

#16e

WOODBURY COUNTY BOARD OF SUPERVISORS AGENDA ITEM(S) REQUEST FORM

Date: 3/31/16

Weekly Agenda Date: 4/5/16

DEPARTMENT HEAD / CITIZEN: David Gleiser – Rural Economic Development Director

SUBJECT: Discussion on Iowa Code 427B

ACTION REQUIRED:

Approve Ordinance

Approve Resolution

Approve Motion

Give Direction

Other: Informational

Attachments

WORDING FOR AGENDA ITEM: Discussion on Iowa Code 427B.1-7

EXECUTIVE SUMMARY: The Rural Economic Development (RED) Director presents Iowa Code 427B.1-7 as an informational item. The Director will discuss the benefits of adopting an ordinance to provide a partial tax exemption for new construction of industrial real estate, research-service facilities, warehouses, distribution centers and the acquisition of or improvement to machinery and equipment assessed as real estate, as well as a partial exemption from property taxation of the actual value added to owner-operated cattle facilities, including small or medium sized feedlots but not including slaughter facilities, either by new construction or by the retrofitting of existing facilities.

BACKGROUND: Most cities and counties in Iowa have adopted ordinances for Iowa Code 427B. The RED Director has consulted with the County Assessor, Finance Controller, Bonding Counsel, and The Siouxland Initiative on this matter, all of whom spoke in favor of an ordinance adoption.

FINANCIAL IMPACT: 0

RECOMMENDATION: Consider adopting an ordinance for partial tax exemptions per Iowa Code 427B.

ACTION REQUIRED: None.

Approved by Board of Supervisors March 3, 2015.

427B.1 ACTUAL VALUE ADDED EXEMPTION FROM TAX --

PUBLIC HEARING.

A city council, or a county board of supervisors as authorized by section 427B.2, may provide by ordinance for a partial exemption from property taxation of the actual value added to industrial real estate by the new construction of industrial real estate, research-service facilities, warehouses, distribution centers and the acquisition of or improvement to machinery and equipment assessed as real estate pursuant to section 427A.1, subsection 1, paragraph "e". "New construction" means new buildings and structures and includes new buildings and structures which are constructed as additions to existing buildings and structures. "New construction" does not include reconstruction of an existing building or structure which does not constitute complete replacement of an existing building or structure or refitting of an existing building or structure, unless the reconstruction of an existing building or structure is required due to economic obsolescence and the reconstruction is necessary to implement recognized industry standards for the manufacturing and processing of specific products and the reconstruction is required for the owner of the building or structure to continue to competitively manufacture or process those products which determination shall receive prior approval from the city council of the city or the board of supervisors of the county upon the recommendation of the Iowa department of economic development. The exemption shall also apply to new machinery and equipment assessed as real estate pursuant to section 427A.1, subsection 1, paragraph "e", unless the machinery or equipment is part of the normal replacement or operating process to maintain or expand the existing operational status. "Research-service facilities" means a building or group of buildings devoted primarily to research and development activities, including, but not limited to, the design and production or manufacture of prototype products for experimental use, and corporate-research services which do not have a primary purpose of providing on-site services to the public. "Warehouse" means a building or structure used as a public warehouse for the storage of goods pursuant to chapter 554, article 7, except that it does not mean a building or structure used primarily to store raw agricultural products or from which goods are sold at retail. "Distribution center" means a building or structure used primarily for the storage of goods which are intended for subsequent shipment to retail outlets. "Distribution center" does not mean a building or structure used primarily to store raw agricultural products, used primarily by a manufacturer to store goods to be used in the manufacturing process, used primarily for the storage of petroleum products, or used for the retail sale of goods.

The ordinance may be enacted not less than thirty days after a public hearing is held in accordance with section 335.6 in the case of a county, or section 362.3 in the case of a city. The ordinance shall designate the length of time the partial exemption shall be available and may provide for an exemption schedule in lieu of that provided in section 427B.3. However, an alternative exemption schedule adopted shall not provide for a larger tax exemption in a particular year than is provided for that year in the schedule contained in section 427B.3.

Section History: Early Form

[C81, § 427B.1; 82 Acts, ch 1104, § 20]

Section History: Recent Form

84 Acts, ch 1232, § 2; 85 Acts, ch 232, §1
Referred to in § 364.19, 427.1(27c, 27d), 427B.2, 427B.3, 427B.4,
427B.5, 427B.7, 427B.17
Contracts with city or county for services; see § 364.19

427B.2 ZONING UNDER CHAPTER 335.

1. The board of supervisors of a county which has appointed a county zoning commission and provided for county zoning under chapter 335 may provide for a partial exemption from property taxation of the actual value added to industrial real estate as provided under section 427B.1.

2. The board of supervisors of a county which has not appointed a zoning commission may provide for a partial exemption from property taxation of the actual value added to industrial real estate as provided under section 427B.1 in the following areas:

a. Outside the incorporated limits of a city to which a city has extended its zoning ordinance pursuant to section 414.23 which complies with the city's zoning ordinance.

b. Outside the incorporated limits of a city which has adopted a zoning ordinance but which has not extended the ordinance to the area permitted under section 414.23 if the property would be within the area to which a city may extend a zoning ordinance pursuant to section 414.23.

c. Outside the incorporated limits of a city which has not adopted a zoning ordinance but which would be within the area to which a city may extend a zoning ordinance pursuant to section 414.23.

