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HOUSE REPUBLICAN STAFF ANALYSIS

Bill: House File 655
Committee: Commerce/Ways and Means
Floor Manager: Representative Chuck Soderberg
Date: July 14, 2011
Staff: Brad Trow (1-3471)/Dustin Blythe (1-3452)

Property Tax Treatment of Undeveloped, Platted Land

Under current Iowa law, counties can enact ordinances that allow property, which has been subdivided but undeveloped, to be assessed at its pre-platted rate. Depending on the size of the county, this rate is allowed for either three or five years.

House File 655 eliminates the difference between small and large population counties and the limitation on how long the pre-platted rate can apply. Under the bill, the rate would not change until a permanent structure was built upon the property. House File 655 also changes the current law by applying this to not only residential subdivisions, but also industrial and commercial.

Summary of Action

Commerce Committee Action – The Commerce Committee **PASSED** House File 655 on a vote of 23-0 on March 3, 2011.

Ways and Means Committee Action - The Ways and Means Committee **PASSED** House File 655 on a vote of 20-0 on March 22, 2011.

House Action – The House **ADOPTED** House File 655 on a vote of 83-13 on March 30, 2011.

Senate Action – House File 655 was **ASSIGNED** to the Senate Ways and Means Committee.

Section by Section Analysis

Section 1 –The section amends Iowa Code section 405.1. Currently, the section gives counties the power to enact an ordinance that would allow subdivided property to continue to be assessed at the rate it was before it was acquired for sub-development. For counties with a population of 20,000 or less, the extension is for five years. For a county with 20,000 or more residents, the extension is for three years.

Section 1 changes this by eliminating the two-tiered system, and instead, allows any county to enact an ordinance which would maintain the undeveloped tax rate until the property is improved with a residential structure.

Section 2 – The section amends Iowa Code section 441.72, which deals with the assessment of platted lands. Section 2 takes out the language that limits the extension of the pre-development assessment to three years. Instead, the extension is changed to when the lot is improved with a permanent structure. The section also changes section 441.72 by extending the application of this provision to also include residential, industrial, and commercial lots.

Section 3 – EFFECTIVE UPON ENACTMENT AND APPLICABILITY – The section makes the bill effective upon enactment, and is applied to subdivision plats recorded after January 1, 2004. The bill is retroactively applied to assessment years beginning on or after January 1, 2011.