

2013 Property Tax Reform



**JULIE G. ROISEN, PROPERTY TAX DIVISION
ADMINISTRATOR
IOWA DEPARTMENT OF REVENUE**

**IOWA STATE ASSOCIATION
OF
COUNTY AUDITORS
AUGUST 1ST, 2013**

426C Business Property Tax Credit



- **What is it?**
 - Credit against tax based on value for C/I, RR classed property units
 - Beginning taxes due and payable 2014/2015
 - ✦ 1st year applications due January 15, 2014
 - ✦ Subsequent years applications due March 15th preceding fiscal year for taxes due and payable that fiscal year
 - ✦ Example March 15th 2015 application for taxes due fall 15/spring 16
- **How does it work?**
 - Calculation statewide based on qualifying units and their applicable valuations and associated consolidated rates and average consolidated rates which will spend 98% of the fund balance.

426C.1 & 426C.4 Business Property Tax Credit



- **What is a unit and who can qualify?**
 - Classed C/I, RR (class must be the same for unit)
 - Parcels within the same building regardless of contiguity
 - Unit is comprised of contiguous parcels:
 - ✦ share common boundary;
 - ✦ within same building or structure (regardless of common boundary)
 - Same ownership
 - Operated by that “person” for common use and purpose
 - Parcel is separate item on tax list or that portion classed C/I, RR
 - *Excludes: Section 42 housing, anything that will be classed in the new multi-residential class: mobile home parks, manufactured home communities, land-leased community, assisted living facilities, or defined in 441.21 Subsection 13 property primarily used or intended for human habitation containing three or more separate dwelling units*

426C.1 & 426C.4 Business Property Tax Credit



- How is the unit going to be identified?
 - Through application process and Assessor approval
 - Through use of mapping functions
- Discussion of “person” and what does this mean?
 - Legal definition
 - Legislative intent
 - Rules: ISAC working group assist in this process

426C.3 Business Property Tax Credit



- **Who takes the applications?**
 - Assessor approves and provides to the Auditor
 - Auditor provides to the Board of Supervisors for their approval
- **How is the application process going to work?**
 - Approved applications will have to be noted and recorded within CAMA (?) and tax systems for applicable FY taxes (beginning 2014/2015)
 - Standardized Unit numbering system for entire state
 - ✦ County-Year Ap-Unit #-Number parcels in unit-sequence of parcel
 - ✦ Example:
 - 77-2014-1000-0010-0001
 - 77-2014-1000-0010-0002
 - 77-2014-1000-0010-0003

426C.3 Business Property Tax Credit



- **Who is going to calculate this credit?**
 - All parcels classed C/I, RR will be reported to IDR
 - ✦ Not just units
 - All consolidated rates (effective June 30th) reported from DOM to IDR
 - IDR will calculate:
 - ✦ Amount of qualifying valuation
 - ✦ Average consolidated rate per unit
 - ✦ Initial amount of valuation for credit
 - ✦ Credit per unit
 - ✦ Credit per parcel
- **How will I explain this to taxpayers?**
 - Example slide

426C.2 Business Property Tax Credit



- How does the calculation work?
 - 2 things:
 - *qualifying valuation*
 - *“initial amount of valuation”*
 - Lessor of these 2
 - *
 - ✦ assessment limitation difference between commercial and residential
 - *
 - average consolidated rate for unit = credit amount
- How is the department going to calculate this?
 - All qualifying units and
 - All qualifying parcels
 - Critical to have parcels and associated information to get to the taxable value including the unit identifier files by *June 30th* of each year

