



Iowa Department of
REVENUE

Property Tax Credits

Tony Girardi, PhD

Tax Expenditure Committee - November 30, 2016

Outline

- Brief discussion of each of the property tax credits added to Code 2.48 in 2016 Legislative session
 - (1) Homestead tax credit under chapter 425
 - (2) Elderly and disabled property tax credit under chapter 425
 - (3) Military service tax exemption under chapter 426A
 - (4) Agricultural land tax credit under chapter 426
 - (5) Business property tax credit under chapter 426C
 - (6) Commercial and industrial property tax replacement claims under section 441.21A



Iowa Department of
REVENUE

Homestead Property and Disabled Veterans Homestead Tax Credits



Homestead Property Tax Credit

Iowa Code 425 Division I

- Provides a tax credit against the property tax levied on each eligible homestead
- Must be an Iowa resident for income tax purposes
- Must own & occupy homestead on July 1 each year
- Must occupy the property at least 6 months a year
 - Persons in military
 - Persons in hospital, nursing or extended care facilities if property is not rented
- Application to local assessor
- Only one homestead allowed



Finances for the Homestead Property Tax Credit

- Standing unlimited appropriation
- If fully funded, credit covers the taxes owed on the first \$4,850 of property value for each homeowner
- Department reimburses counties for claims

Fiscal Year	State Funding (Millions)	Funding Level
2014	\$131.7	100%
2015	\$131.4	100%
2016	\$135.9	100%



History of the Homestead Property Tax Credit

- Enacted in 1937
- Although fully funded the last three years, average funding for prior decade only 73%
- If capped, Department estimates the expected total claims to determine proration based on appropriation
- Proration used by counties to determine credit available to each taxpayer



Disabled Veteran Homestead Tax Credit - Iowa Code 425.15

- Equals 100% of property tax
- One homestead credit per qualifying veteran
- Maximum ½ acre urban or 40 acres rural
- Apply to local assessor



Disabled Veteran Homestead Tax Credit Eligibility

- Meet Homestead Tax Credit qualifications AND
- Veteran who received property under Fed Adaptive Housing for Disabled Veterans provisions
 - (38 USC §21.801 prior to 8/9/1991 or 38 USC §2101, 2102)
- Veteran or former member of National Guard with
 - 100% Service-Connected Disability OR
 - 100% Unemployable paid at 100% Disability Rate
- Surviving spouse or dependent child of qualified veteran if receiving Dependency Indemnity Compensation



History and Finances of Disabled Veteran Homestead Tax Credit

- Enacted in 1990

Fiscal Year	State Funding (Millions)	Funding Level	Claimants
2016	\$5.3	100%	2,128
2017	\$5.8	100%	2,261

- Legislative sessions 2014 and 2015 amendments
 - Removed income limitation
 - Expanded and clarified eligibility





Iowa Department of
REVENUE

Property Tax Credit and Rent
Reimbursement
for Elderly and Disabled



Property Tax Credit / Rent Reimbursement Iowa Code 425 Division II

- Eligibility
 - 65 years or older or totally disabled
 - Income below \$22,584 in 2017
- Homeowners: Apply annually with County Treasurers
- Renters: Apply annually with Department of Revenue
- Maximum property tax credit/reimbursement is \$1,000
- Reduced based on household income



Elderly Property Tax Credit Rent Reimbursement

2017 Rate Schedule

Household Income		Credit Rate
\$0.00	- \$11,633.99	100%
\$11,634.00	- \$13,002.99	85%
\$13,003.00	- \$14,371.99	70%
\$14,372.00	- \$17,108.99	50%
\$17,109.00	- \$19,846.99	35%
\$19,847.00	- \$22,583.99	25%
\$22,584.00	or greater	No credit allowed



Finances for the Elderly and Disabled Property Tax Credit

- Standing unlimited appropriation
- County Treasurers file aggregate claim requests with the Department in May
- Department issues payments to counties by June 15

Fiscal Year	State Funding (Millions)	Funding Level
2014	\$5.1	100%
2015	\$5.0	100%
2016	\$4.9	100%



Finances for the Elderly and Disabled Rent Reimbursement Refunds

- Standing unlimited appropriation
- Department mails claim forms to prior claimants each January
- Claims filed and refunds issued January through June

Fiscal Year	State Funding (Millions)	Claimants	Average Refund
2014	\$18.4	29,969	\$615
2015	\$19.1	30,588	\$626
2016	\$19.6	32,410	\$606



