

# Iowa Property Tax

Jeff Robinson - Fiscal Services Division  
House Ways & Means Committee  
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# Contact

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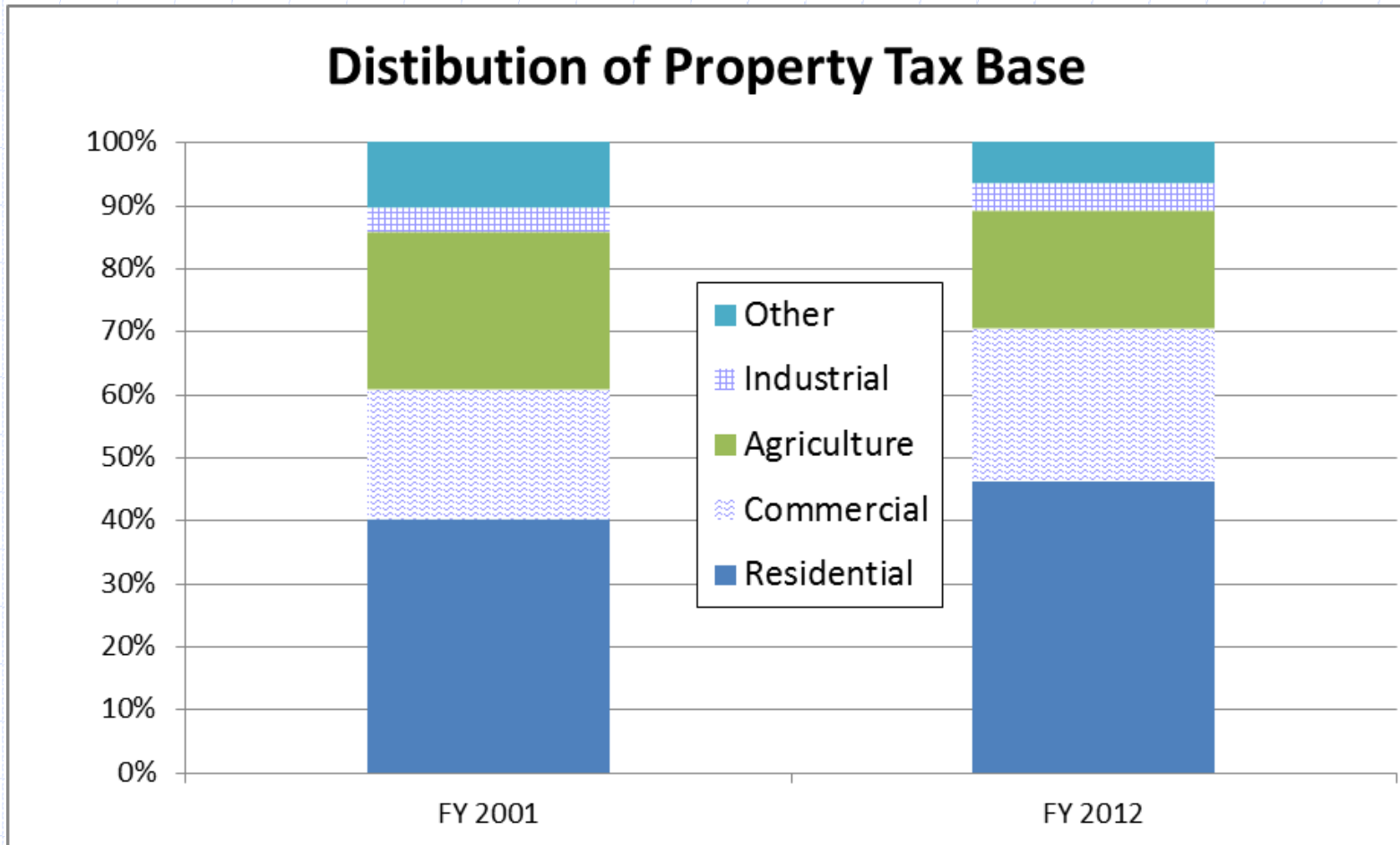


# Historical Comparisons –

Based on Department of Management and  
Department of Revenue valuation and tax  
history

# FY 2001 vs. FY 2012 Comparison

The tax base is much more residential and commercial now



# FY 2001 vs. FY 2012 Comparison

Taxes paid have increased faster than taxable value, meaning the average tax rate has increased.

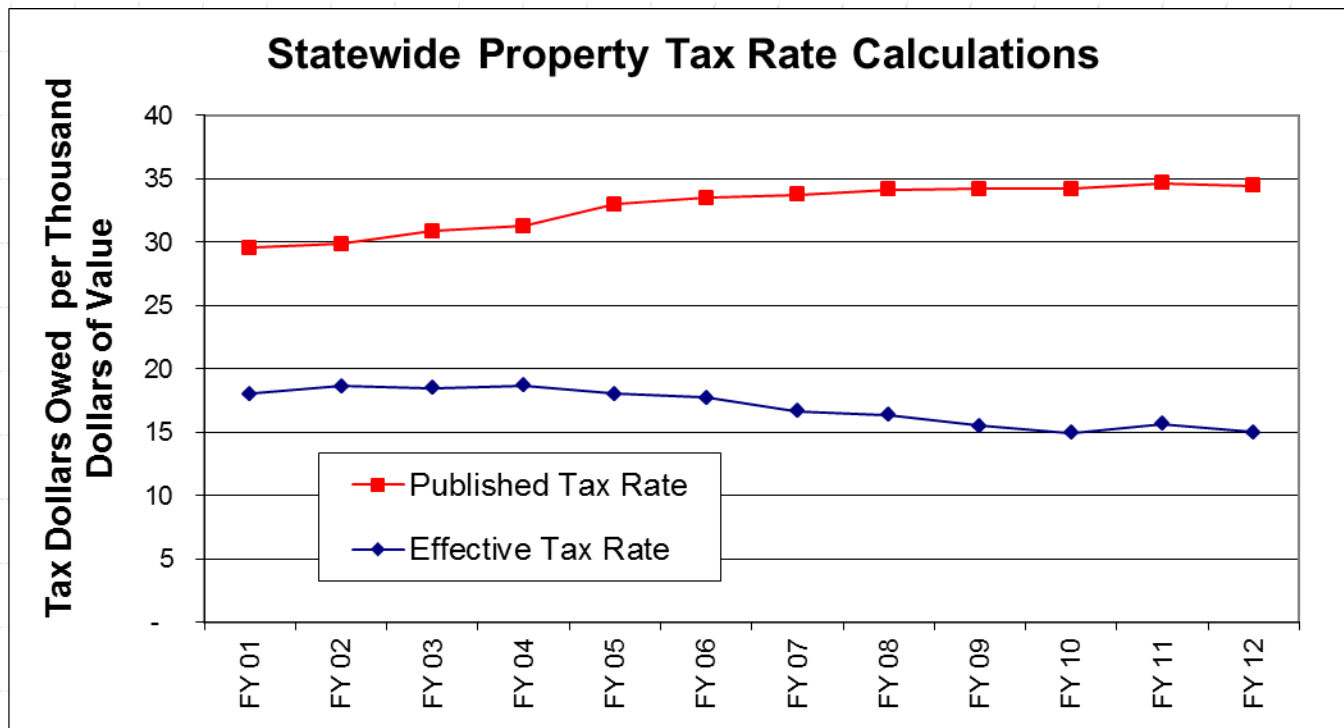
## Average Tax Rate Calculation

Tax and Value in Billions, Rate in Dollars per Thousand

	FY 2001	FY 2012	% Increase
Taxed Value	\$ 96.6	\$ 139.3	44.2%
Taxes Paid	\$ 2.856	\$ 4.799	68.0%
Average Tax Rate	\$ 29.56	\$ 34.45	16.5%

# FY 2001 vs. FY 2012 Comparison

But while the average rate has increased over time, the effective tax rate has declined. Reason? The market value of property in Iowa has grown a lot faster than its taxed value.



