be limited to a levy rate that is equal to a percentage
11 of the maximum specified levy rate or the actual maximum levy
12 approved at election, whichever is less and if applicable, as
13 follows:

14 a. For the property taxes due and payable in the fiscal year
15 beginning July 1, 2026, and each fiscal year thereafter beginning
16 before July 1, 2036, a percentage equal to the quotient,
17 expressed as a percentage, of the base year total taxable value
18 divided by the budget year total taxable value.

19 b. For the property taxes due and payable in fiscal years
20 beginning on or after July 1, 2036, a percentage equal to the
21 percentage applicable for the fiscal year beginning July 1, 2035.

22 EXPLANATION

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

25 This bill relates to property taxation by modifying the
26 methodology for determining actual value of residential property,
27 assessment limitations of certain classes of property, and
28 certain levy rate limitations.

29 DIVISION I — RESIDENTIAL PROPERTY ACTUAL VALUE

30 LIMITATION. Under Code section 441.21, all property subject to
31 taxation shall be valued at its actual value and, except as
32 otherwise provided by law, shall be assessed at 100 percent
33 of its actual value, and the value so assessed shall be taken
34 and considered as the assessed value and taxable value of the
35 property upon which the levy shall be made. Actual value is

1 generally required to be the fair and reasonable market value.
2 "Market value" is defined as the fair and reasonable exchange
3 in the year in which the property is listed and valued between
4 a willing buyer and a willing seller, neither being under any
5 compulsion to buy or sell and each being familiar with all the
6 facts relating to the particular property, but excluding certain
7 abnormal sales.

8 The bill provides that for assessment years beginning on
9 or after January 1, 2026, the actual value of each individual
10 property, including after adjustments to actual values made as
11 the result of equalization, shall not exceed 100 percent of
12 the actual value of the property for the immediately preceding
13 assessment year unless the property was not assessed in the
14 immediately preceding assessment year, the property's boundaries
15 change, there is a change to the property's classification,
16 or new construction, additions, or improvements have been made
17 to the property other than normal and necessary maintenance
18 or repairs, not amounting to structural replacements or
19 modification.

20 The bill also makes conforming changes to other provisions of
21 law relating to the valuation of property.

22 DIVISION II — MODIFICATION OF ASSESSMENT LIMITATIONS. Code
23 section 441.21(4) establishes the calculation for assessment
24 limitations (rollback) for residential property and agricultural
25 property. The bill strikes the calculation of the residential
26 property assessment limitation for assessment years beginning
27 on or after January 1, 2025, and strikes the provision within
28 the agricultural property assessment limitation calculation that
29 limits growth of residential or agricultural property to the
30 growth in the other classification (ag-residential tie). The
31 bill establishes a schedule of assessment limitations for
32 residential property that increases each assessment year from the
33 assessment year beginning January 1, 2025, until the assessment
34 limitation reaches one hundred percent for assessment years
35 beginning on or after January 1, 2034. By operation of

1 the scheduled increases to the residential property assessment
2 limitation, the assessment limitation applicable to that portion
3 of commercial, and industrial property that is equal to or less
4 than \$150,000 is also increased.

5 This division of the bill applies retroactively to assessment
6 years beginning on or after January 1, 2025.

7 DIVISION III — PROPERTY TAX LEVY RATES. The bill establishes
8 a reduction for rate-limited property tax levies that corresponds
9 with the increase of assessment limitations under the bill.
10 The bill defines "rate-limited property tax levy" to be any ad
11 valorem property tax levy limited by law to a specific property
12 tax levy rate per \$1,000 of assessed value used to calculate
13 taxes.

14 For each fiscal year beginning on or after July 1, 2026,
15 each rate-limited property tax levy shall, by operation of the
16 bill, be limited to a levy rate that is equal to a percentage
17 of the maximum specified levy rate or the actual maximum levy
18 approved at election, whichever is less and if applicable,
19 as follows: (1) for the property taxes due and payable in
20 the fiscal year beginning July 1, 2026, and each fiscal year
21 thereafter beginning before July 1, 2036, a percentage equal to
22 the quotient, expressed as a percentage, of the base year total
23 taxable value divided by the budget year total taxable value;
24 and (2) for the property taxes due and payable in fiscal years
25 beginning on or after July 1, 2036, a percentage equal to the
26 percentage applicable for the fiscal year beginning July 1, 2035.

27 The bill defines "base year total taxable value" as
28 the statewide total assessed value for all property tax
29 classifications used to calculate taxes for the fiscal year
30 beginning July 1, 2025, and "budget year total taxable
31 value" as the statewide total assessed value for all property
32 classifications used to calculate taxes due and payable in the
33 fiscal year beginning during the calendar year in which a budget
34 is certified, excluding value attributable to new construction.