History of Elderly and Disabled Property Tax Credit / Rent Reimbursement

- First available in 1983
- In last decade, fully funded except fiscal year 2007 (94%)
- If capped, Department estimates the expected total claims to determine proration based on appropriation by June 15
- Proration used by counties to determine credit available to each claimant





Iowa Department of **REVENUE**

Military Service Exemption and Tax Credit



Military Service Exemption

Iowa Code 426A

- Provides property tax relief through exemption up to a maximum valuation owned by qualifying veteran
 - WW I \$2,778 of assessed value is exempt
 - Other wars \$1,852 of assessed value is exempt
- Apply to local assessor
- Amount of value comes off the value before the tax is billed



Finances of Military Service Property Exemption

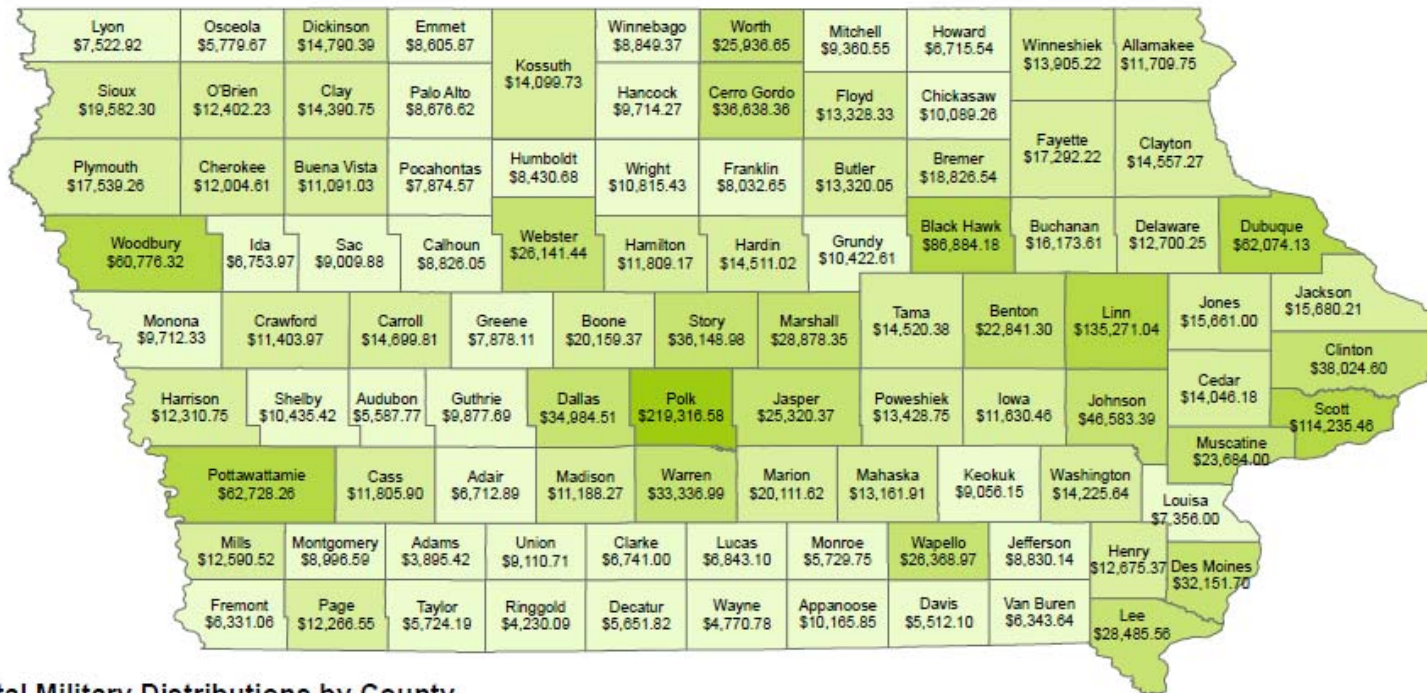
- State backfills lost tax associated with \$6.92 per \$1,000 of valuation
- County Treasurers submit fund requests
- Department reimburses counties for state-funded portion of the exemption, counties forego remainder

Fiscal Year	State Funding (Millions)	Funding Level
2014	\$2.2	100%
2015	\$2.2	100%
2016	\$2.0	100%



Military Service Property Tax Exemption Distribution by County

FY2016 Total Military Distributions



Total Military Distributions by County

- \$3,895.42 - \$10,815.43
- \$10,815.44 - \$20,159.37
- \$20,159.38 - \$46,583.39
- \$46,583.40 - \$135,271.04
- \$135,271.05 - \$219,316.58