426.3 Sub. 5 Example Calculation Individual Credit

- One Unit

- Step 1

- Parcels Rates Tax

- 1 = 10,000 30 \$300

- 2 = 50,000 35 \$1,750

- 3 = 25,000 40 \$1,000

- Total = 85,000 \$3,050

- Step 2

- $85,000 * (C/I .95 - Res .55)$

- $85,000 * .40 = 34,000$
*qualifying amount of
assessed value*

- ✦ Compare to

- *20,000 IDR calculated
“initial amount statewide*

- Step 3

- ✦ *20,000 valuation < 34,000*

426.3 Sub. 5 Example Calculation Individual Credit

- Step 4
- 20,000 initial valuation (which was the lessor)
 - * assessment limitation difference (.95-.55)
- $20,000 * .40 = 800$
Credit Amount
- One Unit
 - # 1 Tax 300 9.8%
 - # 2 Tax 1,750 57.4%
 - # 3 Tax 1,000 32.8%
 - Total Tax \$3,050 100%

- Step 5 Distribute Credit
- To the parcels within the One Unit
 - # 1 $9.8\% * 800 = 78.40$
 - # 2 $57.4\% * 800 = 459.20$
 - # 3 $32.8\% * 800 = 262.40$

426C.4 Business Property Tax Credit



- 426C.4 sub. 2 Initial Valuation Calculation:
 - Using average consolidated rate for the unit
 - ✦ Times
 - Assessed valued of the unit (less any exemptions)
 - ✦ Aggregate all qualifying units valuation for the state determine what amount of assessed value (less any exemptions) will spend 98% of the monies in the fund
 - This becomes the “initial amount of value”
 - Compare by unit the “initial amount of value” to the qualifying amount by unit
 - ✦ The lessor of the initial amount or qualifying valuation

426C.2 Business Property Tax Credit



- When do I have to send information to the Department?
 - June 30th 2014 1st year and then each subsequent year
- What information do I need to send to the Department?
 - Standardized formats for data file must include:
 - Parcels, or other unique numbering schema, unit identifier and other relevant data that is being confirmed with the ISAC working group and the Department

426C.2 Business Property Tax Credit



- How am I going to get the information back from the Department?
 - Standardized import file based on the unit unique identifiers as well as unique identifiers initially provided to IDR from the county
 - The file will include the credit amounts per parcel & per unit
- How long will this take?
 - *If data is received by June 30th*
 - Minimum of 2 weeks expected for IDR calculations and reporting back to the counties

426C2 Business Property Tax Credit



- Does this credit have to show on the tax statement?
 - Yes – the statement must indicate this credit has been paid from the state business property tax fund
- What can I do to make sure I get the information back from the Department as soon as possible so my tax statements can be out on time?
 - Provide data to IDR by June 30th of each year
 - Based on standardized format
 - *Including the Unit Identifier*

426C Business Property Tax Credit



- What happens if I don't get my information to the Department by June 30th?
 - Department cannot accurately calculate the “initial amount”
 - Credits won't be calculated for your county
 - “Initial amount” may be overstated
 - Checking with legal staff
- How am I going to handle splits and combinations of the parcels that have the credit?
 - Splits and combines will have to stop from the time the file is sent to IDR = because we will report back on the parcels you sent
 - The Unit number will have to track with the new parcels for the applicable tax year or until a new application is received

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



- Is this credit reimbursed by the state?
 - Yes
- How much state reimbursement is it and when do I get paid?
 - FY 2014/15 \$50 Million
 - FY 2015/16 \$100 Million
 - FY 2016/17 \$125 Million
 - Capped at \$125 Million

 - Payments November 15th and March 15th of each fiscal year
 - Allocations to taxing districts paid by Auditor after the payments from the Department

426C.7 Business Property Tax Credit



- What happens if a parcel that has the credit changes value or needs a correction for some reason?
 - Audits and corrections require Department to recalculate and notify claimant and County Auditor
 - No adjustments after 3 years from October 31st of the year application filed
 - Example:
 - ✦ Filing March 15th 2015
 - ✦ No adjustments after fall of 2018
- Where does the money come from for these corrections?
 - The 2% of retained monies from the fund

