

STATE BOARD OF TAX REVIEW

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



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FEB 06 2012

SENATE
State of Iowa

January 30, 2012

Mr. Michael Marshall
Secretary of the Senate
State Capitol
LOCAL

Dear Mr. Marshall:

Please find enclosed the 2011 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,

Michael W. Milligan

Michael Milligan
Chairperson
State Board of Tax Review

MM/jm
Enclosure

cc: State Board Members
Courtney Kay-Decker

IOWA STATE BOARD OF TAX REVIEW

2011 ANNUAL REPORT

2012 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 2011 activities and recommendations to legislators for the 2012 session.

The three current members of the Board are Mike Milligan, Kathi Koenig, and Jeff Elgin. Mike Milligan is the current chairperson.

Annual Report of Board Activities

The Board met one time during 2011. The meeting was held on November 29, 2011. The meeting is outlined below.

November 29, 2011 – Hoover State Office Building

- Discussion with Courtney Kay-Decker, Director, and Victoria Daniels regarding the Department's 2011 Legislative Summary and recommendations for the 2012 Legislative Session.
- Discussion on Annual Report to General Assembly.

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

- 91 new appeals were filed with the State Board of Tax Review in 2011.
- There are currently 91 open appeals on the State Board's docket not including the 2010 cases.
- **Norman Klootwyk, Docket No. 911 – Hearing (appeal of Director's decision).**
- At 3:15 the matter of Norman Klootwyk (Docket No. 911) was heard. Mr. Klootwyk noted in his Hearing Brief filed on November 15, 2011 that he waived oral argument, and he did not request to appear either in person or by telephone. The Board received a letter from the Department of Justice, Special Assistant Attorney General Donn Stanley on November 22, 2011, stating that the Department did not intend to be present for this hearing, and that the Department will stand on its brief filed previously and the ALJ Proposed Decision as affirmed by the Director's Final Order.
- A motion was made, seconded, and approved to go into closed session, pursuant to Iowa Code section 21.5(f). The facts of the case were discussed. Upon return

to open session, a motion was made by Kathi Koenig to affirm the Director's decision of July 14, 2011, and to direct Bryan Witherwax, legal counsel to the Board, to draft a ruling for Board Chair Mike Milligan's signature. The motion was seconded by Jeff Elgin.

Recommendations for the 2012 Legislature

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

- The Board recommends that a comprehensive study to clarify the sales and use tax on machinery and equipment exemptions be undertaken.
- The Board strongly agrees that the Department is in serious need of a significant technology upgrade in order to become more efficient in handling compliance and collections for state tax purposes.
- 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 item:

- (I) 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 2012 legislative proposals, has met with the Department Director and staff concerning the proposals, and supports the Department's proposed legislative package for 2012.