

REAL TALK



FROM THE POLK COUNTY ASSESSOR

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FALL 2013

THE NEW PROPERTY TAX REFORMS AND WHAT THEY MEAN FOR YOU

In June, Governor Branstad signed several major property tax reforms into law. In fact, the changes have been described as the largest property tax cut in Iowa history.

Here's more about the changes and what they'll mean for property owners.

1. BUSINESS PROPERTY TAX CREDIT

Starting July 1, 2014, a new tax credit will be available for most commercial, industrial and railway property owners. Section 42 properties, apartments, assisted living facilities, mobile home parks, manufactured home communities and land-leased communities are not eligible for the credit.

IF YOU OWN BUSINESS PROPERTY YOU CAN APPLY FOR THE CREDIT. FOR JAN. 1, 2013 ASSESSMENTS, THE DEADLINE TO APPLY IS JAN. 15, 2014. AFTER THAT, THE FILING DEADLINE WILL BE MARCH 15 EACH YEAR.

Legislators have appropriated \$50 million to a new tax credit fund for 2014. In July 2015, \$100 million will be appropriated and in July 2016 and ongoing, the amount will increase to \$125 million annually.

What This Means To You

If you own business property you can apply for the credit. For Jan. 1, 2013 assessments, the deadline to apply is Jan. 15, 2014. After that, the filing deadline will be March 15 each year.

If you plan to apply, the application forms will be available from the Polk County Assessor's Office later this fall.

One credit will be allowed per commercial property unit owned by the same person and used for same purpose. For example, Southridge consists of 20 parcels, but they're all used for the same purpose so the property would be eligible for one tax credit. If you have questions about eligibility for properties you own, you can direct them to our office or to the Department of Revenue's website.

Once your application for a credit is approved, you'll receive the credit for future years automatically — as long as the property remains classified as commercial, industrial or railroad property.

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However, if a property is sold/divided or consolidated, the owner(s) will need to reapply for the credit.

Each year the allocated funds will be disbursed among all the qualifying property owners who apply for a credit.

2. ROLLBACKS

Another reform will roll back the amount of commercial property that's taxed. For the assessment year beginning Jan. 1, 2013, commercial and industrial property will be taxed at 95 percent of actual value. Then, beginning Jan. 1, 2014 and ongoing, properties will be taxed at 90 percent of actual value.

What This Means To Property Owners And Local Governments

According to the Legislative Services Agency, the tax credits and rollbacks will reduce property taxes statewide by an estimated \$3.87 billion over 10 years for property owners — a nice benefit.

However, many communities are likely to feel the pinch on local services due to the tax reductions. To help offset the effect of these revenue losses, legislators provided for a standing appropriation to local governments that will cover about \$3.13 billion of the lost revenue, resulting in a projected revenue reduction of \$740 million over the next 10 years in communities across the state.

3. LOWERING THE CAP ON TAXABLE VALUATION GROWTH

Another aspect of the tax reforms involves reducing the amount that residential and agricultural property taxable valuations can grow annually. Previously, aggregate taxable valuations for residential and agricultural property were

limited to an overall increase of 4 percent statewide. The limit is now 3 percent, which is effective for valuations as of Jan. 1, 2013.

4. NEW MULTI-RESIDENTIAL PROPERTY CLASSIFICATION

In 2015, assessors will begin using a new property classification known as multi-residential.

Properties that will be classified as multi-residential include apartments, mobile home parks, manufactured home communities, land-leased communities and assisted living facilities.

Currently, these types of properties are classified as commercial. As a result of the change in classification, property owners will see their taxable valuations gradually reduced by the rollback over the next 10 years. Beginning in 2022, the rollback for multi-residential property will be the same as for residential property.

The changes will also allow for some properties to have a dual classification starting in 2015. So for anyone who has a property used for multi-residential purposes and for commercial, industrial, residential or agricultural purposes, property taxes will be based on valuations allotted to the different uses and to the different rollback percentages that apply to each use, instead of applying the commercial rollback for the entire property, helping to reduce the total amount of taxes.

Finally, changes were made that affected the Property Assessment Appeal Board and the process for making an appeal. See page four to learn more.

IN 2015, ASSESSORS WILL BEGIN USING A NEW PROPERTY CLASSIFICATION KNOWN AS MULTI-RESIDENTIAL.

