Purpose and Summary

Pursuant to Executive Order 10, the Authority proposes to adopt a new Chapter 418. The chapter will replace 223—Chapter 47, which was adopted by the State Historic Preservation Office (Office) prior to its alignment with the Authority in 2023 Iowa Acts, Senate File 514. 223—Chapter 47 is proposed to be rescinded as part of a concurrent rulemaking (**RA 26-174**, IAB 7/22/26).

The new chapter describes the responsibilities and policies of the State Historic Preservation Officer (SHPO) and staff of the Office relating to the historic property rehabilitation tax exemption available pursuant to Iowa Code section 427.16.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Applicants for and recipients of tax exemptions will bear the costs of the proposed rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Applicants for and recipients of tax exemptions will benefit from the proposed rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Entities applying for tax exemptions may require staff time to complete an application. Some applicants and recipients may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary depending on the compensation of staff or service providers involved.

- **Qualitative description of impact:**

Only entities and individuals that will potentially benefit from the tax exemption incur any costs. The costs to the State to administer the program are proportional to the activities incented.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Staff time is required to review and prepare applications for approval and communicate with applicants and recipients.

- **Anticipated effect on State revenues:**

This rulemaking does not have an impact on State revenues.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

The costs associated with the rulemaking are necessary for the administration of the tax exemption.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Authority has not identified any less costly methods or less intrusive methods for administering the tax exemption.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.

- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking impacts only small businesses seeking tax exemptions. The requirements are no more stringent than necessary to implement the purposes of the exemption. The rulemaking does not establish schedules or deadlines for small businesses. The rulemaking does not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Adopt the following **new** 261—Chapter 418:

CHAPTER 418

HISTORIC PROPERTY REHABILITATION TAX EXEMPTION

261—418.1(15,427) Definitions. For purposes of this chapter, unless the context otherwise requires:

"Adjusted basis" means the same as defined in Iowa Code section 427.16.

"Application for exemption" means the application for a property tax exemption filed with the applicable assessor pursuant to Iowa Code section 427.16.

"Authority" means the economic development authority created in Iowa Code section 15.105.

"Certification" means confirmation, following completion of an entire project, that substantial rehabilitation work for a historic property meets the federal standards.

"Exemption" means the temporary release from the increase in valuation due to certified substantial rehabilitation of a historic property contemplated by Iowa Code section 427.16.

"Federal standards" means the U.S. Secretary of the Interior's standards for rehabilitation set forth in 36 CFR 67.7.

"Historic property" means the same as defined in Iowa Code section 427.16(7).

"Part 1 application" means an application submitted to the authority to determine whether a property is a historic property.

"Part 2 application" means an application submitted to the authority to determine whether the proposed rehabilitation work for a historic property meets federal standards.

"Part 3 application" means an application submitted to the authority to determine whether the rehabilitation work for a historic property has been completed in accordance with the federal standards and that the expenditure constitutes a certified substantial rehabilitation.

"Property owner" means an individual or corporation that is the owner of real estate for taxation purposes.

"State historic preservation officer" or *"SHPO"* means the officer appointed and certified pursuant to Iowa Code section 15.121.

"Substantial rehabilitation" means the same as defined in Iowa Code section 427.16(8).

261—418.2(15,427) Program administration. Boards of supervisors administer historic property tax exemptions pursuant to Iowa Code section 427.16. The SHPO approves certifications for inclusion with an exemption application pursuant to this chapter.

261—418.3(15,427) Eligibility.

418.3(1) A property owner may apply for certification.

418.3(2) The SHPO will not approve a certification for a condominium.

261—418.4(15,427) Certification procedure.

418.4(1) All applications for certification shall be on such forms and in accordance with such instructions as may be established by the SHPO. Online applications and instructions may be obtained by visiting the authority's website. An application shall not be considered submitted for review until the application is complete and all required supporting documentation and information are provided.

418.4(2) Applications for certification shall provide historical, architectural and financial information and plans, photographs and maps as required on the application forms.

a. Part 1 applications establish the significance of the property as a historic property. Photographs shall show the pre-rehabilitation condition of the property, including the interior and exterior, before any work or new construction begins.

b. Part 2 applications detail the existing conditions and the proposed rehabilitation workplan. Photographs shall show specific areas of work and both the interior and exterior conditions prior to the start of work. Photographs shall show the pre-rehabilitation condition of the property, including the interior and exterior, before any work or new construction begins.

c. Part 3 applications document the completed work. Photographs shall show specific areas where work has been completed and both the overall interior and exterior conditions after the completion of work. Part 3 applications shall include sufficient documentation to allow SHPO staff to determine whether the property has undergone a substantial rehabilitation. Such documentation may include but is not limited to a letter from the applicable county assessor establishing the taxpayer's adjusted basis or verification of qualified expenditures by a certified public accountant authorized to practice in this state.

d. Applicants are strongly encouraged to obtain approvals on parts 1 and 2 of the application prior to the start of work to prevent delays in approval of certification or denials caused by rehabilitation work that is not completed in accordance with the federal standards. Applicants shall file completed part 3 applications with the authority on or before December 31 of the year the substantial rehabilitation is completed.

418.4(3) All applications will be reviewed by the SHPO within 30 days of receipt of a complete application. If the application is incomplete when submitted or if the SHPO requests additional information, the 30-day review period will restart when the SHPO receives the requested information.

418.4(4) Any modification to the original rehabilitation proposal following approval of a part 2 application requires that an applicant amend the part 2 application to request review of the modification. Amendments to the part 2 application may result in rescission of approval if the SHPO determines that the work does not meet the federal standards or does not otherwise comply with the requirements of the exemption. Amendments to the part 2 application will not be accepted after the authority has approved the part 3 application. Work completed after approval of certification may be reviewed pursuant to rule 261—418.6(15,427).

418.4(5) Materials submitted to the authority will not be returned.

418.4(6) The process of application for certification pursuant to this chapter does not substitute for any other reviews or applications that may be required of property owners.

418.4(7) Inquiries concerning information required, historic property eligibility, and review criteria should be addressed to the authority.

261—418.5(15,427) Review and approval standards for applications for certification.

418.5(1) Project certification shall be based on the federal standards.

418.5(2) The standards apply to interior and exterior work. All reviews shall consider the entire rehabilitation project, including any new construction on site, rather than only a limited segment of the project. Certification shall be based on conformity of the total project to the standards.

418.5(3) If required documentation is incomplete and the review and evaluation cannot be completed following a request for additional information and if no response is provided within one year, the application may be considered abandoned or, if applicable, the requested certification denied. The applicant shall be notified by the authority.

418.5(4) If the SHPO approves certification, the applicant shall be notified in writing.

261—418.6(15,427) Revocation of certification. The SHPO may revoke certification of a historic property if, during the period of the exemption, work is completed for the historic property that does not meet the federal standards. Proposed work for the historic property following approval of certification should be reviewed by the SHPO to ensure continued certification.

261—418.7(15,427) Application for exemption. Application for exemption forms may be obtained from the office of the appropriate assessor or board of supervisors and submitted as directed in Iowa Code section 427.16.

261—418.8(15,427) Appeals. Decisions made by the authority may be appealed pursuant to Iowa Code chapter 17A.

261—418.9(15,427) References. All references to the Code of Federal Regulations are to the laws as in effect on [effective date of this rulemaking].

These rules are intended to implement Iowa Code sections 15.121 and 427.16.