

**REPORT TO THE  
PROPERTY ASSESSMENT APPEAL BOARD REVIEW  
COMMITTEE**

December 11, 2012



Property Assessment Appeal Board

## REPORT TO THE PAAB REVIEW COMMITTEE

Created by the Iowa General Assembly in 2005, the Property Assessment Appeal Board (PAAB) serves as a valuable resource for Iowa's taxpayers and provides an efficient, fair, and cost-effective means for taxpayers to appeal property assessments. PAAB is statutorily authorized to conduct hearings on property assessments throughout the State of Iowa and has the authority to change the value or legal classification of property. PAAB is a board independent of the Department of Revenue, the local boards of review, and the county assessors. As a result, it serves as a neutral arbiter of property assessment disputes, saving taxpayers an estimated minimum of \$16.8 million in property taxes since it began hearing appeals 2007.

### The Board of Review Protest and PAAB Appeal Process

Before an appeal can be heard by PAAB, an aggrieved taxpayer must protest the assessment to the local board of review. Taxpayers have from April 16 to May 5 to file the board of review protest. Most boards of review then complete their review and adjourn by May 31. If unsatisfied with the local board of review's decision, taxpayers<sup>1</sup> can appeal, without charge, to PAAB by filing a Notice of Appeal & Petition form within twenty days of the decision. The taxpayer can request a hearing, either in person or by phone, or the appeal can proceed without a hearing. Only the same claims brought before the local board of review can be heard by PAAB.

PAAB works to schedule and complete hearings and issue orders as quickly as possible. The PAAB secretary schedules hearings and normally provides the parties with at least sixty days notice<sup>2</sup> before the hearing date. Prior to the hearing, PAAB considers and rules on motions related to discovery, continuances, and admissibility of evidence.

All hearings are open to the public and are held at the PAAB's hearing room in the Hoover State Office Building. At the hearing, both parties are given the opportunity to introduce exhibits, give opening and closing statements, and call witnesses to provide testimony in support of their positions. Parties are not required to have an attorney, but may do so if desired. After all

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<sup>1</sup> The statute also permits local taxing jurisdictions or the assessor to appeal. PAAB has had approximately three appeals from assessors.

<sup>2</sup> PAAB's statute requires at least 30 days advance notice of any hearing. This statutory mandate cannot be waived.

evidence is submitted, PAAB reviews, deliberates, and typically produces an order within sixty days of the hearing. Each party is sent a written copy of PAAB's order. Even with a large caseload, PAAB closes well over 95% of appeals before the second delinquency date. The cases that do not close by this date are typically the result of the parties requesting continuances of previously scheduled hearings.

### Appeal Outcomes

An appeal to PAAB generally results in one of five outcomes: Affirmation, Modification, Stipulation, Dismissal, or Withdrawal. Affirmations and Modifications occur after a hearing.<sup>3</sup> An affirmation is a ruling upholding the Board of Review's assessed value. A Modification is a ruling adjusting the Board of Review's assessed value. Parties may also come to an agreement regarding the assessment and file a Stipulation with PAAB. This is often done after the parties have engaged in discovery, filed motions with PAAB, exchanged appraisals, and the PAAB secretary has scheduled a hearing date. PAAB reviews the stipulation agreement and issues an order approving settlement. In this capacity, PAAB serves in a similar role as a judge or court approving settlements in other civil litigation. Stipulations would not occur without PAAB's existence because assessors may not change a property tax assessment after April 15, and local boards of review may not alter an assessment after adjournment without an order to reconvene from the Department of Revenue. Both a Modification and a Stipulation typically result in a reduced assessment and reduced property tax liability.

A Dismissal usually occurs when the Appeal Board determines that it has not been statutorily conferred jurisdiction to hear an appeal. This is normally due to a taxpayer claiming appeal grounds not available in an interim year, filing an untimely appeal with PAAB, or failing to appear at the scheduled hearing. Finally, taxpayers may request that their appeal be withdrawn. After reviewing the request, PAAB issues an order granting the Withdrawal.