PROPERTIES THAT WILL BE CLASSIFIED AS MULTI-RESIDENTIAL INCLUDE APARTMENTS, MOBILE HOME PARKS, MANUFACTURED HOME COMMUNITIES, LAND-LEASED COMMUNITIES AND ASSISTED LIVING FACILITIES.

AGRICULTURAL PROPERTY ASSESSMENT CHANGES

In the Fall 2012 edition of *RealTalk*, we covered the work of the Agricultural Adjustment Committee.

The role of this committee was to review practices for making adjustments to the productivity values of certain agricultural lands to provide more consistency statewide for the assessments for non-tillable lands.

Committee members made a recommendation last October that was enacted by the Iowa legislature in July of this year.

The new rule requires assessors to adjust non-cropland acres. The adjustment shall be applied to non-cropland with a Corn Suitability Rating (CSR) that is greater than 50 percent of the average CSR for cropland for the county.

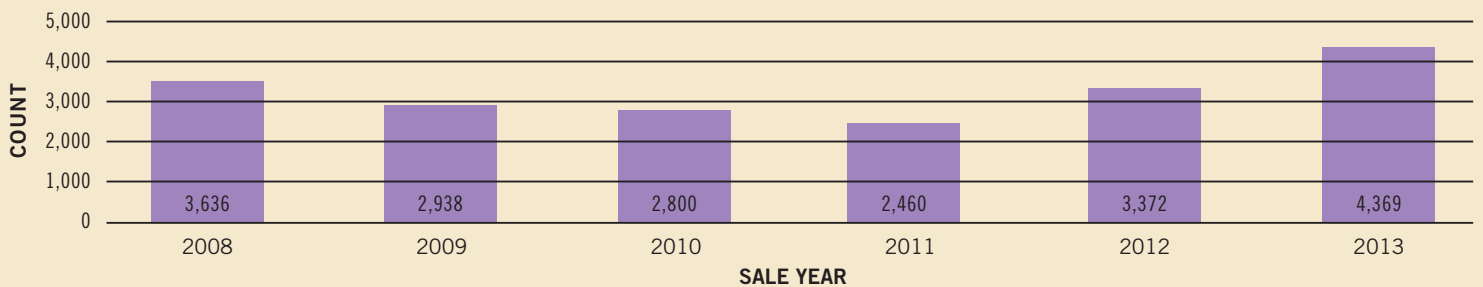
The rule requires assessors to implement the adjustments for their entire jurisdiction by the 2017 assessment or the 2019 assessment in the case of a hardship. Some counties will be implementing these new changes in 2014. However, other counties may not be able to implement the new changes until later due to limited budgets to support the necessary

technology and software. Taxpayers in those jurisdictions can still receive an adjustment on their non-cropland acres in the interim period by filing an application for adjustment with their assessor. If you're a farmer, you're encouraged to contact your county assessor for more information.