# FY 2012 – Market vs. Taxable

## FY 2012 - Market vs. Taxable

In Billions of Dollars

<u>Property Classification</u>	<u>Market Value</u>	<u>Taxed Value</u>	<u>% of Market Value that is Taxed</u>
Residential	134.9	64.5	47.8%
Agriculture	128.2	25.9	20.2%
Commercial	35.2	33.8	96.0%
Industrial	6.9	6.1	88.4%
Other	14.8	9.0	60.8%
<b>Total</b>	<b>\$ 320.0</b>	<b>\$ 139.3</b>	<b>43.5%</b>
TIF Increment Value		-8.7	
<b>TIF-Adjusted Total</b>	<b>\$ 320.0</b>	<b>\$ 130.6</b>	<b>40.8%</b>

Taxed value is from Department of Management data files.

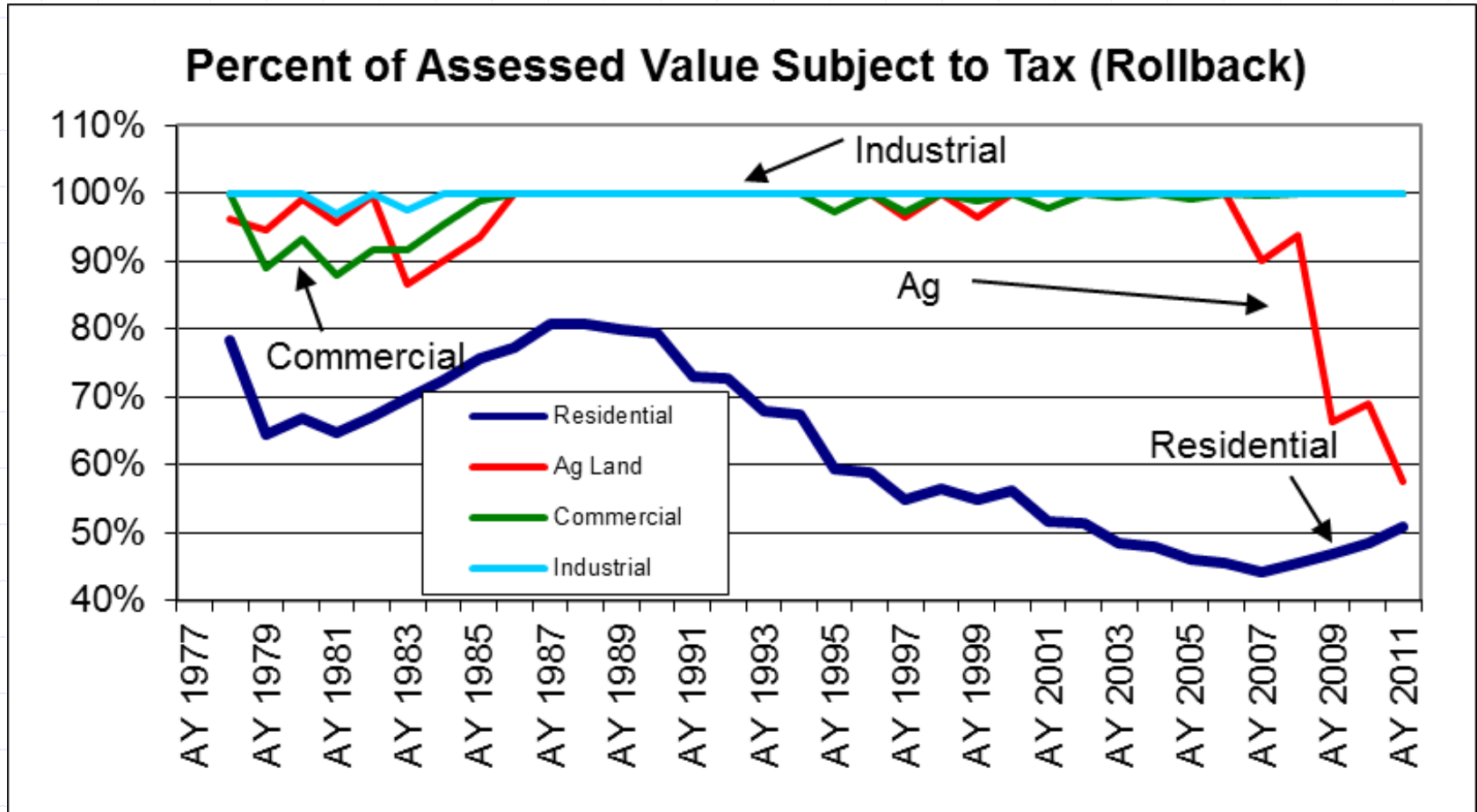
Market value is from Department of Revenue reports, except agriculture market value.

Agriculture market value is the statewide value determined by the USDA, with the value of farm residences subtracted.

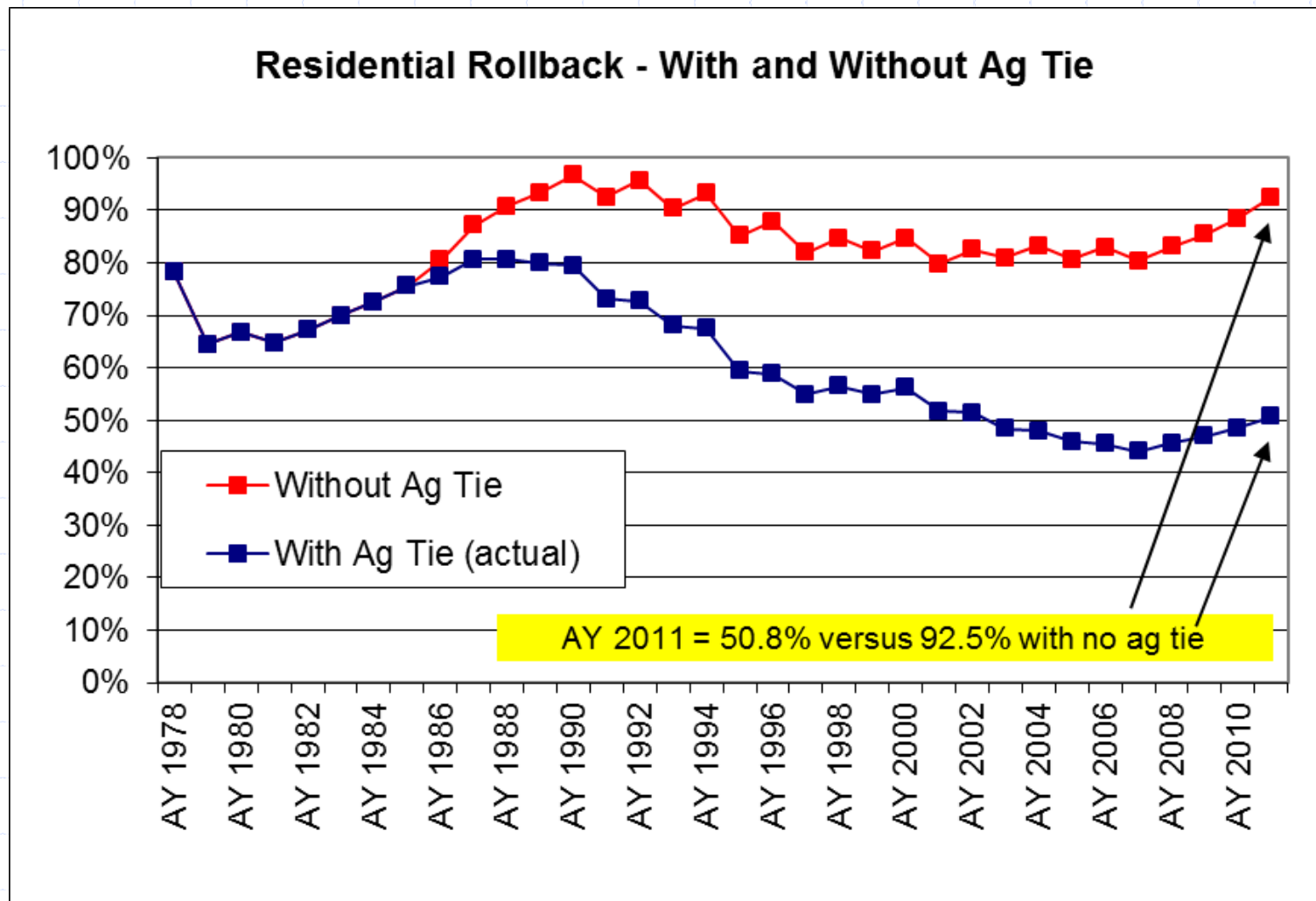
Values include Tax Increment Financing areas.