### Taxpayer Utilization of PAAB

Since it began hearing cases in 2007, over 6600 appeals have been made to PAAB. (Chart 1). The majority of these appeals have come from residential taxpayers. (Chart 2). When

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<sup>3</sup> A hearing can be conducted orally or as a written consideration.

PAAB was created, it was estimated that PAAB would receive approximately 350 appeals in a reassessment year and 50 in an interim year. In the 2011 reassessment year, over 1600 appeals were filed with PAAB. Although the number of appeals is generally lower in non-assessment (interim) years, PAAB still received more than 700 appeals in both 2008 and 2010.

### Taxpayer Savings

Even modest modifications of assessed values by PAAB can result in significant long-term savings for taxpayers. Due to Iowa's two-year reassessment cycle, a modification of the 2011 assessed value will affect property taxes for not only 2011, but also for 2012. Essentially, a value set in 2011 remains the same through the 2012 assessment year as well. A modification to the assessment provides further tax relief by establishing a lower floor for future assessment increases and can result in large tax savings for taxpayers over time.

For example, a residential property that receives a reduction in assessed value from \$100,000 to \$90,000 in the 2011 reassessment year would save approximately \$173 in taxes that year, plus an additional \$173 in 2012. Then, in 2013, when the property is reassessed, the increase in assessment is now based on a \$90,000 value rather than \$100,000. Thus, a residential assessment modification resulting in a tax savings in one year is likely to translate into exponentially greater savings in future years.

From 2007 through November of 2012, PAAB has reduced the assessed value on Iowa properties by \$518.6 million. (Table 1). This has provided roughly \$16.8 million in one-year tax savings to Iowa taxpayers. (Table 1). Taking Iowa's two-year reassessment cycle into account, PAAB has effectively reduced assessed values by nearly \$862 million. (Table 2). This has provided more than \$27.8 million in property tax relief to Iowans. (Table 2).

### A Forum for Taxpayers

What PAAB hears from taxpayers is that they appreciate the opportunity to have their property assessment dispute heard before a panel of experts knowledgeable in the field of property assessments. For many, the prospect of appealing to district court is too costly and too complicated. Most residential taxpayers are unlikely to be able to afford to hire an attorney to represent them in district court. Even for commercial and industrial property owners, the benefit of proceeding to contest their property assessment in district court may not outweigh the cost.

Additionally, attorneys and other tax representatives prefer resolving these disputes in front of an agency that deals with assessment issues on a daily basis. In this way, PAAB fulfills its mandate to resolve disputes in a fair, timely, and cost-efficient manner.

### PAAB and the Courts

The influx of cases to PAAB has relieved pressure on district courts throughout the state. In the 2001, 2003, and 2005 reassessment years, district courts heard an average of 242 appeals from local Board of Review actions. After PAAB began operation in 2007, the number of district court cases dropped to an average of 123 appeals per year in reassessment years 2007, 2009, and 2011. This represents an almost 50% decline in the number of Board of Review cases handled by the district courts. In this regard, PAAB's purpose of reducing the district court's burden has been met.

A party not satisfied with a PAAB ruling has the option of seeking judicial review of the ruling in district court. The court reviews PAAB's ruling for errors at law, just as it reviews most cases from any other State agency. The court can affirm, modify, reverse, or remand a PAAB ruling. Out of the thousands of appeals that have come before PAAB, only thirty-one have proceeded to district court. Of these, only two appeals were remanded to PAAB and one was reversed.

### Conclusion

PAAB serves as a necessary compliment to the Board of Review process. Local boards of review often consist of lay people who are largely unfamiliar with property assessment procedure and law. They also necessarily contain local residents who may have other conflicts with individuals and taxpayers appearing before them, which may lead to decisions based on bias. Additionally, the limited time boards of review have to hear and decide protests means that PAAB functions as an important, second-level of review.

PAAB foresees high utilization of its services in the immediate future. As the 2013 reassessment year looms, PAAB will continue to serve Iowa's taxpayers both large and small, while assuring that Iowa's property assessment process is independent, fair, and consistent.

