

PROPERTY TAX STUDY COMMITTEE

Submitted to the General Assembly

January, 1981

F I N A L R E P O R T

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The Property Tax Study Committee was created by the Legislative Council pursuant to section 23 of House File 2072, enacted by the Sixty-eighth General Assembly, 1980 Session. As provided by law, Lieutenant Governor Terry E. Branstad is chairperson of the Study Committee. The Legislative Council appointed the following members of the Study Committee:

Senator Rolf V. Craft  
Senator David M. Readinger  
Senator Norman Rodgers  
Senator Bass Van Gilst  
Representative Dale M. Cochran  
Representative Lowell E. Norland  
Representative Hugo Schnekloth  
Representative James C. West

As provided by law, 12 members of the Study Committee were appointed from the public at large, two from each of Iowa's six congressional districts. These appointments were made by the Governor from lists submitted by the chair of the Republican Party and the chair of the Democratic Party. The members appointed by the Governor include:

Mr. John Axel  
Ms. Jodie S. Butler  
Mr. Greg Brown  
Mr. Andrew G. Frommelt  
Mr. Richard L. Goodson, Jr.  
Mr. Robert E. Josten  
Mr. John P. Kibbie  
Mr. Fred W. Nolting  
Mrs. William Penningroth  
Mrs. John Quail  
Mr. Darrel Rensink  
Mrs. Del Van Horn

In addition to the study mandated by section 23 of House File 2072, the Legislative Council also referred SCR 109 and HCR 127 to the Study Committee. SCR 109 provides for a study of the uniformity of assessment practices and policies throughout the state with consideration being given to the effect and implementation of equalization orders. HCR 127 provides for a study of the feasibility of and impact on revenues of providing tax relief to those who provide for the handicapped and elderly in their homes and the best method for providing the tax relief.

The Legislative Council authorized four meeting days for the Property Tax Study Committee.

The Property Tax Study Committee held its first meeting on September 23, 1980. In addition to taking up some organizational matters, the Director of Revenue and his staff discussed property valuations and assessments and the equalization process. The State Comptroller, Mr. Ron Mosher, and his staff discussed local budgets and explained the state school foundation program. The President of the Iowa State Association of Assessors, Mrs. Evelyn Nordstrom, discussed the role of assessors in valuing property and some of the problems assessors encounter. Dr. Marvin Julius also addressed the Study Committee on the productivity formula used to value agricultural land. The first meeting was planned as a session for the public members to become familiar with the current property tax system. The members of the Property Tax Study Committee agreed that the second meeting ought to be a public hearing inviting groups and individuals to appear and discuss their recommendations for changes in the existing property tax system.

The second meeting of the Property Tax Study Committee was held on November 13, 1980. Persons appearing before the Study Committee were requested to submit written presentations which were distributed to the Study Committee members prior to the meeting. Appearing before the Study Committee were representatives of the Iowa State Association of School Boards, League of Iowa Municipalities, Iowa State Association of Counties, Iowa County Treasurer's Association, Iowa County Auditor's Association, Iowa State Association of Assessors, Iowa Manufacturer's Association, Iowa Taxpayers Association, Iowa Association of Realtors, Iowa Farm Bureau Federation, and Representative Horace Daggett.

The third meeting of the Property Tax Study Committee was held on November 25, 1980. The Study Committee received testimony from the Iowa Development Commission and the remainder of the meeting was devoted to the consideration of recommendations to the Sixty-ninth General Assembly. The fourth and final meeting of the Study Committee was held on December 17, 1980 and the Study Committee devoted all of that meeting to the formulation of its recommendations.

The recommendations adopted by the Study Committee to date include the following:

1. That a property tax exemption be provided for wetlands, recreational lakes, forest cover, forest reservations, rivers and streams, river and stream banks, and open prairie and that the assessed value for fruit-tree reservations be increased.
2. That the penalty for delinquent property taxes be increased from one percent per month to one and one-half percent per month.

3. That property tax bills be rounded to the nearest whole dollar for ease in administration.

4. That the current laws relating to tax sales require revision and that the Chairpersons of the respective Committees on Ways and Means appoint a subcommittee to study the laws governing tax sales to update those statutes.

5. That the Sixty-ninth General Assembly study the feasibility of implementing one-time filing for the homestead tax credit, military tax exemptions, and personal property tax credit claims with the intention of simplifying the current procedures for filing for these credits and exemptions.

6. That the General Assembly study the feasibility of requiring county treasurers to send property tax statements to all property taxpayers within the county and that the property tax statement indicate the amount in dollars which each taxing body receives in the fiscal year.

7. That the General Assembly study the feasibility of sending written valuation adjustment notices to all property owners.

8. That the Property Tax Study Committee opposes the assessment of other classes of property on a capitalized potential income basis.

9. That the General Assembly authorize cities and counties to impose local sales, income or wheel taxes, and authorize school boards to impose school district income taxes, provided such taxes are approved by a referendum of the residents, involved. The local income tax shall be a surtax on the state income tax liability and the local sales tax shall be piggybacked on the state sales tax except for exemptions determined under paragraph c. Further, that the General Assembly should study the following factors in developing local option tax legislation:

a. Method of redistributing the new revenues, e.g. per capita vs. point of distribution.

b. Maximum rates.

c. Exemptions for certain items, such as farm equipment and industrial equipment.

d. Feasibility of offsetting new local tax revenue against current property taxes.

e. Feasibility of requiring inclusion of the amount of property tax reduction, if any, as part of the ballot proposition.

f. Feasibility of providing for a reverse referendum to repeal the tax.

10. That any future revision of the productivity formula used for valuing agricultural land should be reviewed by the General Assembly before it is permitted to become effective.

11. That there are two issues which should be given priority as soon as state revenues would allow. First, manufacturing machinery should be reclassified as personal property which is its traditional definition. Second, the personal property tax phaseout must be completed. These programs and other incentives should be tied to growth in state revenues as the personal property tax phaseout is currently supposed to be handled. The purpose of incentives is to encourage growth, therefore, part of the cost of the incentives will be picked up simply because the tax base is expanded and economic activity is enhanced.

12. That the General Assembly study the feasibility of developing tax incentives for encouraging industrial expansion in the state through the sales and use tax, the corporate income tax, and other tax policies so long as such policies do not shift the tax burden to homeowners, agricultural property owners, and local businessmen.

13. That the General Assembly increase the dollar limits on county agricultural extension district budgets by 50 percent.

14. That the General Assembly timely identify the amount of local assistance funds which will be appropriated so that local governmental bodies can properly budget these assistance funds.

15. That the General Assembly study the feasibility of developing some factor in the state foundation school formula to not allow assessor jurisdictions with poor assessment practices to benefit from the school foundation plan.