

404.3 Basis of tax exemption.

1. All qualified real estate assessed as residential property is eligible to receive an exemption from taxation based on the actual value added by the improvements. The exemption is for a period of ten years. The amount of the exemption is equal to a percent of the actual value added by the improvements, determined as follows: One hundred fifteen percent of the value added by the improvements. However, the amount of the actual value added by the improvements which shall be used to compute the exemption shall not exceed twenty thousand dollars and the granting of the exemption shall not result in the actual value of the qualified real estate being reduced below the actual value on which the homestead credit is computed under [section 425.1](#).

2. All qualified real estate is eligible to receive a partial exemption from taxation on the actual value added by the improvements. The exemption is for a period of ten years. The amount of the partial exemption is equal to a percent of the actual value added by the improvements, determined as follows:

- a. For the first year, eighty percent.
- b. For the second year, seventy percent.
- c. For the third year, sixty percent.
- d. For the fourth year, fifty percent.
- e. For the fifth year, forty percent.
- f. For the sixth year, forty percent.
- g. For the seventh year, thirty percent.
- h. For the eighth year, thirty percent.
- i. For the ninth year, twenty percent.
- j. For the tenth year, twenty percent.

3. All qualified real estate is eligible to receive a one hundred percent exemption from taxation on the actual value added by the improvements. The exemption is for a period of three years.

4. 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.

b. The exemption is for a period of ten years.

5. A city or county may adopt a different tax exemption schedule than those allowed in [subsection 1, 2, 3, or 4](#). The different schedule adopted shall not allow a greater exemption, but may allow a smaller exemption, in a particular year, than allowed in the schedule specified in the corresponding subsection of [this section](#). A different schedule adopted by a city or county shall apply to every revitalization area within the city or county, unless the qualified property is eligible for an exemption pursuant to [section 404.3A](#) or [404.3B](#), and except in areas of the city or county which have been designated as both urban renewal and urban revitalization areas. In an area designated for both urban renewal and urban revitalization, a city or county may adopt a different schedule than has been adopted for revitalization areas which have not been designated as urban renewal areas.

6. The owners of qualified real estate eligible for the exemption provided in [this section](#) or [section 404.3A](#) or [404.3B](#) shall elect to take the applicable exemption or shall elect to take the applicable exemption provided in the different schedule authorized by [subsection 5](#) and adopted in the city or county plan if a different schedule has been adopted. Once the election has been made and the exemption granted, the owner is not permitted to change the method of exemption.

7. The tax exemption schedule specified in [subsection 1, 2, 3, or 4](#) shall apply to every revitalization area within a city or county unless a different schedule is adopted in the city or county plan as provided in [section 404.2](#) and authorized by [subsection 5](#).

8. "Qualified real estate" as used in [this chapter](#) and [section 419.17](#) means real property, other than land, which is located in a designated revitalization area and to which improvements have been added, during the time the area was so designated, which have increased the actual value by at least the percent specified in the plan adopted by the city or county pursuant to [section 404.2](#) or if no percent is specified then by at least fifteen percent, or at least ten percent in the case of real property assessed as residential property

or which have, in the case of land upon which is located more than one building and not assessed as residential property, increased the actual value of the buildings to which the improvements have been made by at least fifteen percent. “*Qualified real estate*” also means land upon which no structure existed at the start of the new construction, which is located in a designated revitalization area and upon which new construction has been added during the time the area was so designated. “*Improvements*” as used in [this chapter](#) and [section 419.17](#) includes rehabilitation and additions to existing structures as well as new construction on vacant land or on land with existing structures. However, new construction on land assessed as agricultural property shall not qualify as “*improvements*” for purposes of [this chapter](#) and [section 419.17](#) unless the governing body of the city or county has presented justification at a public hearing held pursuant to [section 404.2](#) for the revitalization of land assessed as agricultural property by means of new construction. Such justification shall demonstrate, in addition to the other requirements of [this chapter](#) and [section 419.17](#), that the improvements on land assessed as agricultural land will utilize the minimum amount of agricultural land necessary to accomplish the revitalization of the other classes of property within the urban revitalization area. However, if such construction, rehabilitation or additions were begun prior to January 29, 1979, or one year prior to the adoption by the city or county of a plan of urban revitalization pursuant to [section 404.2](#), whichever occurs later, the value added by such construction, rehabilitation or additions shall not constitute an increase in value for purposes of qualifying for the exemptions listed in [this section](#). “*Actual value added by the improvements*” as used in [this chapter](#) and [section 419.17](#) means the actual value added as of the first year for which the exemption was received.

9. The fifteen and ten percent increase in actual value requirements specified in [subsection 8](#) shall apply to every revitalization area within a city or county unless different percent increases in actual value requirements are adopted in the city or county plan as provided in [section 404.2](#). However, a city or county shall not adopt different requirements unless every revitalization area within the city or county has the same requirements and the requirements do not provide for a greater percent increase than specified in [subsection 8](#).

[C81, §404.3]

83 Acts, ch 173, §2, 3, 5; 91 Acts, ch 186, §5; 91 Acts, ch 214, §11; 2004 Acts, ch 1165, §2, 3, 11, 12; 2013 Acts, ch 123, §25, 30; 2021 Acts, ch 20, §5, 14, 15

Referred to in §404.2, 404.3A, 404.3B, 404.4, 404.5, 404.6, 419.17

2021 amendment to subsection 4, paragraph a applies to assessment years beginning on or after January 1, 2022; 2021 Acts, ch 20, §15