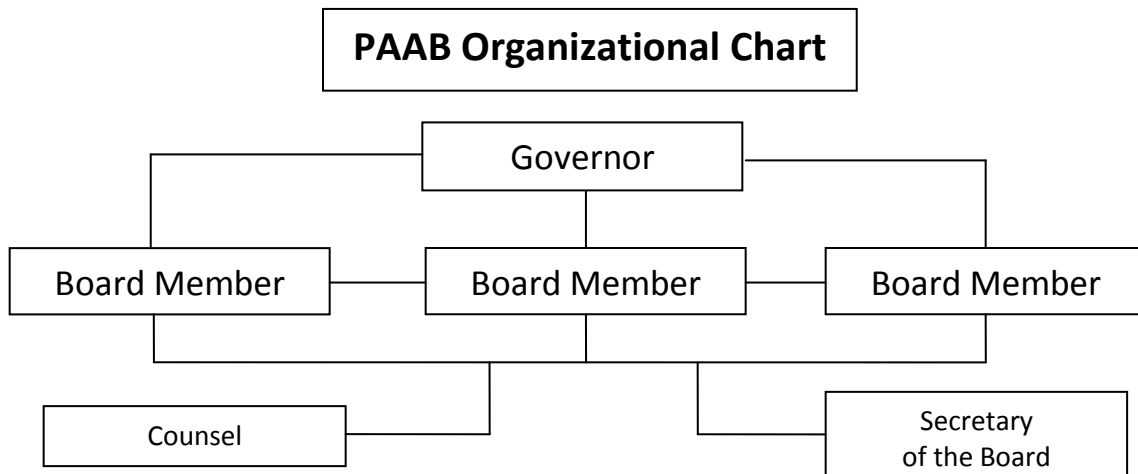
## PAAB's Mission

To serve Iowans by establishing a consistent, fair, and equitable property assessment appeal process.

## History

The Property Assessment Appeal Board (PAAB) was created by the 2005 Iowa Legislature. (H.F. 868, Sec. 121). The term for the initial board was to begin January 1, 2007. The Board consists of three members, appointed for 6 year terms by the governor. The three members shall have at least two years' experience in the area of government, corporate, or private practice relating to property appraisal and property tax administration, and each shall have a particular qualification including:

1. A certified real estate appraiser or hold a profession appraisal designation.
2. An attorney practicing in the area of state and local taxation or property tax appraisals.
3. A professional with experience in the field of accounting or finance and with experience in state and local taxation matters.



## Relevant Statutes and Rules

Iowa Code section 421.1A is the Board's enabling statute.

Iowa Code section 441.37A is the procedure for filing appeals with the Board.

Iowa Administrative Code rule 701-71.21(1), et. al. are the Board's administrative rules governing the Board's process and procedures.

**Table 1. One-Year Assessment Value Reduction and Tax Savings**

Year	Assessment Value Reduction*	1-Year Tax Savings**
2007	\$63,622,948	\$2,030,534
2008	\$21,760,346	\$689,479
2009	\$156,031,174	\$4,890,596
2010	\$125,056,971	\$4,194,803
2011	\$123,624,263	\$4,076,040
2012	\$28,544,046	\$967,765
<b>Total</b>	<b>\$518,639,748</b>	<b>\$16,849,217</b>

\* Includes modifications and stipulations.

\*\*Includes only residential, commercial, and industrial properties. Applicable rollbacks applied. Consolidated property tax rate of \$34 per thousand, based on Department of Management average consolidated rates from 2007 to 2011.

