

MEMORANDUM

DATE: May 20, 2026

SUBJECT: Application of New Homestead Tax Exemption under SF 2472

TO: Local Auditors and Assessors

FROM: Joy Kanne and Nick Behlke

I. Background

On May 18, 2026, Governor Reynolds signed [SF 2472](#), which enacted significant property tax reform in the state. Beginning with assessment year 2026, Division XX of that bill replaces the homestead tax credit with an exemption. Auditors have asked about when the exemption should be applied to the valuation of the homestead relative to other exemptions.

On November 3, 2023, the Iowa Department of Revenue (“Department”) issued a memorandum regarding the application of the 65+ homestead tax exemption, military service tax exemption, homestead tax credit, and disabled veteran tax credit. The contents of that memorandum are still valid, except for the changes described in this memorandum, including the elimination of the homestead tax credit. That memorandum is attached.

II. Issue Analysis and Conclusion

The new homestead exemption should be applied after the application of assessment limitations, but before the \$6,500 homestead exemption applicable to homestead owners over the age of 65 and the military service exemption.

Iowa Code section 425.1A(1A) as amended by 2026 Iowa Acts, SF 2472 replaces the homestead tax credit with an exemption of 10% of the taxable value of the property, but not less than \$5,500 and not more than \$20,000 in the first assessment year that the exemption applies (AY 2026). The \$20,000 cap increases each year with an inflation adjustment made by the Department. The Department is currently planning on communicating this adjustment through an email distribution list of GCI Auditor Portal registered users.

The new exemption is equal to 10% of the *taxable value* of the property. Iowa Code section 425.1A(1A)(a) (emphasis added). Iowa Code section 441.21(9) states that the taxable value of the property is equal to the assessed value of the property after application of the appropriate assessment limitation.

SF 2472 also amended Iowa Code section 425.1A(1). That statute now says that the \$6,500 exemption for eligible homestead owners over the age of 65 is allowed “following application of the exemption under subsection 1A (the new 10% exemption).” This explicit language sets forth the order of operations for the exemptions so that the 10% exemption applies before the 65+ exemption.

Additionally, the 10% calculation must be calculated first because the reduction of taxable value by \$6,500 prior to the 10% calculation would mean that the new homestead exemption is calculated on an amount that is equal to a different valuation than the taxable valuation (i.e., the assessed value after the application of the assessment limitation).

As mentioned in the November 3, 2023 memorandum, it is the Department’s position that the 65+ homestead exemption applies before the military service tax exemption. Therefore, if a taxpayer is eligible for the new 10% exemption, the 65+ exemption, and the military service exemption, the 10% exemption will apply first, followed by the 65+ exemption, followed by the military service exemption. Any applicable credits would be applied to the tax amount.

Please be advised that this memorandum is an informal opinion and is only applicable to the factual situation referenced and to the statutes in existence at the time of issuance. The Department could, in the future, take a position contrary to that stated in the memorandum. Any written advice or opinion rendered to members of the public by Department personnel that is not pursuant to a Petition for Declaratory Order under Iowa Administrative Code r. 701—7.24 is not binding upon the Department.