



Residential Tax Abatement

What is "Tax Abatement"?

It is a temporary reduction in property taxes that are otherwise payable on the actual value added to a residential property due to a qualified improvement.

Tax abatement is legally known as "Urban Revitalization" (Chapter 404 of the Iowa Code). Des Moines has adopted urban revitalization plans to permit tax abatement for qualified real estate improvements in designated areas.

What is a "qualified improvement"?

"Qualified improvements" are new construction, rehabilitation and additions that meet the other requirement described below.

Are there other requirements for residential tax abatement?

General other requirements to qualify for residential tax abatement, include:

- increase the assessed value of residentially assessed property by 5%;
- conform with the City's Zoning Ordinance;
- conform with all other applicable codes, rules and regulations;
- a building permit is needed for most improvements that increase your value.

Contact the Permit & Development Center at 515-283-4200 to find out if you need a permit.

What does "residentially assessed" mean?

Single-family, duplex and residential condominiums units.

Does an apartment building (which is assessed as 'commercial') qualify?

An apartment building qualifies if it consists of 3 or more separate living units with at least 75% of the space used for residential purposes.

What kind of "improvements" increase the assessed value?

New construction, additions, major rehabilitation and remodeling improvements generally increase the assessed value.

Repairs generally do not increase the assessed value unless several major repairs are completed at the same time. For specific information, contact the Polk County Assessor's Office at 515-286-3014.

Does \$1 spent on work = \$1 of increased assessed value?

One dollar spent is not necessarily equal to one dollar of increased value. Contact the Polk County Assessor's Office at 286-3014 for more information.

What areas of Des Moines qualify for residential tax abatement?

Most areas of Des Moines qualify. Check with the Permit and Development Center to see if your project is in an urban revitalization area.

How long is tax abatement available?

Until December 31, 2011.

Will the abated taxes accumulate and surprise me when the abatement period ends?

NO! The taxes resulting from the improvements do not exist under tax abatement until the tax abatement runs out. WHEN the abatement EXPIRES, you have to pay the current taxes on the improvements..

Is money available to make improvements?

Not as part of tax abatement. The City has several loan programs for persons who qualify: contact Neighborhood Services Division at 515-283-4182.

Which tax abatement schedule should I choose?

It depends on the situation and the individual needs as determined by the individual but here are some tips:

- If the improvement is less than \$20,000, choose Schedule 1.
- New home in most areas of Des Moines, select Schedule 4B.
- Apartment and residential owners with major improvements:
 - o Schedule 4A if improvements are in a targeted residential area.
 - o Otherwise, select Schedule 4B (100% tax abatement for 5 years) or Schedule 2 (declining tax abatement over 10 years).

If qualified improvements are made, how do I get tax abatement?

The property owner must file an application with City prior to the 1st working day of February following the year when the improvements are completed.

The City encourages filing applications as soon as the project is completed. Filing earlier avoids missing the February deadline.

How do you apply?

Complete the tax abatement application. It takes about 5 minutes to complete the application.

Applications are available at:

- <http://www.dmgov.org/Departments/CommunityDevelopment/PDF/TaxAbatementForm.pdf>
- Permit and Development Center at 602 Robert Ray Dr.

Who applies?

The property owner. Even if as a lessee, you are doing the improvements and your lease agreement has you paying the taxes, have the property owner apply. The tax abatement will be included as part of the property's tax record for the term of the abatement.

How often do I need to apply?

Each year you make qualifying improvements to the property even if the improvements may not be completed that year. If no further improvements are made, the initial application is sufficient.

Why would an application be denied?

- The assessed value is not increased by at least 5%.
- The improvement is not in conformance with City codes and regulations.
- The application was submitted after the filing deadline.
- The improvement is not in a designated area.

If I do interior improvements, will the Assessor need to see them?

Yes ! The assessor needs to verify and assess the improvements before the abatement is granted.

Can property taxes be eliminated using tax abatement?

NO! There will always be some taxes on property. The abatement applies to your improvement only.

Will my taxes increase if I use tax abatement?

It is possible your taxes will increase over time because of reassessments, special assessments for sidewalks, sewer, or streets, and/or the tax formula components change with a change such as millage rates or rollback values.

If I think my assessment is too high, what can I do?

You may appeal the assessment to the Polk County Assessor at 515-286-3014.

Why did the City Council designate the most of the City for tax abatement?

The City Council adopted tax abatement to encourage new construction and housing rehabilitation because much of Des Moines’ housing stock was built before 1940.

Do I have to make improvements?

The program is voluntary. If you do not want to make improvements, then the tax abatement program will not affect you.

Residential Tax Abatement Schedules

Notes:

1. Residential tax abatement is available for commercially-assessed property if 75% or more of the space is used for residential.
2. Once the schedule is approved, it cannot be changed.
3. Improvements must qualify with zoning, building and fire codes and be on public sewer.

Abatement Schedule #	Must increase building assess. at least 5% Amount eligible for abatement	How much of improvement’s value is abated?
1 for residential improvements only	Up to \$20,000	115% for 10 years
2 new construction & major improvements	No limit	1st year : 80% 2nd year : 70% 3rd year : 60% 4th year : 50% 5th & 6th yrs: 40% 7th & 8th yrs: 30% 9th & 10th yrs: 20%
4A new construction & major improvements in area generally located in the downtown and near downtown	No limit	100% for 10 years
4B new construction & major improvements elsewhere in Des Moines	No limit	100% for 5 years