Gas/electric utility property included in "Other".

Rollback – Residential property taxed significantly under market value, agricultural property assessed on a productivity basis.



Most of the current residential rollback is due to the Ag tie component.



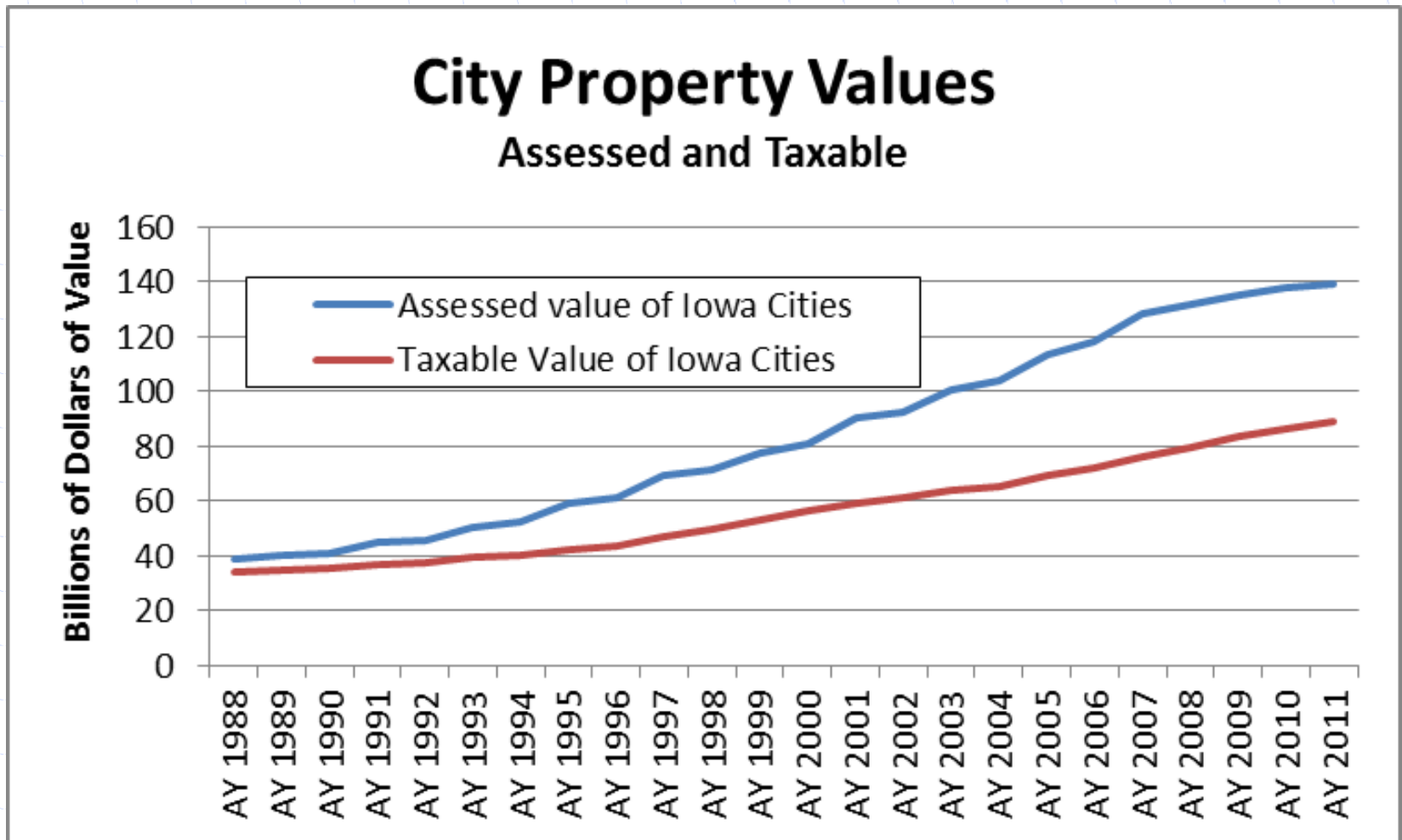
# Change in Tax Dollars Collected by Category of Local Government – FY 2001 to FY 2012

