

STATE BOARD OF TAX REVIEW ^{1.}

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



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DEC 18 2007 ^{4.}

December 17, 2007 SENATE
State of Iowa

Mr. Michael Marshall
Secretary of the Senate
State Capitol
LOCAL

Dear Mr. Marshall:

Please find enclosed the 2007 Annual Report to the Legislature, as required by statute, from the State Board of Tax Review. ^{2.}

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

Sincerely,

Frank Stork

Frank Stork
Chairperson
State Board of Tax Review

FS/bm
Enclosure

^{3.}
421.1(5)

IOWA STATE BOARD OF TAX REVIEW 2007 ANNUAL REPORT 2008 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 2007 activities and recommendations to legislators for the 2008 session.

The three current members of the board are Frank Stork, Michael Milligan, and Kathleen Koenig. Frank Stork was the chairperson during 2007.

Kathleen Koenig was appointed by the Governor for a six-year term, beginning May 1, 2007 and ending April 30, 2013. Kathleen Koenig was appointed to replace Courtney Kay-Decker, whose appointment expired on April 30, 2007.

Annual Report of Board Activities

The Board met a total of two times in 2007. Those meetings are outlined below.

June 26, 2007 – Teleconference

- *Qwest Corporation* (Docket No. 894) – Consideration of Appeal. This case involved a property tax assessment. Because of the extensive time needed to hear this case, the Board voted unanimously to forward this case to the Administrative Law Judge for hearing and a decision.

November 6, 2007 – Hoover State Office Building

- Discussion with Mark Schuling, Director; and Dave Casey, Administrator, regarding the Department's 2007 Legislative Summary and recommendations for the 2008 Legislative Session.
- Discussion on Annual Report to General Assembly.

The following is an update on the Board's cases listed in the 2006 Report.

- *Qwest Corporation* (Docket No. 890) – This matter was settled by the parties and the matter was closed.
- *Chrysallis Ames LLC* (Docket No. 892) – The Board's decision was appealed to District Court. The District Court upheld the Board's decision. The Protester then appealed to the Supreme Court on May 30, 2007. On August 27, 2007 the Protestor withdrew their appeal to the Supreme Court and the matter was closed.

Recommendations for the 2008 Legislature

In the 2006 State Board of Tax Review Annual Report to the Legislature, two items were recommended for legislation. No action has been taken by the Legislature and both of these legislative suggestions remain. They are:

- The Board would like to see better bright-line rules inclusive of tax breaks for recycling, especially when recycling and repair are both needed.
- 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 2008 legislative proposals and supports the Department's proposed legislative package for 2008.