



Limiting Property Tax Increases in Iowa

by David Hogberg

There are two ways to increase property taxes: increase the tax rate, or increase the valuation. It is time that Iowa puts limits on the ability of local and state government to increase both.

In Iowa, local governments are limited by state law in how much they increase property tax rates. For example, cities cannot levy more than \$8.10 per \$1,000 of property valuation, while counties cannot levy more than \$7.45.¹ However, there is a way property taxes can rise without local governments raising levies. It is called the valuation process.

Valuation is the process of determining the current worth of property. In Iowa the valuation process has two basic steps. Every two years, the "Assessor" (usually a county official, although eight Iowa cities still employ their own Assessors) determines how much property values will rise or decline. This step is called "revaluation." After the County Assessors are finished, the state government, through the Department of Revenue, steps in and adds its own increases or decreases to the property valuations. This step is called "equalization" and "is applied to ensure the property values are comparable among jurisdictions and according to law."²

Table 1 displays the average revaluation and equalization increases for both residential and commercial property in 2001 and 2003.³ With the exception of the 2001 revaluation for residential property, few of the increases seem huge. Yet Table 1 only tells part of the story. Since these are averages, it is quite possible that the increases are not uniform across all areas of Iowa. Indeed, a closer look at the data shows that some areas receive heavy valuation increases.

	2001		2003	
	Revaluation	Equalization	Revaluation	Equalization
Residential Property	6.1%	1.8%	4.2%	2.4%
Commercial Property	3.9%	1.7%	2.1%	2.6%

Table 2 displays the number of Iowa counties and cities seeing revaluation or equalization increases of more than 5%.⁴ Sometimes the number of areas seeing sizeable property valuation increases is below half. Of the 107 areas that have property Assessors (99 counties and 8 cities), in 2003 about 28 areas saw a revaluation or equalization increase in commercial property of 5% or more. That represents 35% of the total number of areas. At other times, however, many areas see large increases. During 2001 the number of areas that saw such increases in residential property was 74 (accounting for overlap) representing 70% of the total.

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	2001		2003	
	Revaluation	Equalization	Revaluation	Equalization
Residential Property	38	41	22	27
Commercial Property	21	31	6	32

Some areas get a double whammy. For example, in 2001 Appanoose County received a 7.8% increase in revaluation and a 7% increase in equalization for residential property. Other property taxpayers got hit twice just in the revaluation process. In Davenport, residential property owners received an 8.7% increase in their valuation from the City Assessor and an 8.6% increase from the Scott County Assessor.

To control this, legislation is before the Iowa Legislature that would require approval of the voters before counties or cities can significantly increase the property tax portions of their budgets. Any increase in those portions of their budgets that could not be accounted for by either inflation or property improvements like new construction would trigger a referendum on the local level. It wouldn't matter if the budget increase was due to levies, revaluation, or equalization. All increases would require local government to get voter approval.

Property taxes can be harmful to economic growth because they impose significant costs on both homeowners and businesses. The reform currently in front of the State Legislature would give local voters more power over their property taxes. It would empower them to decide how much of government's cost they want to endure.

ENDNOTES:

¹These are general property tax levies. Cities can add small extra levies to support a memorial building or symphony orchestra. Counties may add extra levies to the extent that the general ones are insufficient to pay for costs such as courts or voter registration. See Code of Iowa, 2001, Chapters 331.423, 331.424, 384.1, and 384.12.

²"An Introduction to Iowa Property Tax," Iowa Department of Revenue, <<http://www.state.ia.us/tax/educate/78573.html>> (January 5, 2004).

³Data for Table 1 from "2003 Final Equalization Adjustments, 2003," "Proposed Equalization Results, 8/15/03," "Final Equalization Orders, 10/1/01," and "Proposed Equalization Results, 8/15/01," Iowa Department of Revenue, <<http://www.state.ia.us/tax/locgov/locgov.html#Property%20Tax>> (January 7, 2004).

⁴Data for Table 2 from same sources listed in note 3.

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