3. The board of supervisors of a county which has not appointed a zoning commission may provide for a partial exemption from property taxation of the actual value added to industrial real estate as provided under section 427B.1 in an area where the partial exemption could not otherwise be granted under this chapter where the actual value added is to industrial real estate existing on July 1, 1979.

4. To grant an exemption under the provisions of this section, the county board of supervisors shall comply with all of the requirements imposed by this chapter upon the city council of a city.

Section History: Early Form

[C81, § 427B.2; 82 Acts, ch 1104, § 21--23]

Section History: Recent Form

2009 Acts, ch 41, §255
Referred to in § 427B.1, 427B.7, 427B.17

427B.3 PERIOD OF PARTIAL EXEMPTION.

The actual value added to industrial real estate for the reasons specified in section 427B.1 is eligible to receive a partial

exemption from taxation for a period of five years. However, if property ceases to be classified as industrial real estate or ceases to be used as a warehouse or distribution center, the partial exemption for the value added shall not be allowed for subsequent assessment years. "Actual value added" as used in this chapter means the actual value added as of the first year for which the exemption is received, except that actual value added by improvements to machinery and equipment means the actual value as determined by the assessor as of January 1 of each year for which the exemption is received. The amount of actual value added which is eligible to be exempt from taxation shall be as follows:

1. For the first year, seventy-five percent.
2. For the second year, sixty percent.
3. For the third year, forty-five percent.
4. For the fourth year, thirty percent.
5. For the fifth year, fifteen percent.

This schedule shall be followed unless an alternative schedule is adopted by the city council of a city or the board of supervisors of a county in accordance with section 427B.1.

However, the granting of the exemption under this section for new construction constituting complete replacement of an existing building or structure shall not result in the assessed value of the industrial real estate being reduced below the assessed value of the industrial real estate before the start of the new construction added.

Section History: Early Form

[C81, § 427B.3]

Section History: Recent Form

84 Acts, ch 1232, § 3
Referred to in § 427B.1, 427B.7, 427B.17

427B.4 APPLICATION FOR EXEMPTION BY PROPERTY OWNER.

An application shall be filed for each project resulting in actual value added for which an exemption is claimed. The application for exemption shall be filed by the owner of the property with the local assessor by February 1 of the assessment year in which the value added is first assessed for taxation. Applications for exemption shall be made on forms prescribed by the director of revenue and shall contain information pertaining to the nature of the improvement, its cost, and other information deemed necessary by the director of revenue.

A person may submit a proposal to the city council of the city or the board of supervisors of a county to receive prior approval for eligibility for a tax exemption on new construction. The city council or the board of supervisors, by ordinance, may give its prior approval of a tax exemption for new construction if the new construction is in conformance with the zoning plans for the city or county. The prior approval shall also be subject to the hearing requirements of section 427B.1. Prior approval does not entitle the owner to exemption from taxation until the new construction has been

completed and found to be qualified real estate. However, if the tax exemption for new construction is not approved, the person may submit an amended proposal to the city council or board of supervisors to approve or reject.

Section History: Early Form

[C81, § 427B.4; 82 Acts, ch 1104, § 24]

Section History: Recent Form

2000 Acts, ch 1058, §40; 2003 Acts, ch 145, §286
Referred to in § 427.1(27d), 427B.7, 427B.17

427B.5 EXEMPTION MAY BE REPEALED.

When in the opinion of the city council or the county board of supervisors continuation of the exemption granted by this chapter ceases to be of benefit to the city or county, the city council or the county board of supervisors may repeal the ordinance authorized by section 427B.1, but all existing exemptions shall continue until their expiration.

Section History: Early Form

[C81, § 427B.5]
Referred to in § 427B.17

427B.6 DUAL EXEMPTIONS PROHIBITED.

A property tax exemption under this chapter shall not be granted if the property for which the exemption is claimed has received any other property tax exemption authorized by law.

Section History: Early Form

[C81, § 427B.6]
Referred to in § 427B.17

**427B.7 ACTUAL VALUE ADDED EXEMPTION FROM TAX --
CATTLE FACILITIES.**

A city council, or a county board of supervisors as authorized by section 427B.2, may, by ordinance as provided in section 427B.1, establish a partial exemption from property taxation of the actual value added to owner-operated cattle facilities, including small or medium sized feedlots but not including slaughter facilities, either by new construction or by the retrofitting of existing facilities. The application for the exemption shall be filed pursuant to section 427B.4. The actual value added to owner-operated cattle facilities, as specified in section 427B.1, is eligible to receive a partial exemption from taxation for a period of five years. The amount of actual value added which is eligible to be exempt from taxation is the same as provided in the exemption schedule in section 427B.3.

Section History: Recent Form

87 Acts, ch 169, §10