
FISCAL TOPICS

Fiscal Services Division

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Assessment Limitations — Property Value Rollbacks

Background

Property Tax Assessment Limitation, also commonly referred to as a “rollback,” is a method of reducing the market value of a property to the taxable value by multiplying a percentage of the value subject to tax. The assessment limitations are intended to slow down the growth of property taxes by limiting the annual growth in property values subject to tax, which shifts more of the costs of the State’s School Foundation Aid formula to the General Fund. Assessment Limitations are divided into several property classes with their own rollback and allowable growth, which includes Residential, Agricultural, Multiresidential (assessment year (AY) 2015 through AY 2021), Commercial, Industrial, Railroads, and Utilities.

The following six steps determine the amount of property tax due on a specific property:

1. Local assessors assign the actual or market value to each property generating the property’s assessed value. Real property is assessed every odd-numbered year. Centrally assessed properties, including railroads and public utilities, are assessed every year. Agricultural property is assessed based on a statewide productivity value, which is a use value, and is based on a five-year rolling average. The agricultural rolling average can often take multiple years for changing crop prices to significantly affect assessments. An AY is the year of the valuation (property values determined for January 1, 2025 = AY 2025).
2. The Iowa Department of Revenue (IDR) compares assessments to actual sales in each jurisdiction in a process known as equalization. If the IDR does not agree with the assessments provided by the counties, it can issue an equalization order in September to ensure those properties are assessed accurately.
3. Each November, the IDR calculates the Assessment Limitation for residential and agricultural property classes and issues an Assessment Limitation Order to county auditors. Due to Iowa’s two-year assessment cycle, the residential rollback tends to fluctuate up and down slightly between odd-numbered and even-numbered assessment years.
4. The new rollback percentage is then applied to the assessed value of each property to determine the value subject to taxation. Commercial and industrial properties include a two-tiered rollback beginning in AY 2022.
5. Property tax credits (reduces taxes owed by a set dollar amount) and property tax exemptions (reduces taxable income) are calculated before applying a tax rate to determine the amount of tax owed on the property.
6. Property tax bills are due in the fall and spring two years after the assessment year. For example, FY 2027 taxes are based on AY 2025 assessments. The first half installment of property tax would be due September 1, 2026, payable by September 30, and the second half installment due March 1, 2027, payable by March 31.

