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SSB-1258

Ways & Means

SENATE FILE O'HF 519  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON MCKIBBEN)

Passed Senate, Date \_\_\_\_\_ Passed House, 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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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 from the actual rents  
23 received as a method of appraisal and shall take into account  
24 the extent to which that use and limitation reduces the market  
25 value of the property. The assessor shall not consider any  
26 tax credit equity or other subsidized financing as income  
27 provided to the property in determining the assessed value.  
28 Upon adoption of uniform rules by the revenue department or  
29 succeeding authority covering assessments and valuations of  
30 such properties, said valuation on such properties shall be  
31 determined in accordance therewith for assessment purposes to  
32 assure uniformity, but such rules shall not be inconsistent  
33 with or change the foregoing means of determining the actual,  
34 market, taxable and assessed values.

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EXPLANATION

1258

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 actual earning capacity, based upon the actual rents  
6 received, and its restricted use in arriving at market value  
7 for purposes of property tax assessments. The fact that tax  
8 credit equity or other subsidized financing is provided in  
9 relation to such property is not to be taken into account as  
10 income in determining assessed value.

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H-Way & Means 4-17-01  
A-4/19/01 Do Pass

FILED APR 11 2001

SENATE FILE 519  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1258)

Passed Senate, Date (P. 1149) 4-17-01 Passed House, Date (P. 1403) 4/25/01  
Vote: Ayes 50 Nays 0 Vote: Ayes 62 Nays 34  
Approved May 7, 2001

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SF 519

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**SENATE FILE 519  
FISCAL NOTE**

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A fiscal note for **Senate File 519** 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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Senate File 519 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 SF 519.
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 (PPEL), 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 3559sv, SLS)

FILED APRIL 18, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 519

AN ACT

RELATING TO THE ASSESSMENT FOR PROPERTY TAX PURPOSES OF  
CERTAIN AFFORDABLE HOUSING FOR LOW-INCOME INDIVIDUALS  
AND FAMILIES.

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

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

2. In the event market value of the property being assessed cannot be readily established in the foregoing manner, then the assessor may determine the value of the property using the other uniform and recognized appraisal methods including its productive and earning capacity, if any, industrial conditions, its cost, physical and functional depreciation and obsolescence and replacement cost, and all other factors which would assist in determining the fair and reasonable market value of the property but the actual value shall not be determined by use of only one such factor. The following shall not be taken into consideration: Special value or use value of the property to its present owner, and the good will or value of a business which uses the property as distinguished from the value of the property as property. However, in assessing property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, as amended, and which section limits the amount that the individual or family pays for the rental or lease of units in the property, the assessor shall use the productive and earning capacity from the actual rents received as a method of appraisal and shall take into account the extent to which that use and limitation reduces the market value of the property. The assessor shall not consider any tax credit equity or other subsidized financing as income

provided to the property in determining the assessed value. Upon adoption of uniform rules by the revenue department or succeeding authority covering assessments and valuations of such properties, said valuation on such properties shall be determined in accordance therewith for assessment purposes to assure uniformity, but such rules shall not be inconsistent with or change the foregoing means of determining the actual, market, taxable and assessed values.

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MARY E. KRAMER  
President of the Senate

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BRENT SIEGRIST  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 519, Seventy-ninth General Assembly.

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MICHAEL E. MARSHALL  
Secretary of the Senate

Approved May 7, 2001

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THOMAS J. VILSACK  
Governor