

CHAPTER 20

ASSESSMENT, CLASSIFICATION, AND TAXATION OF PROPERTY — MISCELLANEOUS CHANGES

H.F. 418

AN ACT relating to property tax levies, exemptions, classifications, assessment limitations, and administration, and including effective date and applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. [Section 386.8](#), Code 2021, is amended to read as follows:

386.8 Operation tax.

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

Sec. 2. [Section 386.9](#), Code 2021, is amended to read as follows:

386.9 Capital improvement tax.

A city may establish a capital improvement fund for a district and may certify taxes, not to exceed the rate established by the ordinance creating the district, or any subsequent amendment thereto, each year to be levied for the fund against all of the property in the district, for the purpose of accumulating moneys for the financing or payment of a part or all of the costs of any improvement or self-liquidating improvement. However, parcels of property which are assessed as residential property for property tax purposes are exempt from the tax levied under [this section](#) except residential properties within a duly designated historic district or property classified as residential property under [section 441.21, subsection 14, paragraph "a", subparagraph \(6\)](#). A tax levied under [this section](#) is not subject to the levy limitations in [section 384.1](#) or [384.7](#).

Sec. 3. [Section 386.10](#), Code 2021, is amended to read as follows:

386.10 Debt service tax.

A city shall establish a self-supported municipal improvement district debt service fund whenever any self-supported municipal improvement district bonds are issued and outstanding, other than revenue bonds, and shall certify taxes to be levied against all of the property in the district for the debt service fund in the amount necessary to pay interest as it becomes due and the amount necessary to pay, or to create a sinking fund to pay, the principal at maturity of all self-supported municipal improvement district bonds as authorized in [section 386.11](#), issued by the city. However, parcels of property which are assessed as residential property for property tax purposes at the time of the issuance of the bonds are exempt from the tax levied under [this section](#) until the parcels are no longer assessed as residential property or until the residential properties are designated as a part

of a historic district or property classified as residential property under [section 441.21, subsection 14](#), paragraph “a”, subparagraph (6).

Sec. 4. [Section 404.2, subsection 2](#), paragraph f, Code 2021, is amended to read as follows:

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

Sec. 5. [Section 404.3, subsection 4](#), paragraph a, Code 2021, is amended by striking the paragraph and inserting in lieu thereof the following:

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

Sec. 6. [Section 404.3A](#), Code 2021, is amended to read as follows:

404.3A Residential development area exemption.

Notwithstanding the schedules provided for in [section 404.3](#), all qualified real estate assessed as residential property, excluding property classified as residential property under [section 441.21, subsection 14](#), paragraph “a”, subparagraph (6), in an area designated under [section 404.1, subsection 5](#), is eligible to receive an exemption from taxation on the first seventy-five thousand dollars of actual value added by the improvements. The exemption is for a period of five years.

Sec. 7. [Section 441.21, subsection 2](#), Code 2021, is amended to read as follows:

2. In the event market value of the property being assessed cannot be readily established in the foregoing manner, then the assessor may determine the value of the property using the other uniform and recognized appraisal methods including its productive and earning capacity, if any, industrial conditions, its cost, physical and functional depreciation and obsolescence and replacement cost, and all other factors which would assist in determining the fair and reasonable market value of the property but the actual value shall not be determined by use of only one such factor. The following shall not be taken into consideration: Special value or use value of the property to its present owner, and the goodwill or value of a business which uses the property as distinguished from the value of the property as property. In addition, for assessment years beginning on or after January 1, 2018, and unless otherwise required for property valued by the department of revenue pursuant to [chapters 428, 433, 437, and 438](#), the assessor shall not take into consideration and shall not request from any person sales or receipts data, expense data, balance sheets, bank account information, or other data related to the financial condition of a business operating in whole or in part on the property if the property is both classified as commercial or industrial property and owned and used by the owner of the business. However, in assessing property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, as amended, and which section limits the amount that the individual or family pays for the rental or lease of units in the property, the assessor shall, unless the owner elects to withdraw the property from the assessment procedures for section 42 property, use the productive and earning capacity from the actual rents received as a method of appraisal and shall take into account the extent to which that use and limitation reduces the market value of the property. The assessor shall not consider any tax credit equity or other subsidized financing as income provided to the property in determining the

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

Sec. 8. [Section 441.21, subsection 8](#), paragraph b, Code 2021, is amended to read as follows:

b. Notwithstanding paragraph “a”, any construction or installation of a solar energy system on property classified as agricultural, residential, commercial, ~~multiresidential~~, or industrial property shall not increase the actual, assessed, and taxable values of the property for five full assessment years.

