



[SF 548](#) – Forest and Fruit-Tree Reservations (LSB2020SV)
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Fiscal Note Version – New

Description

[Senate File 548](#) limits the property value that may benefit from the existing forest and fruit-tree reservation property tax exemption. The exemption is limited under the Bill to the per-acre assessed property value that for assessment year (AY) 2024 exceeds 25.0% of the per-acre assessed valuation for all agricultural property within the county. For AY 2025 and after, the exemption threshold is increased to 50.0%.

Background

Current Iowa Code chapter [427C](#) defines forest and fruit-tree reservations, and Iowa Code section [441.22](#) establishes the property tax exemption. Under current law, forest reservations are fully exempt from property tax and fruit-tree reservations are exempt for eight years after planting.

A property tax preference for forest and fruit-tree property was first enacted in 1906 Iowa Acts, chapter [52](#) (Encourage the Planting of Forest and Fruit Trees Act). Qualified property was not fully exempt under the 1906 legislation, but instead limited to a taxable valuation of \$1 per acre. The qualifications for an area to be considered a forest or fruit-tree reservation are essentially the same today as originally enacted in 1906.

Since 1906, several changes to the preferential taxation of forest and fruit-tree reservations have been enacted:

- 1933 Iowa Acts, chapter [121](#) (Assessed and Taxable Value the Same Act) — Assessed value of forest and fruit-tree reservations was raised to \$4.00 per acre.
- 1974 Iowa Acts, chapter [1231](#) (Valuation of Property Act) — Assessed value of forest and fruit-tree reservations was raised to \$14.82 per acre.
- 1982 Iowa Acts, chapter [1247](#) (Natural Resources Exemption and Assessment Act) — Rural forest reserve property was made fully exempt from property tax, while urban forest reserve property was to be assessed at market value. Fruit-tree reservations were assessed at \$20.00 per acre.
- 1984 Iowa Acts, chapter [1222](#) (Fruit-Tree and Forest Reservations Act) — Forest and fruit-tree reservation property was made fully exempt from property tax. The fruit-tree eight-year limit after planting remains.

The current annual value of the tax exemption to landowners is estimated to average \$15.14 per acre statewide under current law, although there is likely a significant variation in this amount among benefiting properties.

Assumptions

- A total of 730,300 acres with a combined assessed value of \$635.2 million benefited from the forest and fruit-tree property tax exemption for AY 2014 (FY 2016).
- A total of 829,600 acres with a combined assessed value of \$659.8 million will benefit from the forest and fruit-tree property tax exemption for AY 2022 (FY 2024). The number of

acres in the program increased at an average annual rate of 1.6% while exempt value increased at an average annual rate of 0.5% from AY 2014 through AY 2022.

- Department of Revenue records showing exempt forest and fruit-tree value and acres by property class for each county were utilized, along with the rural average FY 2023 property tax rate by property class and county and AY 2022 rollback percentages by property class, to determine the FY 2023 value of the current property tax exemption in terms of the reduction in property taxes owed by landowners. The FY 2023 property tax reduction calculates to \$12.5 million statewide. The school aid basic property tax levy (\$5.40 per \$1,000 of taxed value) backfilled \$2.6 million of the tax reduction, and the remainder (\$9.9 million) represents reduced local government property tax revenue.
- To calculate the impact of the AY 2024 exemption limitation contained in the Bill, 25.0% of the per-acre productivity value for agricultural property was subtracted from the average per-acre exempt forest and fruit-tree value for each property class for each county. For the AY 2025 (and after) calculation, 50.0% was subtracted. For both calculations, if there was a positive remainder, that remainder was assumed to be the per-acre exemption value for that property class and county that would continue as exempt value under the Bill.
- Assessed property value, rural property tax rates by property class and county, and 2022 rollback percentages by property class were assumed to be constant. No adjustment for annual growth in the amount of assessed value utilizing the forest and fruit-tree exemption was made. Rural average property tax rates have been declining slightly in recent years, and over the past six years, exempt value under the program has increased at an average annual rate of 0.5%. These two recent trends are assumed to offset.
- The calculations completed under the previous three assumption bullets result in a reduction in the statewide value of the forest and fruit-tree exemption to property owners of 42.4% for AY 2024 (FY 2026) and 66.3% for AY 2025 (FY 2027).

Fiscal Impact

The limitations contained in the Bill on the existing forest and fruit-tree property tax exemption are projected to result in the following FY 2026 impacts compared to current law:

- A \$5.3 million increase in property taxes owed on forest and fruit-tree property.
- A \$1.1 million decrease in the State appropriation for school aid.
- A \$4.2 million increase in local property tax revenue.

For FY 2027 and after, the estimated impacts compared to current law are as follows:

- An \$8.3 million increase in property taxes owed on forest and fruit-tree property.
- A \$1.7 million decrease in the State appropriation for school aid.
- A \$6.6 million increase in local property tax revenue.

Sources

Department of Revenue (property exemption, county per-acre agricultural value, and property class rollback reports)

Department of Management (FY 2023 property tax rates)

Legislative Services Agency analysis

/s/ Jennifer Acton

March 15, 2023

Doc ID 1370774

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
