



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 02-23-04

Communication

No.: 04-078

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Larry Hulse
Community Development Director

SUBJECT—

Submittal of Tax Abatement Application for 3212 Forest Avenue, Sigma Chi Fraternity. The applicant delayed filing the application and has requested the tax abatement be applied retroactively to apply to the taxes due in the 2003/04 fiscal year.

SYNOPSIS—

The application for this new fraternity house was not filed on time by the old accountant for the fraternity. He did not realize he had not filed the application for abatement since he received no tax bills for the property while he was doing the accounting work for the fraternity. The new accountant realized that abatement had not been filed when the taxes for the property came due. The taxes on the new building are causing cash flow problems for the fraternity and they would like to have the abatement made retroactive to the taxes due in the 2003/04 fiscal year.

FISCAL IMPACT—

Taxes are generated in the first year from the land value, but the improvement value will be forthcoming when the new valuation comes on the tax rolls after abatement ends.

RECOMMENDATION—

Approval

BACKGROUND—

Applications for tax abatement must be filed by the first working day in February for work completed in the prior calendar year to have the tax abatement applied to the initial taxes on the

improvement. Iowa law allows a two-year grace period within which to file the tax abatement application before any of the scheduled duration of the tax abatement is lost. However, taxes that are levied before the application is filed must still be timely paid.

In this case the Sigma Chi Fraternity filed the application within the two year grace period, but after the taxes became payable for the 2003/04 fiscal year. Unless the tax abatement is applied retroactively, the fraternity must pay the taxes due in the 2003/04 fiscal year and the abatement will be applied to future years. The City Council can only ask the County Assessor to consider making the abatement retroactive. The Assessor has no legal obligation to apply the tax abatement retroactively.

In this case, an individual forgot to file the abatement application and it wasn't caught until a tax bill was sent to the fraternity for full value of the new building on the property.