



[HF 668](#) – Child Care Facilities, Property Tax (LSB2193HV)
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Fiscal Note Version – New

Description

[House File 668](#) lowers the percentage of commercial child care facility assessed value that is subject to property taxation (taxable) by applying the residential rollback percentage to the entire value of the center or facility that is used for child care. The change takes effect upon enactment and applies to property taxes due in the fall of 2024 and the spring of 2025 (FY 2025).

Background

Under current law, the residential rollback (54.6501% for FY 2024) is applied to the initial \$150,000 of taxed value of a commercial child care facility and the commercial rollback (90.0000% for FY 2024) is applied to any value above \$150,000.

Iowa Code section [237A.1](#) defines “child care facility”, “child care center”, and “child development home” as follows:

- Child Care Facility — A child care center, preschool, or a registered child development home.
- Child Care Center — A facility providing child care or preschool services for seven or more children, except when the facility is registered as a child development home.
- Child Development Home — A person or program registered under Iowa Code section [237A.3A](#) that may provide child care to seven or more children at any one time.

Assumptions

- The Department of Revenue (Department) estimates that there are 1,500 commercial child care facilities in the State currently subject to property tax. Fifteen percent of the 1,500 (225 facilities) are assumed to already be classified and taxed as residential properties.
- Through a review of property records, the Department estimates that the average assessed value of commercial child care facilities that are not currently classified as residential property is \$675,000 for FY 2024.
- The mix of property values within the assumed \$675,000 average is not known. For this estimate, it is assumed that all child care facilities are valued over \$150,000.
- The FY 2024 average commercial child care property value is assumed to increase each year by the statewide average revaluation of commercial properties from assessment year 2017 through assessment year 2022 (2.3%).
- The 54.6501% FY 2024 residential rollback is assumed for FY 2025 and after.
- The statewide average commercial property tax rate for FY 2023 is \$36.30 per \$1,000 of taxed value. That rate is assumed for future years. The average rate includes the basic school levy of \$5.40. Law changes that lower the taxable value of property by operation of the State school aid formula automatically increase the State General Fund appropriation for State school aid by \$5.40 per \$1,000 of value exempted.
- The State General Fund appropriation to local governments that backfills a portion of the rollback for commercial, industrial, and railroad property is not impacted by this Bill.

Fiscal Impact

The changes to the taxable value of child care facilities will reduce the property taxes owed by facility owners beginning with FY 2025. The reduction is estimated to be \$8.8 million. The property tax reduction will result in an estimated increase of \$1.3 million in the State General Fund appropriation for school aid and an estimated decrease in local government property tax revenue of \$7.5 million. The appropriation increase and property tax revenue decrease will continue in future fiscal years, inflating by an estimated 3.0% per year.

Sources

Department of Revenue
Department of Management property tax value and rate files
Legislative Services Agency analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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