## Property Tax Destination

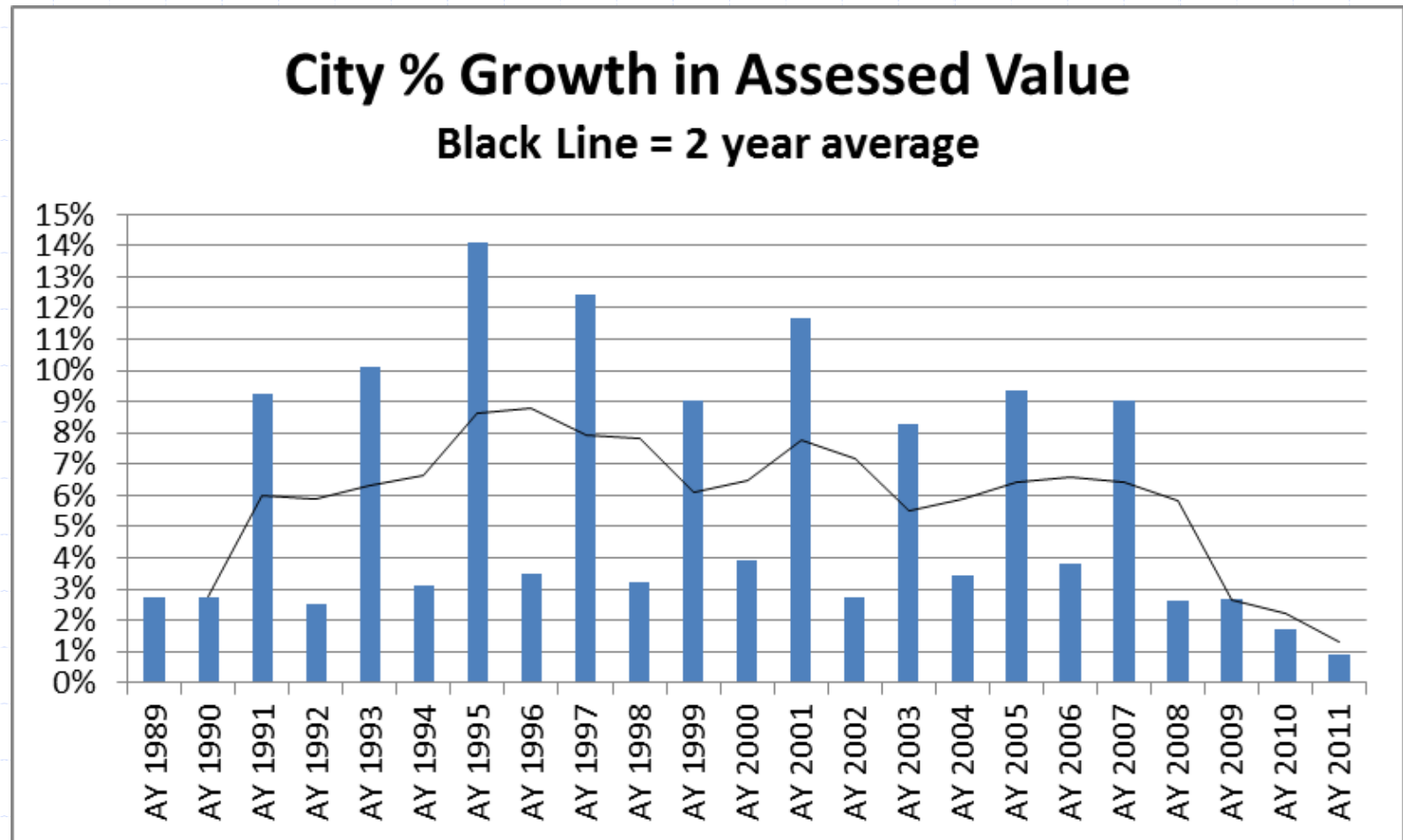
In Millions of Dollars

Government	FY 2001	FY 2012	\$ Growth	% Growth	Average Annual Growth Rate
County	615.9	1,022.3	406.4	66.0%	4.7%
City	676.4	1,116.6	440.2	65.1%	4.7%
School	1,262.6	2,050.7	788.1	62.4%	4.5%
School Debt	0.5	0.9	0.4	88.8%	5.9%
Com. College	57.2	113.6	56.4	98.5%	6.4%
Ag. Extension	11.0	18.5	7.5	67.8%	4.8%
Assessor	35.6	49.5	13.9	38.9%	3.0%
Township	18.8	28.3	9.5	50.4%	3.8%
Hospitals	53.9	95.6	41.7	77.3%	5.3%
Other	4.7	16.5	11.9	255.1%	12.2%
SSMID	2.6	2.8	0.3	10.2%	0.9%
Brucellosis Fund	0.5	0.4	0.0	-9.7%	-0.9%
Tax Increment Financing	116.1	283.2	167.0	143.9%	8.4%
<b>Total</b>	<b>\$2,855.7</b>	<b>\$4,798.8</b>	<b>\$1,943.1</b>	<b>68.0%</b>	<b>4.8%</b>

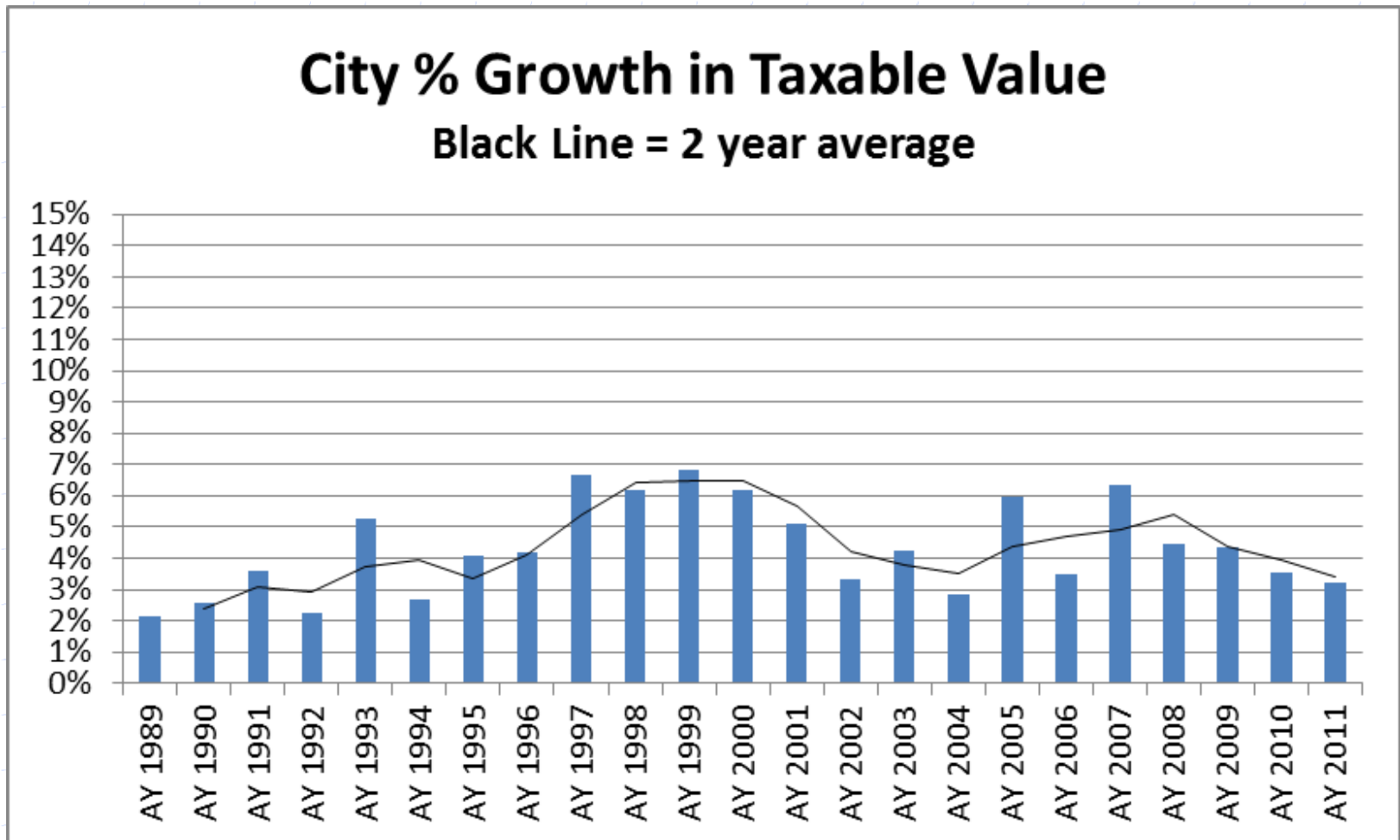
Due primarily to the residential rollback, taxed value within cities has not kept pace with assessed value.