Iowa Department of
REVENUE

For Discussion Purposes Only
slc 11/17/2016

History of Military Service Property Tax Exemption

- Enacted in 1987
- Tax credit fully funded by the State in each of the last ten years
- Over the last decade, an average of 177,615 veterans have benefited





Iowa Department of
REVENUE

Agricultural Land and Family Farm Tax Credits



Agricultural Land Tax Credit

Iowa Code 426

- Offset school taxes on agricultural real estate in school districts where taxes exceed \$5.40 per \$1,000 of assessed value
- Eligible property includes all land used for agricultural or horticultural purposes in tracts of 10 acres or more and land less than 10 acres if contiguous to qualifying land of 10 acres or more
- No application needed



Family Farm Tax Credit

Iowa Code 425A

- Same purpose and eligibility as Agricultural Land Tax Credit
- Ownership and actively farming are part of the qualifications
- Initial application to local assessor is required



Finances of Agricultural Land and Family Farm Tax Credits

- Standing limited appropriation of \$39.1 million
- \$10 million is allocated to Family Farm Tax Credit

Fiscal Year	Ag Land Requests (Millions)	Ag Land Appropriation (Millions)	Ag Land Funding Level	Family Farm Demand (Millions)	Family Farm Appropriation (Millions)	Family Farm Funding Level
2014	\$147.3	\$29.1	19.7%	\$71.4	\$10.0	14.0%
2015	\$136.0	\$29.1	21.4%	\$65.8	\$10.0	15.2%
2016	\$132.9	\$29.1	21.9%	\$64.4	\$10.0	15.5%
2017	\$140.5	\$29.0	20.7%	\$68.7	\$10.0	14.6%

- Average funding last 14 years: 20% for Ag Land, 16% for Family Farm



History of Agricultural Land and Family Farm Tax Credits

- Agricultural Land Tax Credit established in 1939
- Family Farm Tax Credit established in 1990
- If changed to standing unlimited in FY 2017, estimated additional costs are \$170 million





Iowa Department of
REVENUE

Business Property Tax Credit and Replacement Claims



Business Property Tax Credit

Iowa Code 426C

- Enacted in 2013
- Intent to reduce inequities resulting from rollback between residential and business property to a maximum value
- Available for qualifying commercial, industrial and railroad property units
 - One or more contiguous parcels in same county
 - Same property class with common use and purpose
 - Same ownership
- Application is required
- Credit continues until ownership changes



Finances of Business Property Tax Credit

- Standing limited appropriation
- Iterative calculation that arrives at a maximum value based on the 100% taxable value of claims and their corresponding consolidated levy rates
- Calculation disburses 98% of the annual funding

Assessment Year	State Funding (Millions)	Maximum AV	Maximum Credit	Total Units Receiving Credits	Units with AV Less than Maximum
2013	\$50.0	\$59,507	\$1,222	70,288	36%
2014	\$100.0	\$183,896	\$3,219	74,226	63%
2015	\$125.0	\$255,857	\$4,625	76,481	70%

Business Property Tax Credits Distribution by County

AY2015 Business Property Tax Credits Issued



Amount of Credits Paid to County

- \$154,945.27 - \$671,517.33
- \$671,517.34 - \$1,555,128.67
- \$1,555,128.68 - \$3,240,563.30
- \$3,240,563.31 - \$9,132,493.85
- \$9,132,493.86 - \$18,266,624.78



Iowa Department of
REVENUE

For Discussion Purposes Only
slc 11/17/2016

Commercial and Industrial Property Replacement Tax Claim Iowa Code 441.21A

- Standing unlimited appropriation through FY 2017
- Established to backfill the phased-in 10% rollback for commercial and industrial property classes
- Backfill for railroad properties is not included

Assessment Year	State Funding (Millions)	Funding Level
2013	\$78.0	100%
2014	\$160.8	100%
2015	\$152.1	100%



Replacement Claims Distribution by County

AY2015 Replacement Claim



AY2015 Replacement Claim Amounts

- \$80,488.20 - \$577,900.17
- \$577,900.18 - \$1,460,138.36
- \$1,460,138.37 - \$4,298,218.94
- \$4,298,218.95 - \$12,491,771.92
- \$12,491,771.93 - \$35,210,859.84



Iowa Department of
REVENUE

For Discussion Purposes
slc 11/17/2016

History of Business Property Tax Credit and Replacement Claims

- Funding for BPTC and Replacement claims phased in over three years
- BPTC Credit capped at \$125 million
- Replacement claims capped based on fiscal year 2017 claims and will be prorated in future years



Questions?



Iowa Department of
REVENUE