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 requirements 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 classified property by 5%;
- Conform with the City’s Zoning Ordinance;
- Conform with all other applicable codes, rules and regulations;
- A building permit with all necessary inspections completed is needed for most improvements that increase your value.

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

What does “residentially classified” mean?
Single-family, duplex, apartment (see below) and residential condominium dwelling units.

Does an apartment building qualify?
An apartment building ONLY qualifies if it consists of 3 or more separate living units with at least 75% of the space used for residential purposes AND is located within a targeted multi-family residential tax abatement area or corridor. See the city’s tax abatement webpage for additional information.

Renovations to existing apartment buildings will qualify for the rehabilitation schedule of abatement, subject to meeting the Construction and Sustainability Design Standards, which is Schedule 4A.

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 515-286-3014 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?**
Tax abatement is set to expire on December 31st, 2025, if not renewed by City Council.

**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
improvements to the property.

**Is money available to make improvements?**
Not as a part of the residential tax abatement program. The City has several loan programs for
persons who may qualify: Contact the Neighborhood Services Division at 515-283-4182 for more
information.

**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 $23,000—**choose Schedule 1**.
- Major improvements such as renovation, rehabilitations, additions exceeding
  $23,000—**choose Schedule 4A**.
- New home construction in most areas—**choose Schedule 4E**.
- New home construction in TARGETED RESIDENTIAL AREAS ONLY—**choose Schedule 4D**.
- New apartment/condo construction within TARGETED AREAS AND CORRIDORS ONLY—
  **choose Schedule 4D**.
- Apartment owners with major renovation improvements—**choose Schedule 4A**.

**If qualified improvements are made, how do I get tax abatement?**
The property owner must file an application with the 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.
How do you apply?
Complete the tax abatement application. It takes about 5 minutes to complete the application. Applications are available at:
https://www.dsm.city/departments/community_development-division/
permit_and_development_center/tax_abatement_information.php#outer-503
-Permit and Development Center, 602 Robert D. Ray Drive, Des Moines

Who applies?
The property owner. Even if as a lessee, you are doing the improvements and your lease agreement has you paying the taxes, the property owner will need to consent to the application. 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. If no further improvements are made, the initial application is sufficient.

Why would an application be denied?
- The assessed value of the property is not increased by at least 5%.
- The improvement is not in conformance with City codes and regulations, including all completed building inspections.
- The application was submitted after the filing deadline.
- The improvement is not in a designated area to receive tax abatement.

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 the property (value of lot, land). The abatement applies to your improvements 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 (tax rates increase, residential rollback values decrease).

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 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 the public sanitary sewer system.

Properties can use either of the following schedules:

<table>
<thead>
<tr>
<th>Choose a Schedule</th>
<th>Use</th>
<th>Must increase building assessment by: Residential: at least 5%</th>
<th>How much of improvement’s value is abated?</th>
<th>Improvement must qualify with applicable zoning, building and fire codes.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>Residential Only</td>
<td>Up to $20,000</td>
<td>115% for 10 years</td>
<td>Residential: Anywhere in city with appropriate zoning.</td>
</tr>
<tr>
<td><strong>4A</strong></td>
<td>Single-family, two-family and rowhomes</td>
<td>No Capped Value</td>
<td>100% for 10 years</td>
<td>Residential: Anywhere in city with appropriate zoning.</td>
</tr>
<tr>
<td><strong>4D</strong></td>
<td>Residential &amp; Commercial with 75% of space for residential</td>
<td>No Capped Value</td>
<td>10-year declining (100% for 8 years, 60% in year 9, 40% in year 10)</td>
<td>Must be in a specified area (Generally located in the downtown and near-downtown area and on designated corridors—see map on Tax Abatement webpage).</td>
</tr>
<tr>
<td><strong>4E</strong></td>
<td>Residential New Construction Only</td>
<td>No Capped Value</td>
<td>6-year declining (100%-100%-100%-75%-50%-25%)</td>
<td>Available Citywide. Not permitted in areas where public sewer is unavailable.</td>
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**Rowhome is defined as means a dwelling within a building consisting of eight or fewer attached dwellings in a row, each located on a separate lot or parcel with frontage on an open public or private street and a rear setback.**