

Opening Statement
Property Tax Interim Study Committee
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Property taxes are controversial yet needed for government to function; hard to understand for taxpayers, yet easy for local government to rely on due to their stability. These dichotomies point out the difficult task in talking about the property tax system.

One of the first questions that need to be discussed is the goals of the property tax study committee. The word reform is not in the title of the committee, but many people believe that the current system is “broken” and only reforming the system will make it work again. But the word reform has different meanings to different people. Does it mean reducing the reliance on property taxes for taxpayers? Shifting revenue from property taxes to another tax? Identifying what services property taxes should pay for and what services should be paid for with other revenue sources? These are just a few of the questions that need to be discussed by the committee as it moves forward.

Next, where are we today when it comes to paying property taxes? Last fiscal year, 2007, the local governments in the state levied a total of 3.6 billion dollars in property taxes. Ten year ago, just under 2.4 billion dollars was levied in property taxes across the state. Even with the current assessment limitations in place, that is over a one billion dollar increase in property taxes over the past decade. The taxable value for residential properties in the state increased over 5% a year for the past ten years, even after the rollback was applied.

But we also must look at the smaller picture which of course is more complex. There are thousands of taxing districts in this state. Any change in the property tax system will impact districts uniquely. Any change in the agricultural productivity formula will greatly impact Pocahontas County as a whole, while changes in the agricultural-residential assessment limitation tie would have a much smaller impact. Almost the exact opposite is true with Polk County with a smaller concentration of ag land and higher concentration of residential property. This is just one example of why the property tax system is such a challenge. Each local government relies on a different assessment demographic. Invariably when one class of property is favorably impacted by a change in policy, another class is negatively impacted.

As I previously mentioned, reform means different things to different people. It would not surprise me if a majority of people in Iowa would define reform as a lower property tax bill, because after all of the rules are applied; the only number in the property tax system that most people care about is how much they have to pay. If nothing is done, it's very likely that the next decade will bring another billion dollar increase in property taxes levied in the state.