2013 Property Tax Reform

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Iowa Department of REVENUE

2013 Property Tax Reform

- What is the reform?
- Who does it impact?
- When does it happen?
- How does it impact taxpayers & local governments?

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2013 Property Tax Reform

- **What is the reform?**
  - Business Property Tax Credit
  - New rollbacks or assessment limitation & replacement claims
  - Changes to taxable value growth for residential & agricultural property
  - New classification Multi-residential
  - New exemption for telecommunications property

426C.3 426C.9 Business Property Tax Credit

Credit Against Tax

- For commercial, industrial and railroad property *units*

- 2013 Assessment 1st year
  - January 15, 2014 applications due (taxes payable 2014/15)
  - 1st application *a person may apply*
  - Subsequent years: due date March 15th for prior year assessment
  - Classification is based on the assessment year

- *State funded credit*

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426C.3 Business Property Tax Credit

Credit Against Tax

- Once approval granted
  - No reapplication necessary
  - If all or a portion of a unit transfers or other ownership changes occur reapplication is required by the *owner or buyer*
  - Reapplication for the *portion* of the unit that did not change is required also required
  - Units that cease to qualify the owner is required to give notice to the assessor

426C.3 Business Property Tax Credit

- Application process
  - Assessor receives applications and approves or denies
  - Denial must be included and in writing
- Assessor recommends approval to Auditor
- Auditor submits final listing County Supervisors for final approval
  - If disallowed appeal is to District Court 426C.6
  - Written denial to the taxpayer
- Transfer or other ownership changes requires *reapplication by owner*

426C.4 Business Property Tax Credit

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.*

426C.1 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
  - Parcels taxed as buildings on leased land are contiguous as long as the land upon which they sit is contiguous regardless of the land ownership

426C.1 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

426C.1 Business Property Tax Credit

For a Unit:

- Contiguous
  - Roads
  - Alley
  - Railroad
  - Rivers
  - Cable TV Underground wires
  - Cell Towers
  - Wind Turbines
- Classification & Primary Use
  - Must be primarily used for commercial, industrial, railroad
  - Must be classed the same
  - May be vacant land

426C.1 Business Property Tax Credit

What is Common Use and Purpose?

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

426C Business Property Tax Credit

Credit against tax

- Must be on the statement
- Must state it is funded by the state from the Business Property Tax Credit fund

426C.2 & 426C.5 Business Property Tax Credit

How much state funding?

- FY 2014/15: $50 Million
- FY 2015/16: $100 Million
- FY 2016/17: $125 Million
- Capped at: $125 Million

Payment to Counties

- November 15th and March 15th each FY
- Treasurer allocates to taxing districts

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426C.2 Business Property Tax Credit

How is the credit calculated?

- Statewide calculation
  - Qualifying units & applicable valuations
  - Associated consolidated rates
  - Associated average consolidated rates
- Valuation or “initial value” determination that spends 98% of fund balance

426C.2 Business Property Tax Credit

TERMS: A1 or A2 times B = C

C times D = Credit

A1 - "Initial" Amount (amount of valuation *per unit* that spends 98% of fund) OR (lessor of A1 or A2)

A2 - 100% DOM Assessed Value of unit

B - Multiplier (difference in rollbacks)

C - Amount used to calculate the credit/1000 *

D - Average Consolidated Levy Rate (for the unit)

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426C Business Property Tax Credit

What else?

- Notification for corrections to Auditor and Claimant
  - No adjustments after 3 years from October 31st of application year

    Example: File March 15, 2015 (2014 Assessment)

    No adjustments after fall of 2018
- IDR verifies if credit is paid or unpaid
- If property still owned by claimant and credit paid:
  - Treasurer collects
  - Same way property taxes are due and payable
- If property not owned by Claimant
  - IDR pursues collection
  - Same way as income taxes (422.26 & 422.30)

426C Business Property Tax Credit

What else?

- ISAC Working group
  - Auditors
  - Assessors
  - Treasurers
  - ISAC representative
- Rules process for Business Property Tax Credit
  - Filed November 6th, 2013
  - Noticed November 27th, 2013
  - Public Hearing December 17th Wallace Auditorium

426C Business Property Tax Credit

Re-Cap

- Who qualifies?
- When to apply?
- What is a unit?
- Who is a person?
- What is common use and purpose?
- How is it calculated?
- How much is it?

441.21 Property Assessment Limitations

Growth in Taxable Value for - Residential & Agricultural

- Reduced from 4% to 3%
- Continue to be tied together

New Commercial, Industrial, Railroad Rollback or Assessment Limitation

- 95% 2013 Assessment
- 90% 2014 Assessment

441.21A Replacement Claims

Only For Commercial & Industrial Classes

- Payment from State for "replacing the lost tax revenues as a result of the C/I rollback
- 95% rollback or assessment limitation
- 90% rollback or assessment limitation

How much?

