

SUMMARY REPORT OF THE PROPERTY TAXATION REVIEW COMMITTEE

The Property Taxation Review Committee was established by the Legislative Council in June 2004 and was authorized to meet five times.

The charge of the Committee is as follows:

The Property Taxation Review Committee shall review and analyze the following: a. Revenue sources available to local governments, including taxes, payments in lieu of property taxes, fees, state appropriations, and federal moneys; b. The portion of state revenues annually appropriated, or otherwise disbursed, to local governments; c. Exemptions, credits, deductions, exclusions, and other reductions in local taxes, authorized by state statute or local ordinance, to local taxpayers and state reimbursement of any property tax credits and exemptions; d. Services provided by local governments, including those provided at the discretion of a local government and those mandated by federal or state statutes and regulations; e. The role of property taxes in funding local government services and the types of services currently funded by property taxes; f. Alternative systems of property taxation, alternative procedures for protesting property assessments, and various methods of controlling property tax revenues and expenditures. In conducting its review and analysis, the committee shall study local taxes from the standpoint of neutrality; competitiveness; simplicity; stability; and equity, including maintenance of equity among classes of taxpayers and among taxpayers within the same class. The committee may hold public hearings to allow persons and organizations to be heard.

The Committee met four times over the 2004 Legislative Interim. The Committee was divided into three subcommittees: 1) the Options for Iowa Tax Overhaul Subcommittee; 2) the ISAC/League of Cities Property Tax Reform Proposal Subcommittee; and 3) the Other Issues Subcommittee. The Subcommittee reported to the full Committee at the Committee's fourth meeting on December 15, 2004. The Committee discussed the reports and recommendations of the Subcommittees. No further action was taken by the Committee at that meeting pertaining to the Subcommittee reports. The fifth meeting was to be held on January 5, 2005, but, because of inclement weather and concern for the safety of members driving to the meeting, the meeting was cancelled.

Cochairperson Sievers and Cochairperson Kurtenbach and the members of the Committee communicated by telephone and e-mail on how best to proceed. By consensus, the Committee forwards the following statement to the General Assembly:

Statement of the Property Taxation Review Committee--

To comply with the Legislative Council deadline of January 7, 2005, for interim committee reporting, the Property Taxation Review Committee puts forth, without recommendation, the reports of the three Subcommittees for review by the General Assembly. The reports of the Subcommittees are attached, and by reference made a part of this Summary Report.

Property Taxation Review Committee
Report of Options for Iowa Tax Overhaul Subcommittee
Wednesday, December 15, 2004

Members:

Representative Kurtenbach
Representative Shoultz
Larry Countryman
Kim Dreher
Dale Hyman
Jerry Shepler
Larry Sigel
Mayor Ted Tedesco

Report of the Subcommittee

The Subcommittee recommends the following for consideration by the full committee:

1. That the General Assembly pass legislation imposing a school foundation property tax levy that is uniform statewide and in such an amount that results in no one taxpayer experiencing an increase in school property taxes and providing that the state fund the difference between the regular cost per pupil and the amount realized by the uniform levy.
2. That the General Assembly pass legislation that eliminates state reimbursement to local governments for property tax credits and exemptions with the state using that money to provide property tax relief by increasing the state's funding obligation under the school foundation formula.
3. That the General Assembly pass legislation removing the assessment limitation tie between agricultural and residential property.
4. That the General Assembly reduce the cost of operating a business in the state by passing legislation that imposes a uniform level of sales taxation throughout Iowa taxing jurisdictions.
5. That the General Assembly pass legislation that removes the barriers to local government (cities, counties, and school districts) reorganization, merger, consolidation, and sharing of services.
6. That the General Assembly pass legislation that addresses the disparity in the classification of property used for housing.

Property Taxation Review Committee
Report of ISAC/League of Cities Property Tax Reform Proposal Subcommittee
Wednesday, December 15, 2004

Members:

Senator Sievers
Senator Quirnbach
Mr. McGee
Mr. Ralston
Mr. Rouse
Mr. Shepler
Mr. Sigel
Mayor Tedesco
Mr. Veeder

Report of the Subcommittee

The Subcommittee used a handout from ISAC and the League of Cities entitled "Major Points in the ISAC/League Property Tax Reform Proposal" to focus its discussion. The handout divides the property tax reform proposal into three categories: 1) assessment and valuation, 2) budgeting and taxation, and 3) constraints and limitations.

1. Division 1—Assessment and Valuation--The Subcommittee believes that further consideration by the full Committee should be given to this division, especially in regard to the following:

- Elimination of the rollback and substitution of a 50 percent residential exemption for owner/occupied dwellings.
- Valuation exempted under the forest reserve exemption.
- Multiclassification of individual parcels of property.
- Implementation of equalization orders, especially in regard to the timing.
- Impact of changes on renters and low-income persons.
- Valuation of agricultural buildings.

2. Division 2-- Budgeting and Taxation—The Subcommittee recommends this division, as modified, for adoption by the full Committee. The modification was to add that any state savings from the elimination of the homestead credit reimbursement should be directed to property tax relief and tax relief to renters and low-income persons. The division, as modified, reads as follows:

- New budget publication form will highlight effect of budget on sample taxpayers
- Property tax credits – counties will no longer be the middlemen
 - Homestead credit is eliminated and the state savings realized from no longer reimbursing local governments for the homestead credit should be directed to property tax relief and tax relief aimed to renters and low-income persons
 - Ag land and family farm credits combined and changed to direct payment from state to taxpayer
 - Military credit/exemption transferred to refundable income tax credit
 - Elderly credit changed to direct payment from state to taxpayer

- Cities and counties will formally establish their own fund balance limitations
- Stronger unfunded mandate protection language
 - No exceptions, but still subject to “notwithstanding”
- Budget appeals will focus only on issues raised in budget protest petition

3. Division 3-- Constraints and Limitations—The Subcommittee does not recommend the specific language of Division 3, but does recommend that the full Committee agree with the general concept of a property tax revenue limitation that provides local governments with flexibility and that takes into account local differences and local circumstances. Additional consideration should be given by the full Committee to the following items contained in Division 3 as they relate to a property tax revenue limitation:

- Which funds would be covered by a revenue limitation.
- The number of signatures needed as the threshold for holding a reverse referendum.
- The carryover of unused levy authority under a revenue limitation.
- The calculation for the base year under a revenue limitation.

Property Taxation Review Committee
Report of Other Issues Subcommittee
Wednesday, December 15, 2004

Members:

Senator Ward
Representative Struyk
Kim Dreher
Cynthia Eisenhauer
Dale Hyman
Tom Jarrett
Mike Ralston
Curtis Rouse

Report of the Subcommittee

The Subcommittee recommends the following for consideration by the full committee:

1. That the proposed legislation entitled "An Act relating to property assessment for purposes of property taxation, including property assessment guidelines and creation of a property assessment appeal board to hear appeals of the action of local boards of review" be recommended for passage by the General Assembly to be initiated beginning with the assessment year beginning January 1, 2007.
2. That the Department of Revenue or the General Assembly address the issue of assessment of certain acreages as residential or agricultural.
3. That the General Assembly add information, and clarify existing information, on the property tax statement to show increases in assessments, expenditures, and levy rates in order to provide more transparency to the taxpayer and property owner.
4. That the General Assembly pass legislation providing that if an aggrieved taxpayer or property owner has his/her assessment lowered due to action of the local board of review or district court (or assessment appeal board, if enacted), the assessor shall not increase the assessment over the final assessment amount in the year protested or appealed until the next revaluation year unless the taxpayer/owner makes changes to the property.