More Information

Department of Management: dom.iowa.gov

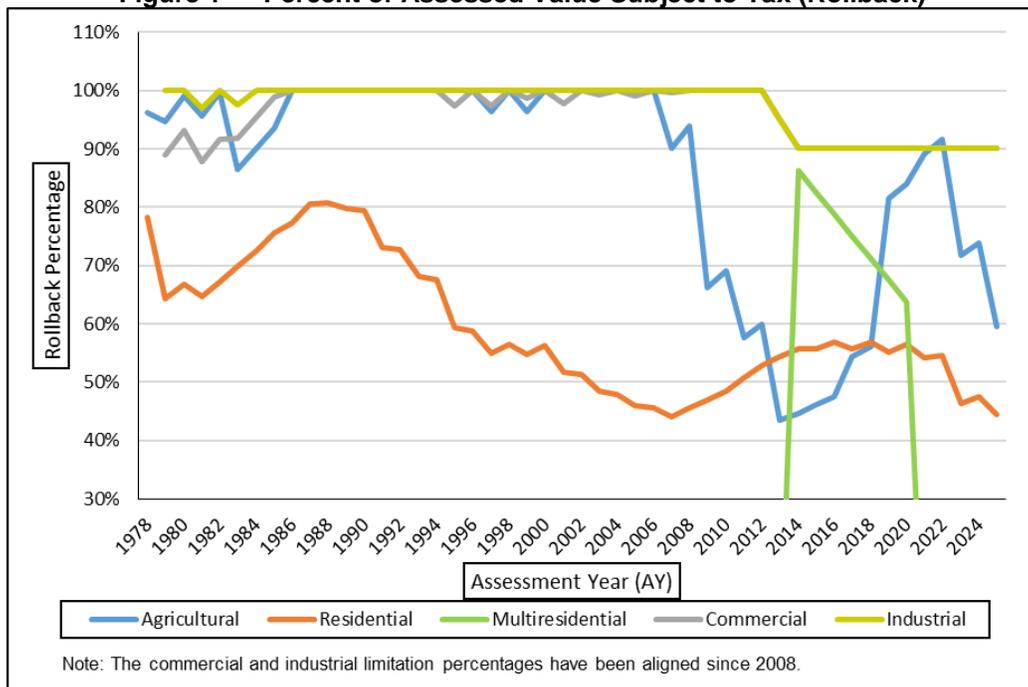
Department of Revenue: revenue.iowa.gov

LSA Staff Contact: Michael Peters michael.peters@legis.iowa.gov

History

- First enacted in 1977 to counter the effects of inflation, most provisions have been in place since AY 1980.
 - For the first two years of the rollback, residential and agricultural property revaluation annual growth was limited to 6.0%. From AY 1980 through AY 2012, annual growth was limited to 4.0%. Since AY 2013, annual growth is limited to 3.0%.
 - Commercial and industrial property taxable value annual growth was generally limited to 4.0% through AY 2012 before those two property classes were assigned a fixed rollback percentage of 90.0%.
- 2013 Iowa Acts, chapter [123](#) (Taxation of Property and Income Act), created a new property classification called multiresidential. That new classification encompassed properties that were used for human habitation but did not qualify under the definition of residential property. In addition to establishing the new property classification, the Act also initiated a process whereby properties within the multiresidential classification would benefit from a declining rollback percentage through AY 2021, after which the classification would be assigned the calculated residential rollback each year.
- 2021 Iowa Acts, chapter [20](#) (Assessment, Classification, and Taxation of Property — Miscellaneous Changes Act), eliminated the separate property classification of multiresidential property established in 2013 and combined the properties from the previous multiresidential classification into the residential classification, with the class combination first occurring with AY 2022.
- 2022 Iowa Acts, chapter [1061](#) (Department of Revenue Omnibus Act), eliminated the Business Property Tax Credit and replaced it with a permanent two-tier assessment limitation for commercial, industrial, and railroad property. Beginning with AY 2022, the first \$150,000 of value is assessed at the residential rollback, with remaining value assessed at 90.0%.
- 2023 Iowa Acts, chapter [5](#) (Taxation — Property Tax Assessment Limitations, Employer Child Care Tax Credits, and Retirement Income Tax Withholding Act), made additional changes to the multiresidential provisions from 2013. Property that was classified as multiresidential property (apartments, nursing homes, mobile home parks, etc.) prior to January 1, 2022, and that has been included within the residential property classification on and after January 1, 2022, shall not be considered in the calculation that determines the residential rollback for AY 2022 and after. This was intended to prevent an undue tax burden from affecting the taxable values of residential property.

Figure 1 — Percent of Assessed Value Subject to Tax (Rollback)



Calculating Residential Property Taxes with Assessment Limitations

The growth in the aggregate taxable value of all Iowa residential property due to the revaluation of property that existed in the previous assessment year is restricted by Iowa law to no more than 3.0% per year. To limit this growth to no more than 3.0%, the IDR calculates a percentage that is referred to as the Assessment Limitation or rollback. In its simplest form, for any given property’s actual value, a higher rollback percentage will result in a higher taxable value. **Figure 2** demonstrates how the rollback is used to limit the property taxes paid by taxpayers when there are large increases in assessed value.

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| <p>Residential Example</p> <p>Assessed Value x Rollback % = Taxable Value</p> |
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Figure 2 — Residential Property Example

| | AY 2023/FY 2025 | AY 2024/FY 2026 | Percent Change |
|---|-----------------|-----------------|----------------|
| Total Assessed Value | \$208,000 | \$228,800 | 10.00% |
| Assessment Limitation | 46.3428% | 47.4316% | 2.35% |
| Net Taxable Value | \$96,393.02 | \$108,523.50 | 12.58% |
| Consolidated Levy Rate (per \$1,000 of value) | 29.9599 | 30.0427 | 0.28% |
| Property Taxes Owed | \$2,887.93 | \$3,260.34 | 12.90% |

Note: This example does not factor in any credits or exemptions.

Agricultural Tie and the Agricultural Productivity Formula

In addition to the 3.0% limit, residential and agricultural property will be further limited if the growth in taxable value of either class is less than 3.0%, which is commonly referred to as Ag Tie. If agricultural land value decreases in any given assessment year, then the allowable growth for residential property is zero. As of AY 2025, residential growth has never limited agricultural taxable values, and agricultural growth has limited residential taxable value growth for most years from AY 1986 through AY 2006. Two examples are covered below:

- If residential taxable value grows 3.0% and agricultural taxable value grows 1.9%, residential taxable value will be allowed to grow only 1.9%.
- If residential taxable value grows 3.0% and agricultural property decreases by 4.0%, residential taxable value will not be allowed to grow that year (0.0%).

The assessed value of agricultural land is determined by the agricultural productivity formula and is based on a five-year rolling average that considers factors at a county level for corn and soybean crops such as acres in production, number of bushels produced and average market value of the crop. Market value of the property is not part of the agricultural productivity formula. The productivity value of a county is spread across all agricultural property located within that county. Productivity is calculated as a five-year average.

- The Assessed Value for AY 2025 is based on production from the calendar years 2019 through 2023.
- Calculations made during equalization years (odd-numbered years) have the largest impact on agricultural productivity.