- Appropriation covers all claims for FY 2014/2015
- Appropriation covers all claims capped at total amount for FY 2016/2017
- Not subject to uniform reduction
- Prorated if claims exceed FY 2016/2017 appropriation

441.21A Replacement Claims

TIF Districts

- 441.21 Assessed value, actual value, taxable value defined as the same thing
- Rollback is applied to assessed value less any applicable exemptions
- Replacement claim is paid to the base first
- Minimum assessment agreements
  - An assessor is not prohibited from assigning a higher than actual value to the property under 403.6 (19) “b”

441.21A Replacement Claims

Process:

- Auditor prepares statement for claim amount.
  - Submits to IDR in August
  - By taxing district
  - Portion of replacement claims considered property tax for school foundation payments
  - Claims paid in September and March of each fiscal year

441.21 441.21A Rollback & Replacement Claims

Recap:

- What happened to growth limitations for residential & agricultural property?
- Who qualifies for the new rollback or assessment limitation?
- When does it happen?
- How much is funded?
- Is the funding capped?

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441.21 Subdivision 13 Multi-Residential Classification

Beginning 2015 Assessment New Class

- Includes:
  - 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
- Portions of properties less than three units used or intended to be used for human habitation (and a portion of the land) regardless of the number of units and that is not otherwise classed residential

441.21 Subdivision 13 Multi-Residential Classification

Beginning 2015 Assessment New Class

- Excludes:
  - Section 42 housing
  - Hotels
  - Motels
  - Inns
  - Other buildings where rooms or dwelling units are typically rented for less than one month

441.21 Subdivision 13 Multi-Residential

- Multi-residential is to be ***used or intended*** to be used for human habitation
  - Dwelling units:
    - Apartment
    - Group of rooms
    - Single room
    - Occupied as separate living quarters or
    - if vacant, is intended for occupancy as a separate living quarters
    - Where a tenant can live and sleep separately
- That portion of a parcel with one or two dwelling units used for human habitation if on the same parcel with commercial/industrial valuation is classed as multi-residential
- Vacant land used in conjunction with another improved parcel should be classed the same

441.21 Subdivision 13 Multi-Residential

How will this be handled?

- Software will have to accommodate *two classes* on a single parcel
  - 441.21 Subsection 13*c*
  - Commercial and multi-residential on the same parcel
  - Industrial and multi-residential on the same parcel
- Developing rules
  - Equalization procedures
  - Dual classed sales procedures
  - DOV form changes
  - Abstract processing

441.21 Subdivision 13 Multi-Residential

Rollbacks

- 2015 Assessment 86.25%
- 2016 Assessment 82.5%
- 2017 Assessment 78.75%
- 2018 Assessment 75%
- 2019 Assessment 71.25%
- 2020 Assessment 67.5%
- 2021 Assessment 63.75%
- 2022 Assessment = residential rollback

441.21 Subdivision 13 Multi-Residential

Recap

- When does it start?
- What qualifies?
- What is excluded?
- What does it mean for properties that have both commercial and multi-residential use?
- What are the rollbacks that apply?

433.4Telecommunications Exemption

2013 Assessment

- 0-20M value = 20%
- 20M-55M value = 17.5%
- 55M – 500 value = 12.5%
- >500M value = 10%
- * valuation by company

2014 Assessment

- 0-20M value = 40%
- 20M-55M value = 35%
- 55M – 500 value = 25%
- >500M value = 20%

2013 Property Tax Reform

- **What is the reform?**

  Credit, rollback & replacement claim, changes in taxable value growth, new class & telecommunications exemption

- **Who does it impact?**

  Commercial, industrial, railroad, multi-residential property, telecommunications property & local taxpayer**s**

- **When does it happen?**

  Beginning 2013 assessment – taxes due & payable 2014/2015

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2013 Property Tax Reform

- **How does it impact taxpayers?**
  - Taxable value *growth* reductions
    - Residential & agricultural 4% to 3% (as an aggregate class)
  - Taxable Value reductions
    - Commercial, industrial, railroads
    - Multi-residential property starting in 2015
    - Telecommunications (exemption)

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2013 Property Tax Reform

How does it impact local government?

Local Dollars

- Rollback on railroad 100%
- Exemption for telecommunications 100%
- Rollback for Multi-residential 100%
- Rollback on commercial industrial after 3rd year > than replacement claim in year 3 100%
- 1% growth reduction for residential and agricultural classes

2013 Property Tax Reform

What is the state paying?

State Dollars

- Business property tax credit 100%
- Rollback on commercial industrial
  - 1st Year 100%
  - 2nd Year 100%
  - 3rd Year 100%
  - Capped at 3rd year

Questions?

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