2014 Fall ISAC

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Iowa Department of REVENUE

Today's Discussion

Senate File 295:

- Business Property Tax Credit
- Multi-Residential
- Dual Class

2015 Equalization:

- Sales Lists
- Multi-Residential
- Commercial

Abstract:

- Instructions & Unit Counts

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Business Property Tax Credit

Qualifications

- Classed C/I, Railroad
- ***Excludes:***
  - *Section 42 housing*
  - *Mobile home parks*
  - *Manufactured home communities*
  - *Land-leased community*
  - *Assisted living facilities*
  - *Anything Defined in new 441.21, Subsection 13: property **primarily** used or intended for human habitation containing three or more separate dwelling units.*

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Business Property Tax Credit

426C.1 Definitions

Property Unit

5. "Property unit" means contiguous parcels all of which are located within the same county, with the same property tax classification, are owned by the same person, and are operated by that person for a common use and purpose.

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Business Property Tax Credit

Unit is:

- Within the same county
- Same classification
- Same ownership
- Separate item on tax list
- Operated by that “person” for common use and purpose
- Contiguous parcels:
  - share common boundary
  - within same building or structure, regardless of boundary
  - BLL’s are contiguous as long as the land upon which they sit is contiguous regardless of the land ownership

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Business Property Tax Credit

What is a "Person"? Iowa Code 4.1

- Individual
- Corporation
- Limited liability company
- Government
- Governmental subdivision or agency
- Business trust
- Estate
- Trust
- Partnership or association
- Or any other legal entity

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Business Property Tax Credit

Contiguous

- Units must be contiguous
  - Roads
  - Railroads
  - Alleys
  - Rivers
- Cable TV underground wires
- Cell Towers
- Wind Turbines

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Business Property Tax Credit

Contiguous

- **426C.1 Definitions.**
- For the purposes of this chapter, unless the context otherwise requires:

- "Contiguous parcels" means any of the following:
  - Parcels that share a common boundary.
  - Parcels within the same building or structure regardless of whether the parcels share a common boundary.
  - Permanent improvements to the land that are situated on one or more parcels of land that are assessed and taxed separately from the permanent improvements if the parcels of land upon which the permanent improvements are situated share a common boundary.

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Business Property Tax Credit

Contiguous

I.C.A. 701.80.30(1)

Definitions.

For purposes of this rule, the following definitions shall govern. "Contiguous parcels" means any of the following: Parcels that share a common boundary. There is a rebuttable presumption that parcels separated by a roadway, alley, or waterway do not share a common boundary. The burden of proof shall be upon the property owners to provide evidence or verification that parcels separated by a roadway, alley, or waterway share a common boundary. Parcels owned to the middle of a road, waterway, alley, or railway in fee simple title are considered to share a common boundary.

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Business Property Tax Credit

Contiguous

I.C.A. 701.80.30(1)

Definitions.

Parcels within the same building or structure regardless of whether the parcels share a common boundary.

Permanent improvements to the land that are situated on one or more parcels of land that are assessed and taxed separately from the permanent improvements if the parcels of land upon which the permanent improvements are situated share a common boundary. This arrangement is more commonly referred to as buildings or permanent improvements that are taxed as buildings upon leased land.

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Business Property Tax Credit

Common Use and Purpose

- "Operated by that person for a common use and purpose"
- Owner occupied
- Leased

Classification based on Primary Use

- Must be *primarily* used for commercial, industrial or railroad
- Must be classed the same
- May be vacant land

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Common Use and Purpose

I.C.A 701.80.30(7)

Common use and purpose.

Whether parcels are operated for a common use and purpose depends on all the facts and circumstances of each set of parcels. The following nonexclusive examples illustrate common use and purpose.

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Common Use and Purpose

I.C.A. 701.80.30(7)

Common use and purpose.

Example 1.

ABC Properties is in the business of building, owning, leasing, and managing large retail spaces. ABC builds and owns a large shopping mall that covers contiguous parcels, all of which are located within the same county. Although the retail establishments that lease retail space in the shopping mall offer different products and services, the shopping mall is owned and operated by ABC for the common use and purpose of being a lessor. Thus, the parcels that make up the mall are eligible as a single property unit.

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Common Use and Purpose

I.C.A. 701.80.30(7)

Common use and purpose.

Example 2.

John's LLC owns four commercial parcels located within the same building, and they are, therefore, contiguous as defined in sub-rule 80.30(1). John's owns and operates two parcels as a beauty parlor. John's rents the other two parcels to a bicycle shop. The four parcels, together, do not have a common use and purpose. However, the two parcels used by John's as an owner-operator of the beauty parlor business are operated with the common use and purpose of providing beauty services and are eligible as one property unit. The two parcels that John's rents to the bicycle shop are operated with the common use and purpose of being rented out for profit as a landlord and are eligible as a second property unit.