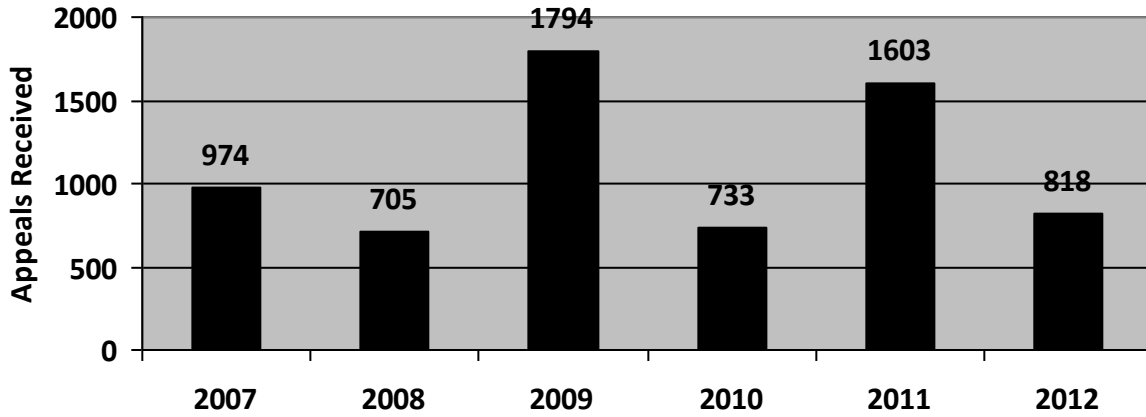
**Table 2. Estimated Multiple Year Assessment Value Reduction and Tax Savings**

Year	Estimated Multiple Year Assessment Value Reduction*	Estimated Multiple Year Tax Savings**
2007	\$127,245,896	\$4,061,068
2008	\$21,760,346	\$689,479
2009	\$312,062,348	\$9,781,192
2010	\$125,056,971	\$4,194,803
2011	\$247,248,526	\$8,152,080
2012	\$28,544,046	\$967,765
<b>Total</b>	<b>\$861,918,133</b>	<b>\$27,846,387</b>

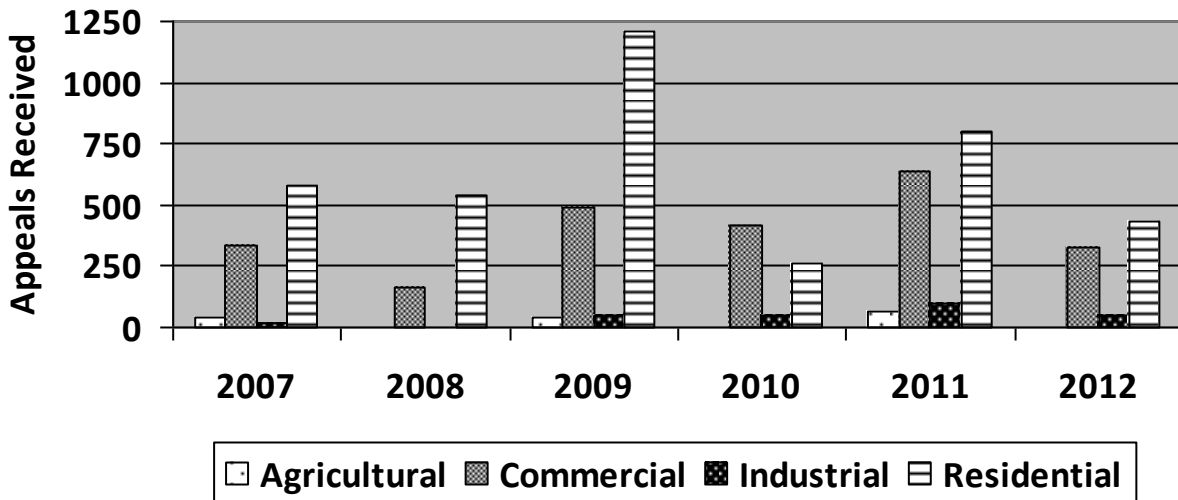
\*Includes modifications and stipulations. To account for two-year assessment cycle, assessed value reductions were doubled for 2007, 2009, and 2011.

\*\* Includes only residential, commercial, and industrial properties. Applicable rollbacks applied. Consolidated property tax rate of \$34 per thousand, based on Department of Management average consolidated rates from 2007 to 2011.

**Chart 1. Appeals Received: 2007-2012\***



**Chart 2. Appeals by Classification: 2007-2012\***



\* Appeals are considered filed based on the calendar year in which the assessment was affective. Example: 2007 appeals reflect the January 1, 2007, assessment date. Appeals are filed with PAAB between mid-May and mid-July of the subject calendar year.