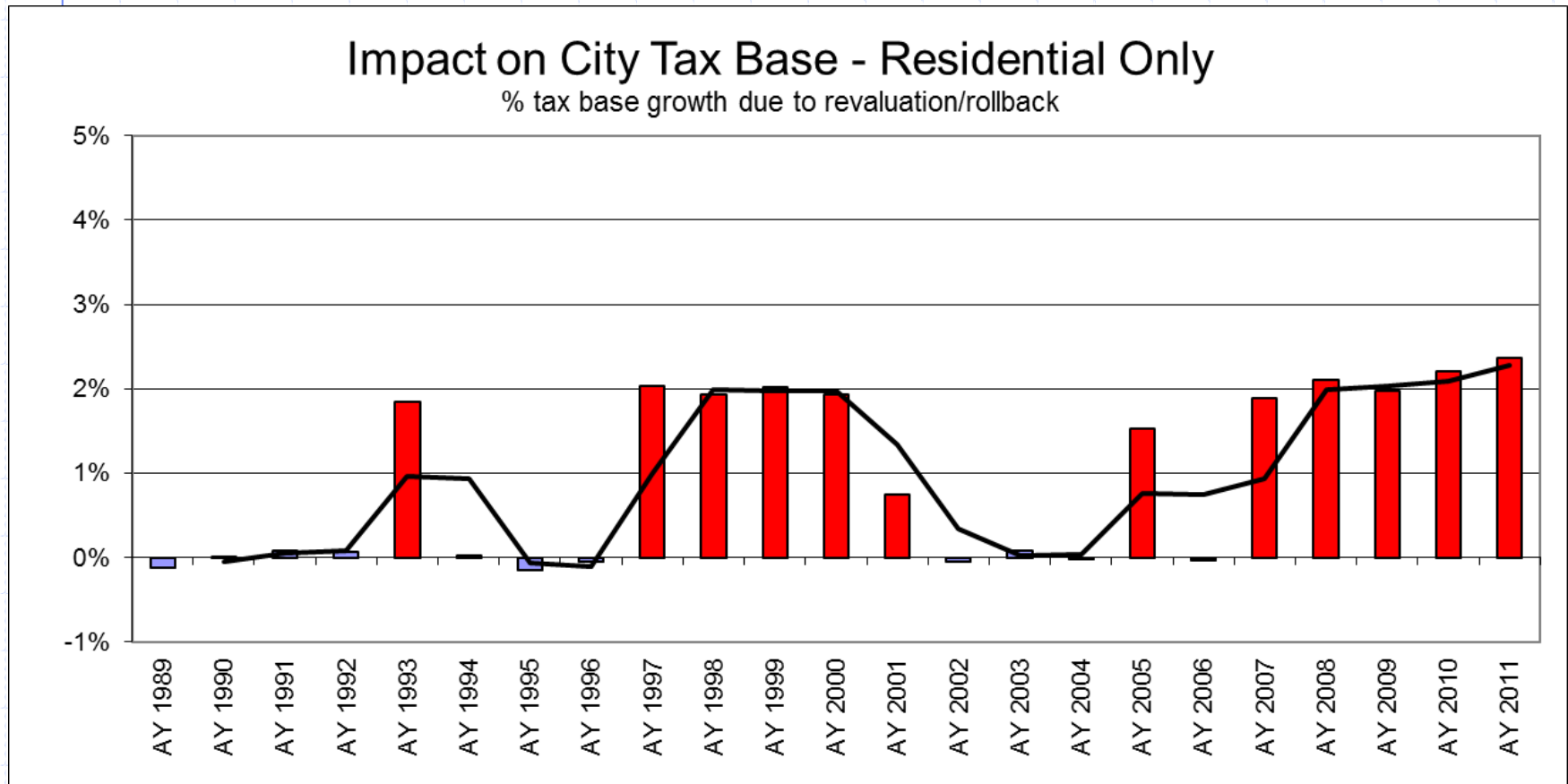
The recession has significantly decreased the rate of assessed value growth.



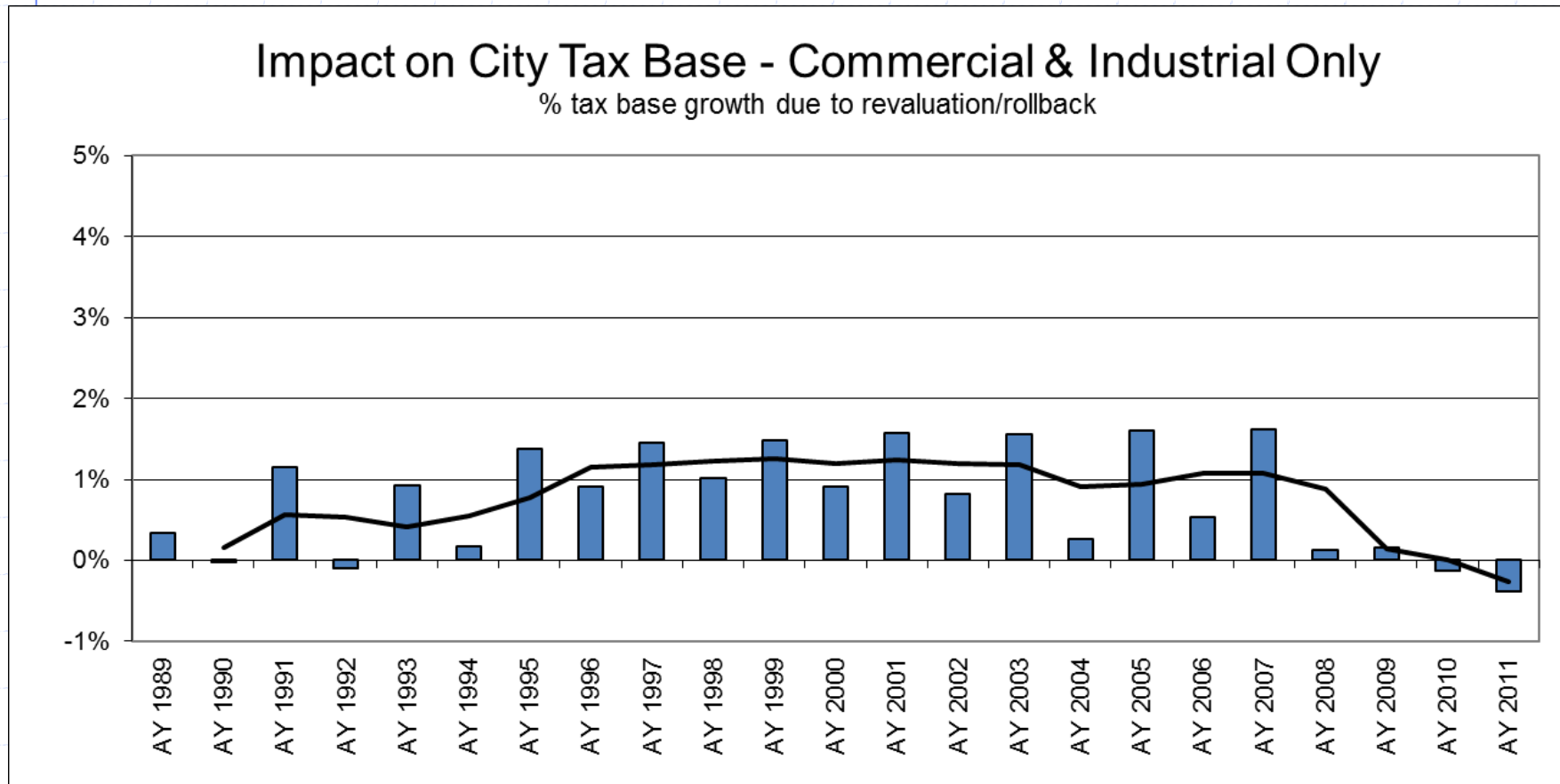
But due to the lack of an ag tie and the resulting influence of 4% residential rollback growth, taxable value growth has remained fairly positive.



The combined action of revaluation of existing residential property and its interaction with the residential rollback has produced taxable value growth over the past seven years.

