

Reported Recommending
Ind. Postponed
Passed House
Failed to Pass House
Passed Senate
Failed to Pass Senate

House File 67

January 21, 1947.
Tax Revision.

By McFARLANE and REDMAN.

A BILL FOR

An Act to amend section four hundred twenty-seven point one (427.1), Code 1946, and providing for the procedure to be followed in claiming of exemptions from taxation by certain societies and organizations.

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

1 Section 1. Section four hundred twenty-seven point one
2 (427.1), Code 1946, is hereby amended by adding the following
3 subsection:
4 "Every society or organization claiming an exemption under
5 the provisions of either subsection six (6) or subsection nine
6 (9) of this section shall file with the assessor not later than
7 February first (1st) of the year for which such exemption is
8 requested, a statement upon forms to be prescribed by state tax
9 commission, describing the nature of the property upon which
10 such exemption is claimed and setting out in detail any uses
11 and income from such property derived from such rentals, leases
12 or other uses of such property not solely for the appropriate
13 objects of such society or organization. The assessor, in
14 arriving at the valuation of any property of such society or
15 organization, shall take into consideration any uses of the
16 property not for the appropriate objects of the organization and

17 shall assess in the same manner as other property, all or any
18 portion of the property involved which is not used solely for
19 the appropriate objects of the organization. In any case
20 where a portion of the property is used regularly for commercial
21 purposes no exemption shall be allowed upon property so used
22 and the exemption granted shall be in the proportion of the
23 value of the property used solely for the appropriate objects
24 of the organization, to the entire value of the property. No
25 exemption shall be granted upon any property upon or in which
26 persistent violations of the laws of the state of Iowa are
27 permitted. Every claimant of an exemption shall, under oath,
28 declare that no such violations will be knowingly permitted or
29 have been permitted on or after January first (1st) of the year
30 for which a tax exemption is requested. Claims for such
31 exemption shall be verified under oath by the president or
32 other responsible heads of the organization.

1 Sec. 2. In any case where no such claim for exemption
2 has been made to the assessor prior to the time his books are
3 completed, such claims may be filed with the local board of
4 review or with the county auditor not later than July first
5 (1st) of the year for which such exemption from taxation is
6 claimed, and a proper assessment shall be made either by the
7 board of review or by the county auditor, if said property is
8 all or in part subject to taxation.

1 Sec. 3. No exemption shall be granted upon any property
2 which is the location of a federal retail liquor sales permit

3 or in which federally licensed devices not lawfully permitted
4 to operate under the laws of the state of Iowa are located.

1 Sec. 4. Any taxpayer or any taxing district may make
2 application to the state tax commission for revocation for any
3 exemption, based upon alleged violations of the provisions of
4 this Act. The tax commission shall also have power on its own
5 motion to set aside any exemption which has been granted upon
6 property for which exemption is claimed under this Act. The
7 tax commission shall give notice by registered mail to the
8 societies or organizations claiming an exemption upon property,
9 exemption of which is questioned before or by the state tax
10 commission, and any order made by the state tax commission
11 revoking or modifying such exemption shall be subject to appeal
12 to the district court having jurisdiction in the county in
13 which such property is located, such appeal to be triable in
14 equity, and to be made within twenty (20) days after any order
15 revoking such exemption is made by the state tax commission.

EXPLANATION OF H. F. 67

The special committee on postwar taxation believes that there has been a widespread abuse of the privilege of tax exemption accorded under the law to many classes of property. It finds that many organizations claiming tax exemption are utilizing tax exempt property for the carrying on of activities which can hardly be considered as among the proposed objects of any society or group claiming a tax exemption on the grounds that they are solely "literary, scientific, charitable, benevolent, agricultural and religious institutions" as provided by law, or claiming exemption as veterans' organizations.

It certainly was not contemplated when the laws providing for exemption of property from taxation were enacted that any organization should be tax exempt upon property not used exclusively by its members for purposes appropriate to the organization. It may also be greatly doubted whether the legislature has intended, at any time, to subsidize any organization or society whose activities are for the major part social in character, and not for the benefit of the public as a whole.

The committee, as stated earlier in its report, believes that there should be further study into the whole question of exemptions, and a more complete consideration of all of the problems involved.

It believes, however, that there should be an immediate drawing of the lines between exemptions upon property which is obviously used for the earning of a profit and those which are not.

In many cases this line is difficult to draw. Many societies and organizations own

property which is used partly for the carrying on of necessary activities of the group, and part of which is leased or operated for profit.

Your committee submits a bill which provides that organizations asking for the exemption of property from taxation shall make a formal request for such exemptions, setting forth the value and nature of property upon which exemption is claimed, and also giving in such detail as may be required the revenues derived from activities of a commercial nature.

The bill also provides for the assessment of any part of such property not used for the appropriate objects of the organization in question.

The bill further requires all organizations claiming an exemption from taxation to specifically declare that no consistent violations of the laws of Iowa shall be permitted on such premises, and that in the absence of such declaration no tax exemption shall be allowed. It also provides that any tax exemption upon any property shall be forfeited if such violations are found to have been permitted.

The committee recognizes that these recommendations are highly controversial. This will be true of any measure which seeks to remove from the long lists of tax exemptions any specific properties.

It does not seem to the committee, however, that there is any justification for permitting the exemption of property of organizations, however meritorious, when such property is operated with a view of financial profit, and it certainly sees no reason for exempting properties in or upon which gambling devices are operated for the gain of the society, or any individual participating in such gains.

Neither does it believe that tax exempt property should be a haven, relatively safe from interference by the law, for violators of Iowa laws relating to the sale or purchase of intoxicating liquors.

The bill as presented will unquestionably result in the restoration to the general property lists of a very large amount of property now considered tax exempt, or assessed very laxly when assessments are made.