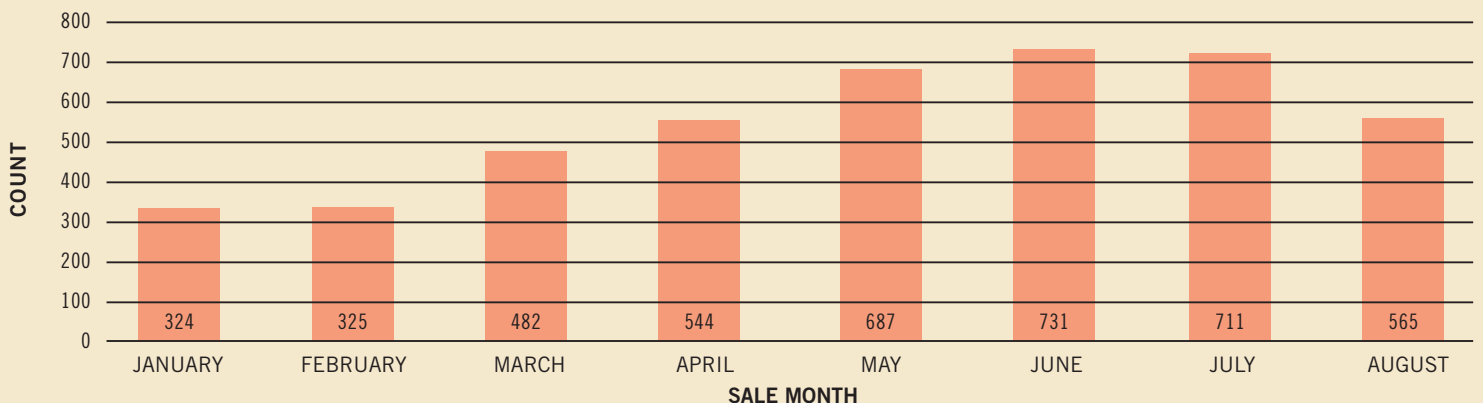
WHAT THIS MEANS TO FARMERS

Polk County has incorporated agricultural adjustments for years and will be implementing the new changes for 2014, replacing all adjustments used in the past (no application for adjustment will be necessary). The result will be some non-cropland will actually see an increase since the adjustments used in the past are more liberal than the new adjustments. For example, a 79-acre farm in Washington Township is currently receiving a reduction of \$20,000 off of the assessment to account for 25 acres being fallow land. Under the new rule, the non-cropland adjustment would only be \$15,000, so the net result when implementing the new rule would be an increase of \$5,000 in the assessment.

NUMBER OF SALES BY YEAR (THROUGH AUGUST)



NUMBER OF SALES BY MONTH — 2013



Home sales in 2013 are trending nicely, with numbers surpassing or nearly surpassing sales for the past five years in nearly every month. Sales this summer saw a considerable jump compared to previous years.

GENERAL ASSEMBLY APPROVES CHANGES FOR PAAB AND THE APPEAL PROCESS

In the winter 2013 edition of *RealTalk*, we discussed the Iowa Property Assessment Appeal Board (PAAB) and the review it would undergo by the Iowa General Assembly this year. As a result of the legislative review, several changes were implemented that affect PAAB and the appeal process.

PAAB was first established in 2007 to provide a consistent, fair and equitable property assessment appeal process for parties who aren't satisfied with local Board of Review decisions, and as a less expensive alternative to District Court.

When creating PAAB, Iowa legislators provided that a Legislative PAAB Review Committee would meet in 2012 to evaluate the PAAB and make recommendations to the 2013 General Assembly.

RECOMMENDED CHANGES

In preparation for the PAAB review, the Iowa State Association of Assessors proposed several recommendations to help improve the effectiveness of PAAB. More information about these recommendations is available in the winter 2013 edition of *RealTalk*.

One recommendation from the Iowa State Association of Assessors was that all three members of the board be certified real property appraisers or hold a professional real property appraisal designation, and that at least one member of the board be a certified general real property appraiser.

The requirements adopted by the Iowa General Assembly now require two members of the board to be certified real property appraisers (previous law only required one member with these certifications). The requirement to have one member be a professional with experience in the field of accounting or finance and with experience in state and local taxation matters was dropped.

Going forward, salaries of the members will be set by the governor — within a range set by the Iowa General Assembly. Previously, members' salaries were set equivalent to that of a district court judge.

OTHER CHANGES

Other changes approved include:

1. Timing for reporting changes: Assessors must communicate any valuation changes to property owners by April 1 instead of April 15. This change was made to give people more time for the appeal process.

2. Requesting informal reviews: Property owners can request an informal review with an assessor from April 1–May 4. The assessor can then make a recommendation to the Board of Review. *The downside of this change is that any changes after April 1 must go to the Board of Review. If the deadline for informal reviews had been changed to March 1, changes from the informal process could have been made by the assessor before a mailing instead of forcing an appeal with the Board of Review.*

3. Filing protests: The window for filing protests is now April 7–May 5. This provides an additional week for property owners to make an appeal. The changes also clarified the grounds on which you can protest an assessment.

4. Filing electronically: Beginning Jan. 1, 2014, the Board of Review may allow protests to be filed electronically with no signature required. The Polk County Assessor's Office would like to see signatures be required to help minimize fictitious protests.

If you have a question about the requirements for appeals, please check with your local Board of Review.

The Iowa General Assembly extended the sunset for PAAB for five years.

QUESTIONS?

We hope you've found this issue of *RealTalk* to be informative. We'd like to know what you think. For more information on any of these topics, please contact us. We want to be your resource for property assessment issues.

Previous issues of *RealTalk* are archived on the Polk County Assessor's website at www.assess.co.polk.ia.us.

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