
BUDGET UNIT BRIEF – FY 20243

Fiscal Services Division

July 1, 2023



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Commercial and Industrial Property Tax Replacement

Background

One of the components of [Senate File 295](#) (Property Tax Changes and Income Tax Credit Act of 2013) was a reduction in the taxable value of Iowa properties classified as commercial, industrial, or railroad. The reduction was accomplished by establishing a defined rollback¹ of 95.0% of the assessed value for those property classes for assessment year 2013 and 90.0% for assessment year 2014 and after.²

Senate File 295 also created a State General Fund standing appropriation to reimburse local governments for the reduced revenue that would result from the newly defined rollback. Although the new rollback applies to commercial, industrial, and railroad property, the local government reimbursement only applies to the revenue reduction associated with commercial and industrial property. Railroad property tax reductions are not reimbursed.

For fiscal years 2015 through 2017, the standing appropriation was unlimited and equaled the total revenue reduction across all local governments. For FY 2018 through FY 2022, the standing appropriation was limited to no more than the amount of the actual FY 2017 appropriation. If the statewide local government revenue reduction in FY 2018 or after exceeds the FY 2017 level, the reimbursements to each local government are prorated. The standing appropriation is exempt from Iowa Code section [8.31\(5\)](#) (Governor's authority to make across-the-board appropriation reductions).

The 2021 Session ([SF 619](#), Division XXVI) amended the standing appropriation by implementing a scheduled reduction in local government reimbursements. Reimbursements to local schools are ended after FY 2022. Reimbursements to cities and counties that experienced property value growth since FY 2014 that was higher than the statewide average will have their reimbursement payments phased out over four fiscal years, while the remaining cities and counties as well as other nonschool local governments will have their reimbursement payments phased out over seven fiscal years. The standing appropriation will end at the conclusion of FY 2029.

The Department of Revenue is responsible for administering the appropriation and calculating any necessary proration and reimbursement amounts, with the assistance of county treasurers and auditors.

¹ In Iowa's property tax system, a rollback is the percentage of a property's assessed value that is subject to property tax. A rollback of 90.0% would cause a property with an assessed value of \$100,000 to have a taxed value of \$90,000.

² Taxes for assessment year 2013 were paid in the fall of 2014 and the spring of 2015, so the rollback first impacted FY 2015 State and local government finances.

More Information

Iowa Department of Revenue: tax.iowa.gov

Property Tax Changes Act of 2013: legis.iowa.gov/docs/publications/LGE/85/SF295.pdf

Tax and Misc. Changes Act of 2021: legis.iowa.gov/docs/publications/LGE/89/SF619.pdf

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Funding

For FY 2015, local government reimbursements totaled \$78.2 million; for FY 2016 the total was \$162.1 million;³ and for FY 2017 the total was \$152.1 million. For FY 2018 through FY 2022, the annual reimbursement appropriation is a standing limited appropriation of \$152.1 million. For FY 2023, a standing unlimited appropriation of approximately \$79.0 million is provided. The annual appropriation will decrease in stages before elimination at the conclusion of FY 2029.

Related Statutes and Administrative Rules

Iowa Code sections [8.31\(5\)](#) and [441.21A](#)
Iowa Administrative Code [701—80.49](#)

Budget Unit Number

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³ For FY 2016, the reimbursement appropriation was made through a standing General Fund appropriation of \$152.6 million and an FY 2015 General Fund supplemental appropriation of \$9.5 million.