Business Property Tax Credit

Application process

Assessor

- Initial Application by a Person
- Re-application by the owner
- 426.3 (7) When all or a portion of a parcel or property unit that is allowed a credit under this chapter is sold, transferred, or ownership otherwise changes, the buyer, transferee, or new owner who wishes to receive the credit shall refile the claim for credit. In addition, when a portion of a parcel or property unit that is allowed a credit under this chapter is sold, transferred, or ownership otherwise changes, the owner of the portion of the parcel or property unit for which ownership did not change shall refile the claim for credit.

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Business Property Tax Credit

Application process

Assessor

- Assessor receives applications
- Assessor recommends approval or denial to Auditor – with reasons for denial

Auditor

- Submits listing to County Supervisors for final approval

Board of Supervisors

- Approves or Denies applications
- Denial letters send to those not approved with reason
- If disallowed appeal is to District Court 426C.6
  - 20 days for taxpayer to notify Auditor

Business Property Tax Credit

426C.6 Appeals.

1. If the board of supervisors disallows a claim for credit under section 426C.3, subsection 4, the board of supervisors shall send written notice, by mail, to the claimant at the claimant's last known address. The notice shall state the reasons for disallowing the claim for the credit. The board of supervisors is not required to send notice that a claim for credit is disallowed if the claimant voluntarily withdraws the claim. Any person whose claim is disallowed under the provisions of this chapter may appeal from the action of the board of supervisors to the district court of the county in which the parcel or property unit is located by giving written notice of such appeal to the county auditor within twenty days from the date of mailing of notice of such action by the board of supervisors.

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Business Property Tax Credit

Audit Process

- 426C.7 Audit ——1. If on the audit of a credit provided under this chapter, the director of revenue determines the amount of the credit to have been incorrectly calculated or that the credit is not allowable, the director shall recalculate the credit and notify the claimant and the county auditor of the recalculation or denial and the reasons for it.

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Business Property Tax Credit

Audit Process

- 426C.7 Audit ——The director shall not adjust a credit after three years from October 31 of the year in which the claim for the credit was filed.

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Business Property Tax Credit

Audit Process

- 426C.7 Audit —If the credit has been paid, the director shall give notification to the claimant, the county treasurer, and the applicable assessor of the recalculation or denial of the credit and the county treasurer shall proceed to collect the tax owed in the same manner as other property taxes due and payable are collected, if the parcel or property unit for which the credit was allowed is still owned by the claimant.

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Business Property Tax Credit

Audit Process

- 426C.7 Audit —If the parcel or property unit for which the credit was allowed is not owned by the claimant, the amount may be recovered from the claimant by assessment in the same manner that income taxes are assessed under sections 422.26 and 422.30. The amount of such erroneous credit, when collected, shall be deposited in the fund.

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Business Property Tax Credit

Audit Process

426C.7

2. The claimant or board of supervisors may appeal any decision of the director of revenue to the state board of tax review pursuant to section 421.1, subsection 5. The claimant, the board of supervisors, or the director of revenue may seek judicial review of the action of the state board of tax review in accordance with chapter 17A.

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BPTC Corrections

Corrections Request Actions:

- IDR will review request
  - No Action – letter sent to Auditor and Assessor
  - Recalculation – no change in total credit amount – letter sent to Auditor and Assessor
  - If a review precipitates Audit

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BPTC Corrections

Corrections Request Actions:

- IDR will review request
  - Review precipitates Audit
    - Request for additional information
      - Application
      - Assessor recommendations
      - Board of Supervisors approval/denial

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BPTC Corrections

Corrections Request Actions:

- IDR will review request
  - Review precipitates Audit
    - Request for additional information
      - Audit recalculation results in notification to Board of Supervisors and Claimant with appeal rights
      - No change in calculation results in no notice

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BPTC Corrections

426C.7 2. The claimant or board of supervisors may appeal any decision of the director of revenue to the state board of tax review pursuant to section 421.1, subsection 5.

The claimant, the board of supervisors, or the director of revenue may seek judicial review of the action of the state board of tax review in accordance with chapter17A

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Other BPTC Corrections

- PAAB or District Court Orders
- Wrong Levy Rate
- Wrong Tax District

Multi-Residential

441.21 13. *a.* Beginning with valuations established on or after 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,

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Multi-Residential

441.21 13. *a.* Beginning with valuations established on or after January 1, 2015,

- 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,

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Multi-Residential

c. Accordingly, for parcels that, in part, satisfy the requirements for classification as multi-residential property, the assessor shall assign to that portion of the parcel the classification of multi-residential property and to such other portions of the parcel the property classification for which such other portions qualify.

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Multi-Residential & Dual Classed

- Examples
  - Determine primary use
  - Hotel, Motel, Inn
    - Manager's Apartment
    - Typically rented for more than one month

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2015 Equalization

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2015 Equalization

- Multi-residential – no equalization orders
- Commercial
  - Using 2014 sales and appraisals
  - Counties with appraisals: staff is completing them all
  - Consider 2013 sales if necessary
  - Robert Gloudemans report

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2015 Equalization

- Sales Lists
- SAS and web portal

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Questions?

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