

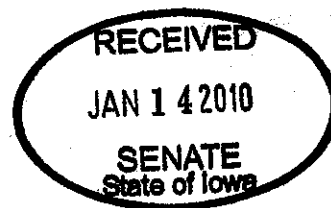
STATE BOARD OF TAX REVIEW

Hoover State Office Building, 4th Floor, Des Moines, Iowa 50319, (515) 281-3204



January 11, 2010

Mr. Michael Marshall
Secretary of the Senate
State Capitol
LOCAL



Dear Mr. Marshall:

Please find enclosed the 2009 Annual Report to the Legislature, as required by statute, from the State Board of Tax Review.

If you have any questions or require anything further, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Frank J. Stork".

Frank J. Stork
Chairperson
State Board of Tax Review

FJS/bm
Enclosure

cc: State Board Members
Mark Schuling

IOWA STATE BOARD OF TAX REVIEW

2009 ANNUAL REPORT

2010 LEGISLATIVE PRIORITIES

Iowa Code section 421.1(5) requires the Iowa State Board of Tax Review to submit a report to the General Assembly, at each regular session, on the status of affairs and give direction and recommendations to the Iowa Legislature. Accordingly, the board has assembled a brief overview of 2009 activities and recommendations to legislators for the 2010 session.

The three current members of the board are Frank Stork, Michael Milligan, and Kathleen Koenig. Frank Stork was the chairperson during 2009.

Annual Report of Board Activities

The Board met three times during 2009. The meetings were held on July 30, 2009, September 29, 2009 and November 16, 2009. Those meetings are outlined below.

July 30, 2009 – Hoover State Office Building

- *Frank and Caroline Conkey* (Docket No. 900) – Hearing. This case involved two issues; the denial of a casualty theft loss deduction and the denial of an individual income tax refund claim. At the conclusion of the hearing, the parties were granted the opportunity to file simultaneous briefs, due within 30 days.

September 29, 2009 – Conference Call

- *Frank and Caroline Conkey* (Docket No. 900) – Decision. The Board determined there was no sufficient basis to overturn the decision of the Director. The Board affirmed and upheld the Director's decision in its entirety.

November 16, 2009 – Hoover State Office Building

- Discussion with Mark Schuling, Director; and Dave Casey, Administrator, regarding the Department's 2009 Legislative Summary and recommendations for the 2010 Legislative Session.
- Discussion on Annual Report to General Assembly.

The following is an update on the Board's docketed cases.

- Four new appeals were filed with the State Board of Tax Review in 2009.
- There are currently ten open appeals on the State Board's docket. Three cases have been sent to an Administrative Law Judge for hearing, two cases are currently in a bankruptcy status and are being held in abeyance pending the outcome of the bankruptcy proceedings, one recently heard case is still within the appeal period to appeal to District Court, and four cases are awaiting hearing.

Recommendations for the 2010 Legislature

The Board continues to recommend legislative action on the following items.

- The Board recommends that the Governor and Legislature provide a statutory clarification of the Iowa use tax exemption for recycling machinery and equipment in order to promote the recycling/reprocessing of waste products in Iowa.
- The Board recognizes that the Governor and Legislature have considered several issues in recent years concerning Iowa's tax policy and, in particular, are asked to take action on the following items:
 - (I) City local option sales tax issues should be considered in the overall picture when annexation takes place. In those cases the annexed areas did not vote for the local option sales tax, and yet they are burdened with that tax. This is an issue that the Board would like the Legislature to address more clearly. What can the Legislature do to protect citizens and businesses that get caught up in the process?
 - (II) Rollback and assessments of residential property.
The Board encourages the Legislature and Governor to continue to make property tax reform a priority, especially the rollback and assessment of residential property, and to develop a more balanced system among different classes of property.

The State Board of Tax Review has reviewed the Department of Revenue's 2010 legislative proposals, has met with the Department Director and staff concerning the proposals, and supports the Department's proposed legislative package for 2010.