

# Classification of Property

The five classifications are residential, commercial, multi-residential (new 1-1 2015), industrial and agricultural. Please click [this link](#) to the Iowa Administrative Code for the classification of properties.

With the exception of agricultural land and outbuildings and qualifying Section 42 facilities, all properties are assessed at 100% of their market value (willing buyer - willing seller concept please see Chapter 441.21 - Code of Iowa). Dwellings and associated structures located on agricultural parcels are also assessed at 100% of market value.

The agricultural land and all agricultural outbuildings (i.e. barns, loafing sheds, confinements) are assessed based on their productivity value. This productivity value is based upon a five-year average of income, less expenses, capitalized at a statutory level. You should remember that this valuation approach includes the land and outbuildings as a single value unit. Soil types, slopes, erosion factors and physical land characteristics also contribute to the valuation equation.

Our underlying principle for classifying properties is based upon the primary use as of January 1st. A property could be zoned commercial, but if it is a single family residence or duplex, we will classify it at residential. If the land is vacant and there is no use of the property we will give zoning more weight for classification.

Here are some simple classification rules:

- With only two exceptions (Multi-Residential & Dwelling on Agricultural parcel) we assign only one assessment classification to a parcel, if there are multiple uses, the primary use is typically the guiding force
- The use of the property on January 1st determines the classification
- *Industrial*: a facility that adds value to or changes the form of a raw material
- Not a service or custom industry (i.e. machine shop, custom cabinet shop)
- *Commercial*: property used for income; classic definition
- *Multi-Residential*: possibility of dual classification
- *Residential*: one or two living units

- *Agricultural*: parcels used primarily in good faith for agricultural purposes - please see below for the Cedar Rapids City Assessor's test to determine if a property should be classified agricultural.

## **CEDAR RAPIDS CITY ASSESSOR**

### **AGRICULTURAL CLASSIFICATION TEST**

As revised January 17, 2003

In many areas of the State, the difference between the value of good farm ground and other uses is often marginal. With the growth potential and the need to acquire land for major development projects, large tracts of land in Cedar Rapids may sell for hundreds of thousands of dollars. Because of the wide separation between the market value and agricultural assessment levels, many property owners have sought to retain their agricultural classification for assessment purposes. With taxes running at less than \$30.00 per acre, the land has a virtual exemption, until such time as the owner chooses to pursue development or sale. If the agricultural classification can be retained during this holding period, the owner is also allowed to defer the special assessments for street improvements.

### **IOWA ADMINISTRATIVE CODE (SECTION 701) REFERENCES**

71.1(3) Agricultural real estate. Agricultural real estate shall include all tracts of land and the improvements and structures located on them which are in good faith used primarily for agricultural purposes except buildings which are primarily used or intended for human habitation as defined in subrule 71.1(4). Land and the nonresidential improvements and structures located on it shall be considered to be used primarily for agricultural purposes if its principal use is devoted to the raising and harvesting of crops or forest or fruit trees, the rearing, feeding, and management of livestock, or horticulture, all for intended profit. Agricultural real estate shall also include woodland, wasteland, and pastureland, but only if that land is held or operated in conjunction with agricultural real estate as defined in this subrule.

Good faith use of the property for agricultural purposes must be shown by the property owner to be granted an agricultural classification. Because of the wide variation in values, an agricultural classification should be viewed in the same manner as if it were an agricultural exemption. To insure a proper review of the use, the following three steps shall be utilized prior to placing a property into the agricultural class.

## Step # 1

1. Does the operation produce farm products as described in 352.2.7 Code of Iowa?
  - 7. "Farm products" means those plants and animals and their products which are useful to people and includes but is not limited to forages and sod crops, grains and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, vegetables, flowers, seeds, grasses, trees, fish, honey, and other similar products, or any other plant, animal, or plant or animal product which supplies people with food, feed, fiber, or fur.
2. Are the land, buildings, and machinery used in the commercial production of farm products? (active continuous use of the land and buildings to produce and sell farm products)
3. Do the livestock meet the definition of 267.1.2 or 717.1.2 Code of Iowa,
  - (267.1.2. "Livestock" means swine, sheep, poultry, cattle, ostriches, rheas, or emus 717.1.2. "Livestock" means an animal belonging to the bovine, caprine, equine, ovine, or porcine species, ostriches, rheas, emus; farm deer, as defined in section 481A.1; or poultry.)
  - **or**  
clearly fall within the production of farm products in 352.2.7 Code of Iowa? (Livestock raised for food, feed, fiber, or fur)

Unless these questions can be answered in the affirmative, there is no need for further review. The property can not be classified as agricultural.

## Step # 2

This step is possibly the most difficult test, that of good faith use.

- Is the owner regularly and actively engaged in the production of farm products for intended profit, as defined in 352.2.7 Code of Iowa? (owner or assigned agent)

personally involved in the decisions and seeking to maximize income and yields from the property through the production of farm products)

- Is the primarily use of the property for the production of farm products? (farm activities will not be incidental to the other uses of the property)

Unless the questions for step 2 can be answered in the affirmative, the property can not be classified as agricultural.

## **Step # 3**

An additional, more in depth test of good faith, is the following:

- Has the property been rezoned or platted at the owner's request? (Determine the current zoning, and if possible, the approximate date of the change)
- Is the property currently listed for sale for commercial, industrial, or residential development? (Reasonable care must be used to determine the existence of a listing. If there is reason to believe that the property is listed for sale, this may also require contacting the property owner or a listing agent for verification. If listed, when is possession offered? Any offer to sell for alternative uses that does not contain provisions to allow for the harvesting of any existing crop is not in good faith used for agricultural purposes.)
- Has a minimum of one lot been sold or split from the main parcel for non-agricultural uses in the past two years?

Answering yes to any one of these questions would not disqualify a property from being considered agricultural. If two out of the prior three questions can be answered in the affirmative, the property should not be classified as agricultural.

Unless the property can successfully pass all three steps, the property does not appear to meet the basic requirements for classification as agricultural property. As with any guide, it is intended to cover the vast majority of the properties. There may be situations or circumstances that are not totally covered by this guide, and as such must be individually reviewed by the assessor. Any exceptions to this guide must be considered and decided on a case by case basis. The basis for any exceptions shall be explained and added as addenda to this guide.

*[Due to a lack of clear definition and guidelines for agricultural classification, the agricultural and farm definitions have been used from other sections of the Code of Iowa. To avoid the confusion that exists between the various Code sections, the more detailed and lenient sections have been utilized to develop this agricultural classification guide. Guidelines discussed in the November 2002 Supreme Court ruling of "Colvin vs. Story County 653 NW 2nd 345" involved 1) set off for development 2) zoning 3) offered for sale and how viewed by market-place 4) conformity 5] income and sources 6) highest and best use. If it is determined that the property is not used for agricultural purposes, the appraiser must determine the actual market value of the property based upon the assigned classification.]*