Sec. 9. [Section 441.21, subsections 9 and 10](#), Code 2021, are amended to read as follows:

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

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

Sec. 10. [Section 441.21, subsection 13](#), paragraphs a, b, and c, Code 2021, are amended to read as follows:

a. (1) ~~For the assessment year beginning January 1, 2015, mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, property primarily used or intended for human habitation containing three or more separate dwelling units, and that portion of a building that is used or intended for human habitation and a proportionate share of the land upon which the building is situated, regardless of the number of dwelling units located in the building, if the use for human habitation is not the primary use of the building and such building is not otherwise classified as residential property, shall be valued as a separate class of property known as multiresidential property~~

and, excluding properties referred to in [section 427A.1, subsection 9](#), shall be assessed at a percentage of its actual value, as determined in [this subsection](#).

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

- (a) (1) Mobile home parks.
- (b) (2) Manufactured home communities.
- (c) (3) Land-leased communities.
- (d) (4) Assisted living facilities.

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

(f) (6) For a parcel that is primarily used or intended for use as commercial property or industrial property, that portion of the parcel that is used or intended for human habitation, regardless of the number of dwelling units contained on the parcel, including a proportionate share of the land included in the parcel, if applicable. The portion of such a parcel used or intended for use as commercial property or industrial property, including a proportionate share of the land included in the parcel, if applicable, shall be assigned the appropriate classification pursuant to paragraph “c”.

b. For valuations established for the assessment year beginning January 1, 2015, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the greater of eighty-six and twenty-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2016, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the greater of eighty-two and five-tenths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2017, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the greater of seventy-eight and seventy-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2018, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the greater of seventy-five percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2019, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the greater of seventy-one and twenty-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2020, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the greater of sixty-seven and five-tenths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2021, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be the

greater of sixty-three and seventy-five hundredths percent or the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed for the same assessment year under [subsection 4](#). For valuations established for the assessment year beginning January 1, 2022, and each assessment year thereafter, the percentage of actual value as equalized by the department of revenue as provided in [section 441.49](#) at which multiresidential property shall be assessed shall be equal to the percentage of actual value determined by the department of revenue at which property assessed as residential property is assessed under [subsection 4](#) for the same assessment year.

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

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

Sec. 11. [Section 441.21](#), Code 2021, is amended by adding the following new subsection: **NEW SUBSECTION.** 14. a. Beginning with valuations established on or after January 1, 2022, all of the following shall be classified and valued as residential property:

(1) Property primarily used or intended for human habitation containing two or fewer dwelling units.

(2) Mobile home parks.

(3) Manufactured home communities.

(4) Land-leased communities.

(5) Assisted living facilities.

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

(7) For a parcel that is primarily used or intended for use as commercial property or industrial property, that portion of the parcel that is used or intended for human habitation, regardless of the number of dwelling units contained on the parcel, including a proportionate share of the land included in the parcel, if applicable. The portion of such a parcel used or intended for use as commercial property or industrial property, including a proportionate share of the land included in the parcel, if applicable, shall be assigned the appropriate classification pursuant to paragraph “b”.

b. Beginning with valuations established on or after January 1, 2022, for parcels for which a portion of the parcel satisfies the requirements for classification as residential property pursuant to paragraph “a”, subparagraph (6) or (7), the assessor shall assign to that portion of the parcel the classification of residential property and to such other portions of the parcel the property classification for which such other portions qualify.

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

d. As used in [this subsection](#):

(1) “Assisted living facility” means property for providing assisted living as defined in [section 231C.2](#). “Assisted living facility” also includes a health care facility, as defined in [section 135C.1](#), an elder group home, as defined in [section 231B.1](#), a child foster care facility under [chapter 237](#), or property used for a hospice program as defined in [section 135J.1](#).

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

(3) “*Land-leased community*” means the same as defined in sections [335.30A](#) and [414.28A](#).

(4) “*Manufactured home community*” means the same as a land-leased community.

(5) “*Mobile home park*” means the same as defined in [section 435.1](#).

Sec. 12. [Section 558.46, subsection 5](#), Code 2021, is amended by striking the subsection.

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

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

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

Approved March 8, 2021