Department of Revenue
2021 Property Tax Bill
Background Memorandum

The Iowa Department of Revenue (IDR) offers this bill to improve the administration of current property tax law by eliminating the multiresidential property classification.

Multiresidential classification comprises approximately 2.4 percent of the total valuations for locally assessed properties across the state. According to 2019 data, there are seven assessing jurisdictions that have had no sales in the last four years and over 40 percent of the jurisdictions have less than fifty properties classified as multiresidential. At least 53 of the jurisdictions have six or less sales within a four year period.

Because of the low volume of sales, staffing limitations, and at the recommendation of mass appraisal expert, Robert Gloudemans, IDR implemented a statewide regression model to produce modeled appraisals to supplement the ratio studies used in the determination of statutory compliance for aggregate valuations. To implement the modeled appraisals significant data pertaining to the sales transactions and the attribute data for the sales must be obtained by staff and retained in order to perform the regression model. The collection of the data is substantial and no efficient method is available at this time to accommodate streamlining this process.

Additionally, the sale information is statutorily required to be submitted to IDR 60 days after the end of each quarter. Once the documents are received by IDR, they must be processed to be made available to staff for their examination and determination if they should be included in the equalization process as valid arm’s length sales. This process takes at minimum 30 days. Once the examination is completed, staff must then gather the data necessary to enable us to perform a regression model and apply the modeled results to sample property for their inclusion in our ratio studies as surrogate sales to determine aggregate levels of assessment. This process takes an additional 30-60 days. IDR does not have the results of these modeled appraisals available until late June early July of the equalization year. Equalization orders are completed each odd year (2019, 2021, 2023, etc.) in July and finalized at the end of July and early August. As a result of this timing, IDR is unable to provide any substantive information to assessors within a timeframe to be helpful to them when setting their valuations. Assessment notices for the public must be completed by assessors and provided to the public April 1, 2021 for the 2021 assessment. The process and timing prohibits the ability to provide the information and or results timely for assessors.

This bill proposes to eliminate the multiresidential classification effective January 1, 2022. This would accomplish the goal of phasing in multiresidential property classification into the residential property classification as provided for in SF 295 from 2013. These properties would be equalized as part of the residential class beginning with the 2023 period. IDR believes these changes would alleviate the administrative burden for local governments and IDR while continuing to support the long-term intent of the 2013 legislation. Per SF 295 from 2013 the rollback schedule is as follows:

2015 Taxable value at 86.25% of assessed value.
2016 Taxable value at 82.50% of assessed value.
2017 Taxable value at 78.75% of assessed value.
2018 Taxable value at 75.00% of assessed value.
2019 Taxable value at 71.25% of assessed value.
2020 Taxable value at 67.50% of assessed value.
2021 Taxable value at 63.75% of assessed value.
2022 Taxable value is determined with the same rollback percentage as residential.