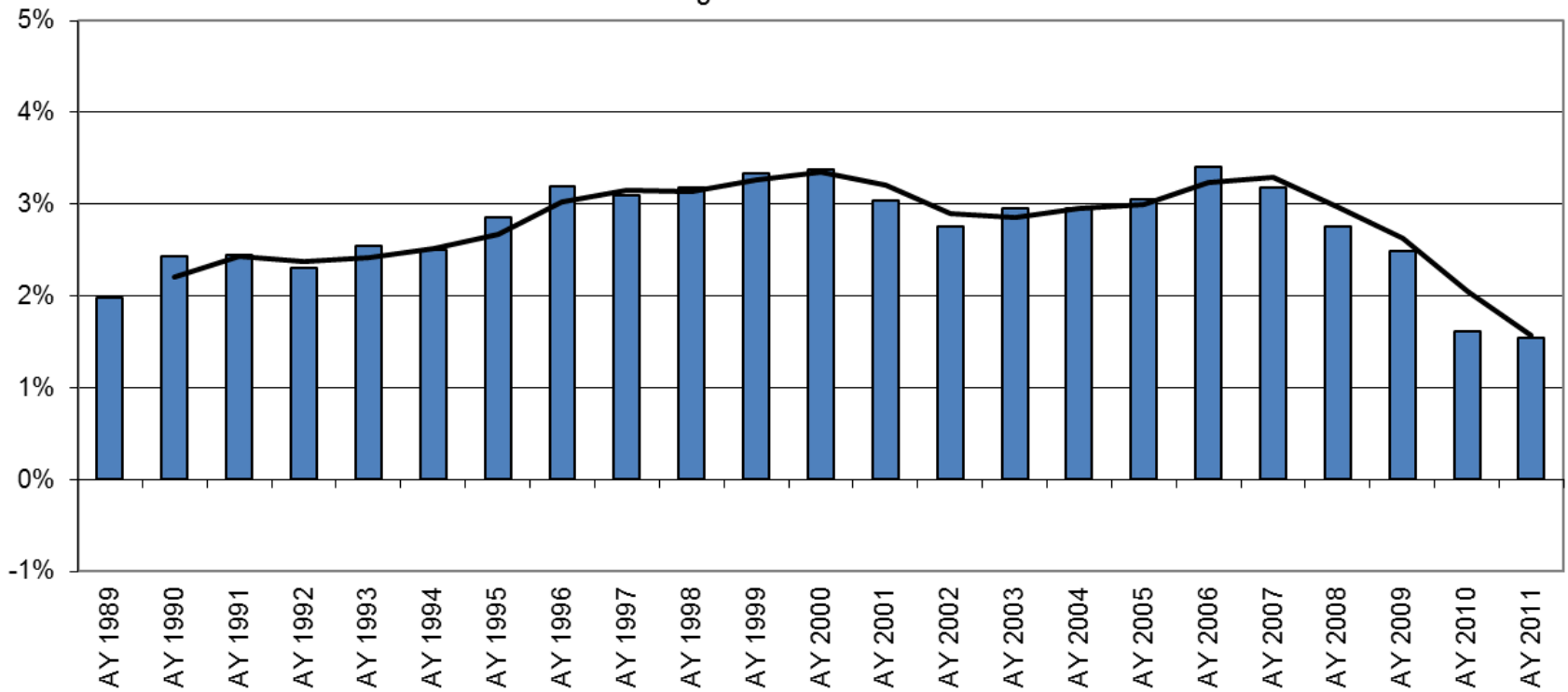


Since a persistent commercial and/or industrial rollback never developed, the recent lack of C/I assessed value growth means zero and negative taxable value growth from those property classes.

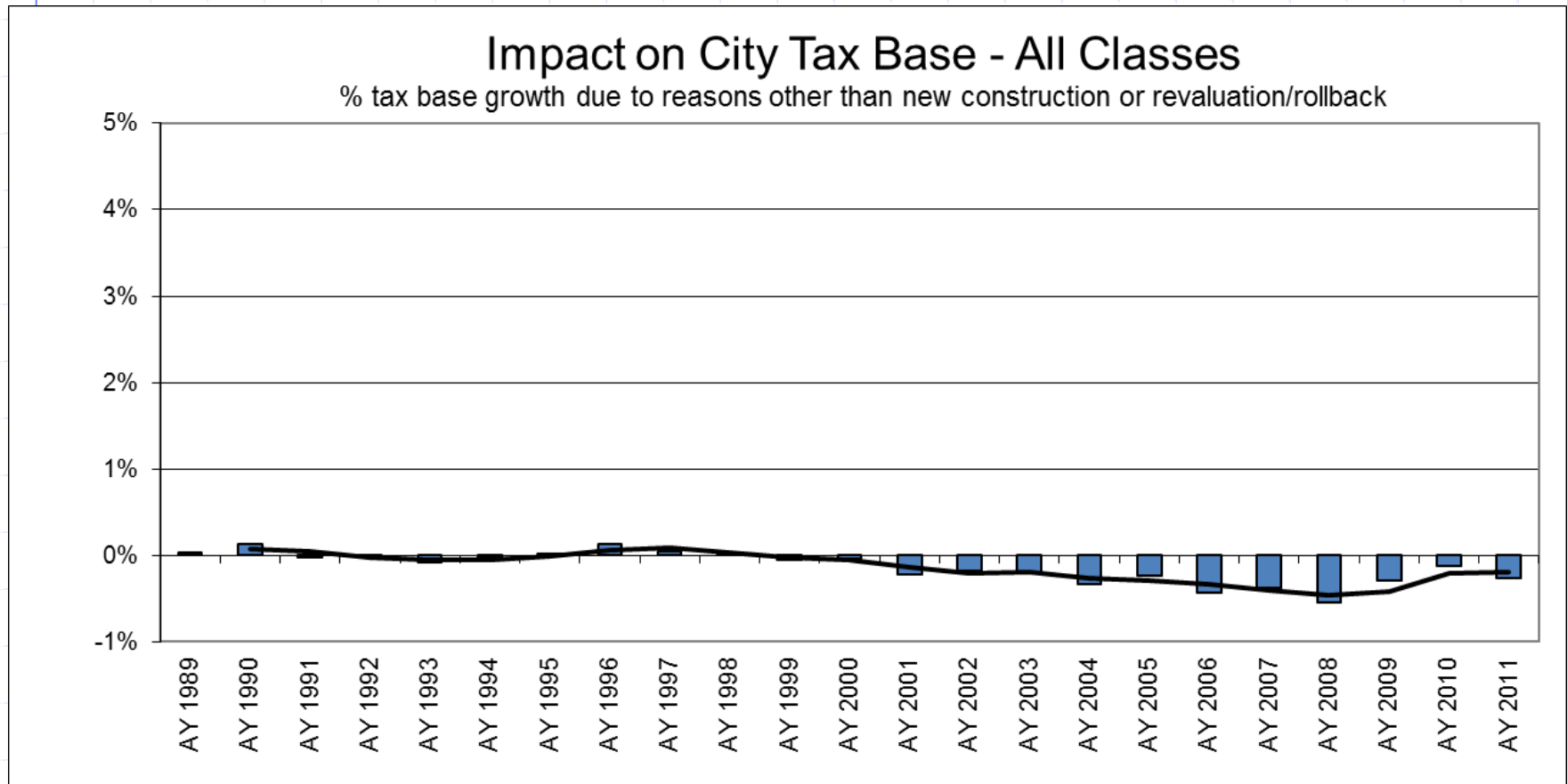


The recent recession has significantly slowed city taxable value growth that results from new construction.

