

EXAMPLE SCHEDULES

OPTION 1 3-YEAR ABATEMENT

Year	% Of New Taxes Abated
Year 1	100%
Year 2	100%
Year 3	100%

OPTION 2 5-YEAR ABATEMENT

Year 1	80%
Year 2	60%
Year 3	50%
Year 4	35%
Year 5	20%

OPTION 3 10-YEAR ABATEMENT

Year 1	80%
Year 2	70%
Year 3	60%
Year 4	50%
Year 5	40%
Year 6	40%
Year 7	30%
Year 8	30%
Year 9	20%
Year 10	20%

STARTING YOUR OWN PROGRAM

The professional staff at the Regional Planning Commission are available to help you get started on a tax abatement plan that fits your community's needs. The process for completing an urban revitalization plan takes approximately 3-6 months. Please contact us for more information.



**Planning For
Better Communities**

Area 15 Regional Planning Commission

224 East Second Street
PO Box 1110
Ottumwa, IA 52501
Phone: 641.684.6551
Fax: 641.684.4894
Email: info@area15rpc.com
Web: www.area15rpc.com

Funded in part from the U.S. Department of Commerce
Economic Development Administration and
Iowa Department of Economic Development

Updated: 08.20.2013

Area 15 Regional Planning Commission

TAX ABATEMENT PROGRAMS

A tool for economic development.



Tel: 641.684.6551

INTRODUCTION

Cities and Counties have the opportunity to establish urban revitalization districts for the purposes of providing tax abatement for residential, commercial, and industrial real estate improvements. The reason for abating these taxes is to encourage owners to build housing units, re-invest in business and upgrade industrial facilities. As the program works, the City/County and all its residents will benefit due to an increased population and tax base.

QUESTIONS & ANSWERS

What is Tax Abatement?

It is a reduction in the property taxes that would otherwise be payable on the actual value added to a property due to a qualified improvement. The reduction only applies to the additional taxes resulting from the increase in assessed value of the property due to the improvement. Under urban revitalization, the taxes relating to the assessed value of the property prior to the improvement may not be reduced and will continue unabated.

What is a “Qualified Improvement?”

Improvements that qualify for tax abatement are commercial, industrial, and/or residential properties. Improvements include new construction, rehabilitation of existing structures by at least 15%, and acquisition of new equipment assessed as industrial; industrial equipment purchased as part of normal replacement is not eligible.

What is considered “Residential Property?”

All properties that are assessed as residential, such as single family homes, duplexes, and condominiums. Also, commercially assessed properties consisting of 3 or more separate living units and with at least 75% of the space used for residential purposes (apartment buildings) are considered residential properties and are eligible for tax abatement.

What is considered “Industrial Property”

All properties assessed as industrial are eligible for tax abatement. Eligible improvements may include new construction and rehabilitation by at least 15%. Also eligible is acquisition of or improvement to machinery and equipment purchased that is not part of the normal replacement or operating process.

What are other requirements to qualify for Tax Abatement?

A tax abatement application form must be completed

and submitted for city council or board of supervisors to obtain initial approval. Final approval is given by the county assessor. Assessed valuation of the property must increase at least 15% after the improvements are made.

Improvements must conform with zoning ordinances and all other applicable codes. Building permits may be necessary where required.

What is the earliest date for which improvements can qualify?

Anyone who obtains a building permit after the date of enactment of the tax abatement plan is eligible to apply for tax abatement. Building permits are generally required for new construction and for additions onto existing structures. Improvements which usually do not require a building permit, such as rehabilitation of the exterior or interior without increasing the square footage of the structure, must have begun on or after tax abatement enactment. For purposes of defining when work begins, one of the following actions occurs:

- A) the first placement of permanent construction materials which are to become physical portion of the rehabilitation or new structure, or
- B) the first alteration of any wall, ceiling, floor or other structural part of the existing building