426C.7 Business Property Tax Credit



- How does the correction process work for the credits?
 - Department notifies Auditor & Claimant of correction
 - Department verifies if credit is paid or unpaid
- If property is still owned by Claimant and credit has been paid:
 - Department notifies Claimant; Assessor and Treasurer
 - Treasurer shall proceed in same manner of collection as other property taxes are due and payable
- If NOT owned by Claimant:
 - Department shall pursue collection through same manner as income taxes 422.26 & 422.30
- Monies collected shall be deposited in the fund

441.21 Property Assessment Limitations



- What are the new assessment limitation and allowable growth figures?
 - Residential & Agricultural assessment allowable growth is reduced from 4% to 3%
 - Continue to be tied together
 - Commercial, Industrial, Railroad Rollback or Assessment Limitation
 - ✦ 95% 2013 Assessment Rollback
 - ✦ 90% 2014 Assessment Rollback

441.21A Replacement Claims



- **What is a property tax replacement claim?**
 - Payment from the State for “replacing the lost tax revenues as a result of the C/I rollback – *only for commercial and industrial property classes*
 - 95% rollback or assessment limitation
 - 90% rollback or assessment limitation
- **How much is it?**
 - Appropriation to cover all claims for FY 2014/2015
 - Appropriation to cover all claims capped at total amount for FY 2016/2017
 - Not subject to uniform reduction
 - Prorated if claims exceed the FY 2016/2017 appropriation
- **When do I get the money?**
 - Claims paid in September and March of each fiscal year

441.21A Replacement Claims



- How is this calculated?
- Assessed values (less exemptions)
 - Times
- 100% - Assessment Limitation (95% or 90%)
 - Times (5% or 10%)
- Consolidated rates applicable to parcels classed commercial and industrial
- Example:
 - \$100,000 assessed value (less exemptions) * 5% (1st year) * consolidated rate (35/1000) = \$175.00 replacement claim

441.21A Replacement Claims



- Assessor reports valuations to Auditor
- Auditor prepares statement by taxing district for claim amount
- The Department has the data file of all parcels for the business property tax credit and therefore will calculate this amount and verify it against the claimed amount and report to DOM
- Portion of replacement claims is considered property tax for the school foundation payments (*contact Lisa Oakley for calculations and explanation*)

441.21 Subdivision 13 Multi-Residential Classification



- **What is this?**
 - New classification for properties greater than three units primarily used for human habitation and portions of properties less than three units that are used for human habitation (regardless of if primarily used for human habitation)
 - 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
- **When does it start?**
 - 2015 Assessment taxes payable 2016/2017

441.21 Subsection 13 Multi-Residential



- **How will this be handled?**
 - New classification created within software systems
 - A parcel may have two classifications – software will have to accommodate 2 classes on a single parcel
- **How will equalization be impacted?**
 - Developing rules will work with ISAA working group
- **How will the abstract be impacted?**
 - Abstract will have to accommodate a new classification for multi-residential

Multi-Residential



- What are the rollbacks for this class?
 - 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

433.4 Telecommunications Exemption



2013 Assessment

- 0-20M value = 20%
- 20M-55M value = 17.5%
- 55M – 500 value = 12.5%
- >500M value = 10%

2014 Assessment

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

433.4 Telecommunications Exemption



- **How will this be reported to the Auditors?**
 - Certification will now include the exempted amount by company for each county, the number of line miles and the rate per line miles similar to the assessed value by line miles for each county.
- **How will this show on the tax statement?**
 - Code is not specific in this regard

Questions?



- **Contact:**
 - Julie G. Roisen, Iowa Department of Revenue
 - ✦ Julie.roisen@iowa.gov
 - Roland Simmons, Iowa Department of Revenue
 - ✦ Roland.simmons@iowa.gov
 - Susan Chambers, Iowa Department of Revenue
 - ✦ Susan.chambers@iowa.gov
 - Cary Halfpop, Iowa Department of Revenue
 - ✦ Cary.halfpop@iowa.gov