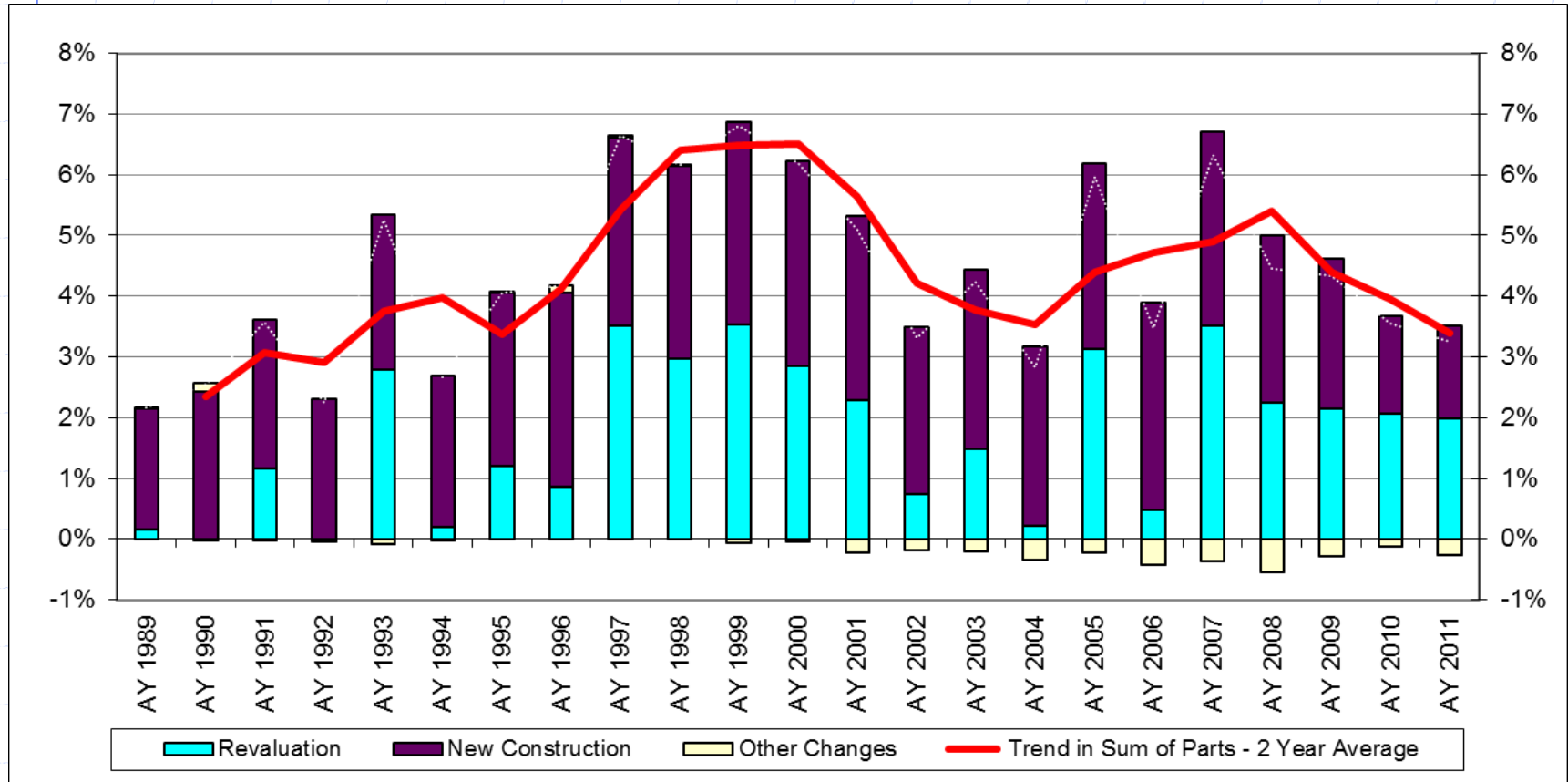
Impact on City Tax Base - All Classes  
% tax base growth due to net new construction



Property class transfers and mid-year revaluations have contributed to the slowing in taxable value growth in recent years.



# % Growth in City Taxable Value – By Major Growth Source



# Summary

- ◆ From 1991 through 2007, city taxable value grew due to commercial revaluation, new construction, and residential revaluation whenever the ag tie permitted.
- ◆ Since 2007, growth has come from residential revaluation and about one-half the normal level of new construction.
- ◆ By itself, increases in the residential rollback can only produce about a 2.00% to 2.25% annual growth in the combined tax base of Iowa cities.

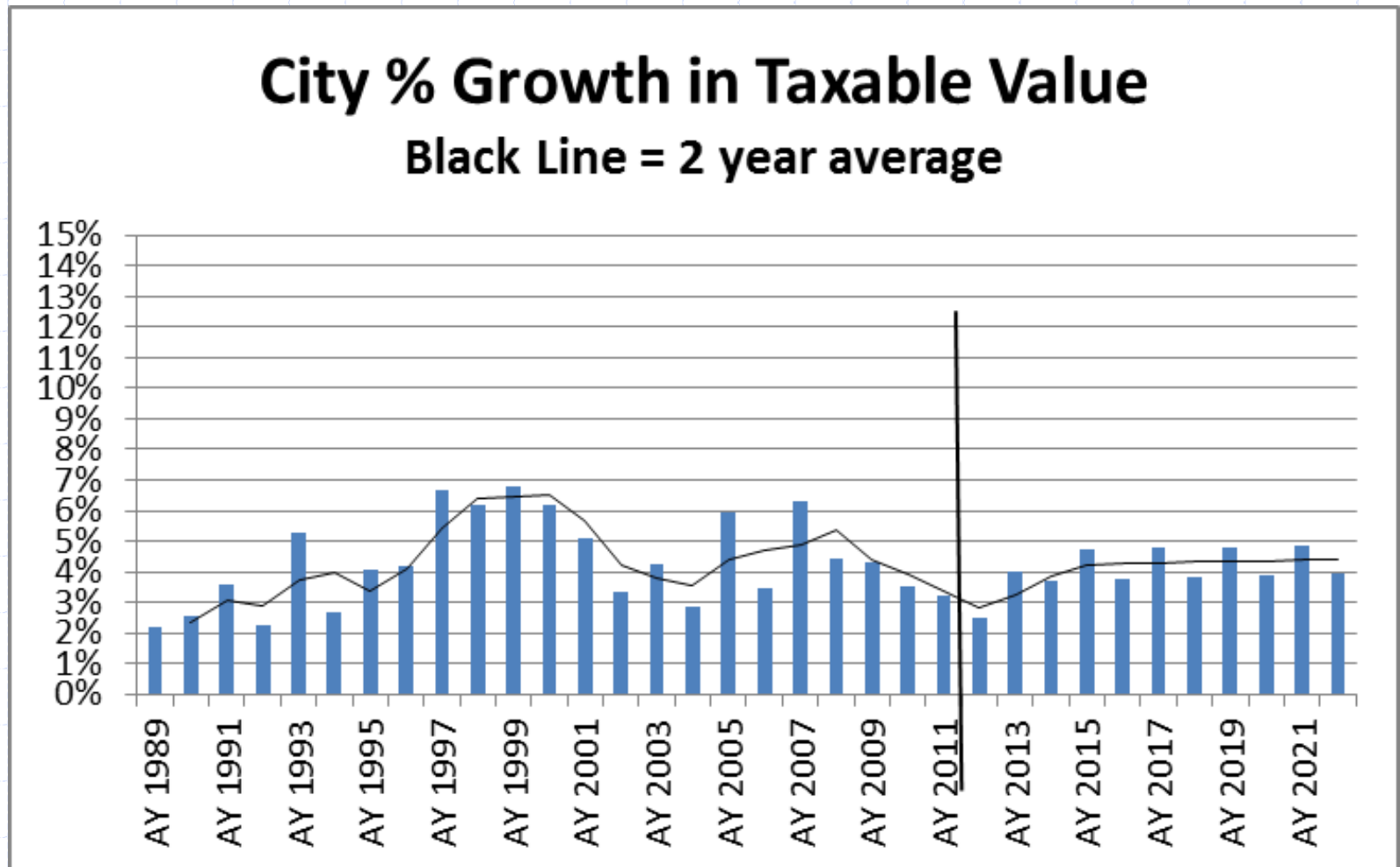
# Current LSA Projections – How does the future look for cities?

- ◆ The ag tie will not operate for many years, so residential taxable value growth of 4% statewide will occur.
- ◆ New construction will return in the near future.
- ◆ Commercial revaluation growth will also return, but at a lower rate than the 2000s.
- ◆ The drag provided by property class reclassifications will subside.

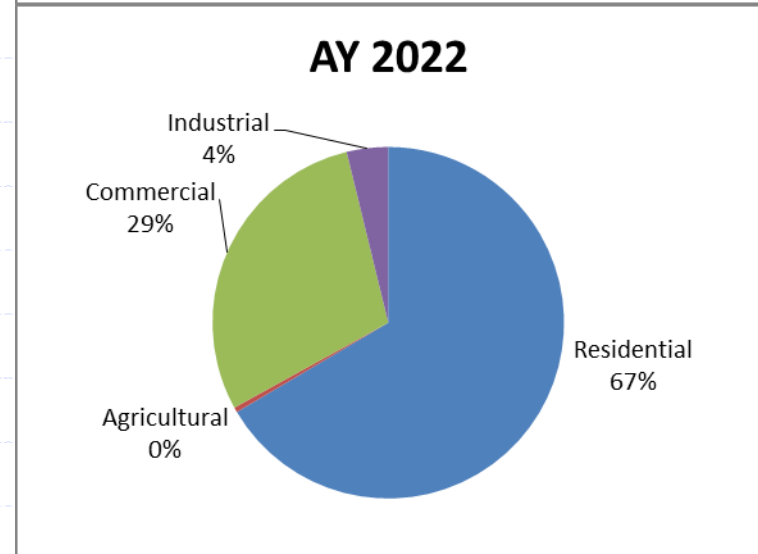
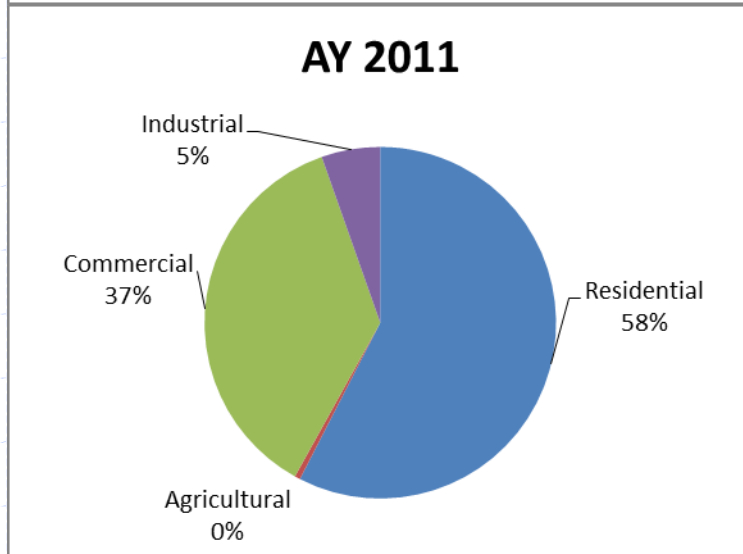
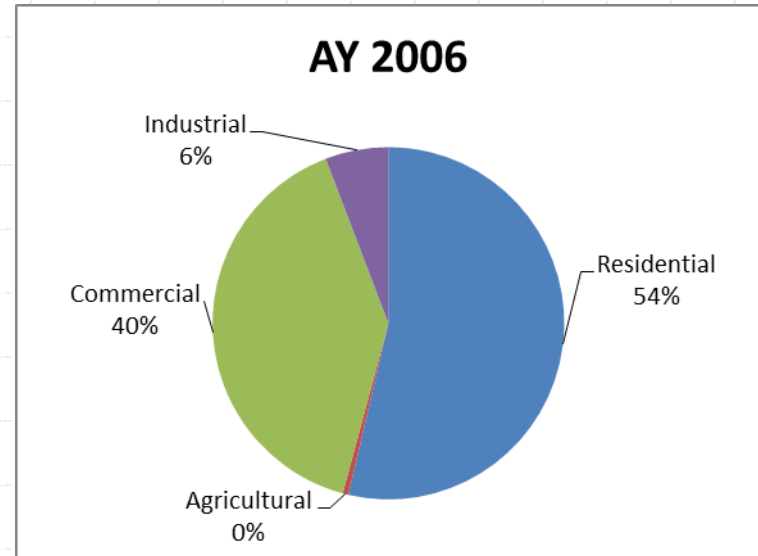
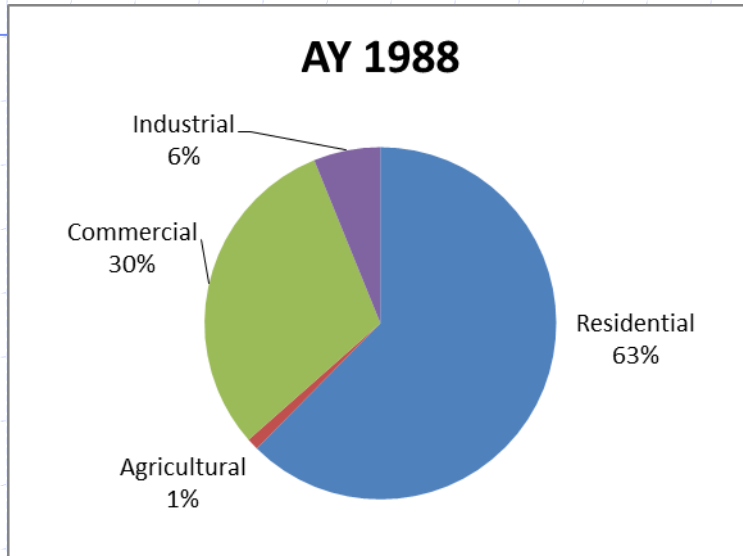
# Current LSA Projections – How does the future look for cities?

- ◆ Residential = 5.0% growth in AY 2012 and 5.5% annual growth after that.
- ◆ Agriculture = 3.0% annual growth.
- ◆ Commercial = 1.0% reduction AY 2012, 2.0% growth AY 2013, 1.0% growth in even years, 4.0% growth in odd years after that.
- ◆ Industrial = 1.0% reduction AY 2012, 1.0% annual increase after that.
- ◆ It will be much easier for residential-based cities.

This combination of growth will provide good, but not great, city tax base growth. Those cities that are mainly residential value will be better off than those with a significant commercial and/or industrial base.



# Current Law Distribution of the City Tax Base AY 1998 through AY 2022 – History & Projections



# What are the risks to the LSA projection?

## ◆ To the downside (less taxable value):

- Corn goes below \$4 a bushel starting next year and stays there (Soybeans below \$10).
- Commercial property values continue to deflate beyond AY 2012.

## ◆ To the upside (more taxable value):

- Stronger construction recovery.
- Economy-wide inflation that lifts commercial property value.