

FEB 28 2001  
WAYS AND MEANS

HOUSE FILE 439  
BY RANTS and HOVERSTEN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the assessment for property tax purposes of  
2 certain affordable housing for low-income individuals and  
3 families.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 439

1 Section 1. Section 441.21, subsection 2, Code 2001, is  
2 amended to read as follows:

3 2. In the event market value of the property being  
4 assessed cannot be readily established in the foregoing  
5 manner, then the assessor may determine the value of the  
6 property using the other uniform and recognized appraisal  
7 methods including its productive and earning capacity, if any,  
8 industrial conditions, its cost, physical and functional  
9 depreciation and obsolescence and replacement cost, and all  
10 other factors which would assist in determining the fair and  
11 reasonable market value of the property but the actual value  
12 shall not be determined by use of only one such factor. The  
13 following shall not be taken into consideration: Special  
14 value or use value of the property to its present owner, and  
15 the good will or value of a business which uses the property  
16 as distinguished from the value of the property as property.  
17 However, in assessing property that is rented or leased to  
18 low-income individuals and families as authorized by section  
19 42 of the Internal Revenue Code, as amended, and which section  
20 limits the amount that the individual or family pays for the  
21 rental or lease of units in the property, the assessor shall  
22 use the productive and earning capacity method of appraisal  
23 and shall take into account the extent to which that use and  
24 limitation reduces the market value of the property. The  
25 assessor shall not take into account any tax credits or other  
26 subsidized financing provided in relation to the property in  
27 determining the assessed value. Upon adoption of uniform  
28 rules by the revenue department or succeeding authority  
29 covering assessments and valuations of such properties, said  
30 valuation on such properties shall be determined in accordance  
31 therewith for assessment purposes to assure uniformity, but  
32 such rules shall not be inconsistent with or change the  
33 foregoing means of determining the actual, market, taxable and  
34 assessed values.

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EXPLANATION

1 This bill provides that property, which is rented or leased  
2 to low-income individuals and families for use as habitation  
3 as authorized by a federal tax credit provision that limits  
4 the amount of rent or lease payments required, shall be valued  
5 on its earning capacity and its restricted use in arriving at  
6 market value for purposes of property tax assessments. The  
7 fact that tax credits or other subsidized financing is  
8 provided in relation to such property is not to be taken into  
9 account in determining assessed value.

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**HOUSE FILE 439  
FISCAL NOTE**

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A fiscal note for **House File 439** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 439 provides that property which is rented or leased to low income families for use as habitation under a governmental contract for affordable housing, be valued on its earning capacity and its restricted uses in arriving at a market value for purposes of property tax assessments.

**ASSUMPTIONS**

1. Assumes there are approximately 350 properties statewide that would qualify for the property assessment reduction. However, the estimate further assumes that 65.0% of these properties are already assessed under the requirements of HF 439.
2. It is estimated that the average assessed value for each of these properties is approximately \$625,000 for a statewide total of eligible properties of approximately \$77.0 million in FY 2002.
3. The estimated reduction in property valuation is between 10.0% - 40.0%.
4. Assumes a 4.5% increase in property valuation between FY 2002 and FY 2003.
5. The statewide average for the Consolidated Levy is approximately \$32.00 per \$1,000 of property valuation. Estimates are based on this dollar amount. However, any taxing authority that is at their maximum rate may have a reduction in property tax revenue.
6. School districts that are at the maximums for the Physical Plant and Equipment Levy (PEEL), Public Education and Recreation Levy (Playground Levy), and the School House Levy are estimated to lose approximately \$1.00 per \$1,000 of valuation.
7. Estimates are based on statewide assumptions and the impact may not be evenly distributed throughout the State.

**FISCAL IMPACT**

In FY 2002, using a 10.0% reduction in property valuation for the qualifying projects, the increase in State aid for allowable growth due to the decrease received from the Uniform Levy would be approximately \$42,000. The estimated revenue lost to school districts would be approximately \$8,000. The estimated shift to other classes of property in statewide property taxes would be approximately \$246,000.

In FY 2002, using a 40.0% reduction in property valuation for the qualifying

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projects, the increase in State aid for allowable growth due to the decrease received from the Uniform Levy would be approximately \$166,000. The estimated revenue lost to school districts would be approximately \$31,000. The estimated shift to other classes of property in statewide property taxes would be approximately \$1.0 million.

In FY 2003, using a 10.0% reduction in property valuation for the qualifying projects, the increase in State aid for allowable growth due to the decrease received from the Uniform Levy would be approximately \$43,000. The estimated revenue lost to school districts would be approximately \$8,000. The estimated shift to other classes of property in statewide property taxes would be approximately \$257,000.

In FY 2003, using a 40.0% reduction in property valuation for the qualifying projects, the increase in State aid for allowable growth due to the decrease received from the Uniform Levy would be approximately \$174,000. The estimated revenue lost to school districts would be approximately \$32,000. The estimated shift to other classes of property in statewide property taxes would be approximately \$1.0 million.

**SOURCES**

Iowa Finance Authority  
Department of Management

(LSB 2689hh.2, AAW)

FILED APRIL 17, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR