



# The Watchdog

A Legislative Update from Iowans for Tax Relief



Friday, January 19, 2007

2nd Week of Session

## Governor Culver's Property Tax Commission Delays Approval of Final Report. Residential Rollback Freeze Still on the Table

### **NEW IOWANS FOR TAX RELIEF BOARD MEMBER, JIM KURTENBACH, FIGHTS TO PROTECT ROLLBACK:**

Earlier this week, Governor Culver's hand-picked commission to bring him recommendations on property tax reform delayed a vote on the final report as questions surrounding the residential property tax rollback brought the process to a standstill.

Jim Kurtenbach, a newly elected member of the Iowans for Tax Relief Board of Directors and a member of the Governor's property tax commission, courageously fought to remove from the report any recommendation to freeze the rollback percentage on residential property.

The Commission was primarily created to examine property tax reform proposals, with the specific charge to find potential solutions to the growing problem of high commercial and industrial property taxes in Iowa.

Business leaders and those working to promote economic growth in Iowa have increasingly pointed to high commercial and industrial property taxes as a significant road block to new growth.

While commercial and industrial property is taxed at 100% of its assessed value, residential property (due to the rollback provisions in Iowa law) is taxed at roughly 45% of its assessed value.

The residential rollback has been an effective tax relief tool for Iowa homeowners. Without these provisions, property taxes on every Iowa

home would be **more than DOUBLE** their **current level**. Any attempt to limit or freeze the rollback **WILL** result in higher residential property taxes.

### **Iowans for Tax Relief strongly OPPOSES any attempt to limit or freeze the residential rollback.**

However, some analysts make the argument the residential rollback results in a shift in the property tax burden, with commercial and industrial property shouldering more of the burden to the benefit of residential property owners.

In addition, lobby groups representing local governments in Iowa have long sought to freeze, limit, or eliminate the residential rollback because it would result in massive increases in revenue to those local governments.

Before the Legislature jumps off this bridge, it should consider:

1) Research data does not support the assertion the residential rollback has fostered a shift in the property tax burden from residential property to commercial and industrial property (see next page).

2) There is already a legislative solution to this problem that does not require any property tax shift among property tax classes. House File 847, passed in the Iowa House in 2005, ties all four classes of property together in a modified rollback that holds all classes harmless and prevents future shifts in the tax burden.



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### Iowa Statewide Property Tax Collections by Class of Property (in thousands) and Percentage Share of the Total Property Tax Burden:

<u>Year</u>	<u>Residential</u>	<u>Agricultural</u>	<u>Commercial</u>	<u>Industrial</u>
1995	\$1,006,073 (49.0%)	\$503,401 (24.5%)	\$454,619 (22.2%)	\$ 88,112 (4.3%)
1996	\$1,013,903 (49.1%)	\$497,897 (24.1%)	\$463,236 (22.5%)	\$ 88,512 (4.3%)
1997	\$1,001,733 (49.1%)	\$473,996 (23.2%)	\$476,515 (23.4%)	\$ 87,976 (4.3%)
1998	\$1,027,613 (48.7%)	\$480,861 (22.8%)	\$515,414 (24.0%)	\$ 94,652 (4.5%)
1999	\$1,084,103 (48.8%)	\$503,158 (22.7%)	\$537,050 (24.2%)	\$ 96,970 (4.4%)
2000	\$1,130,210 (49.0%)	\$512,824 (22.2%)	\$568,265 (24.6%)	\$ 96,574 (4.2%)
2001	\$1,202,543 (49.0%)	\$541,241 (22.1%)	\$606,973 (24.7%)	\$103,651 (4.2%)
2002	\$1,288,386 (49.3%)	\$565,614 (21.6%)	\$648,032 (24.8%)	\$111,419 (4.3%)
2003	\$1,370,662 (49.0%)	\$596,940 (21.4%)	\$707,806 (25.3%)	\$119,433 (4.3%)
2004	\$1,417,835 (48.7%)	\$607,481 (20.9%)	\$756,380 (26.0%)	\$127,230 (4.4%)
2005	\$1,558,366 (48.5%)	\$535,786 (16.7%)	\$954,202 (29.7%)	\$162,476 (5.1%)
2006	\$1,625,646 (48.8%)	\$543,562 (16.3%)	\$994,955 (29.9%)	\$167,428 (5.0%)

Source: Public Interest Institute, 2007

### REPORT SHOWS RESIDENTIAL HOME OWNERS PAY NEARLY 50% OF TOTAL BURDEN:

New data compiled by the Public Interest Institute shows residential home owners are consistently shouldering nearly 50% of the total statewide property tax burden in Iowa. Contrary to conventional wisdom that suggests the residential rollback has resulted in a property tax shift from residential property to other property classes, Iowa home owners are today paying roughly the same share of the tax burden they were paying back in 1995.

In the same way, industrial property taxpayers have seen little change in their share of the total property tax burden.

The striking change has been the large growth in the burden being paid by commercial property taxpayers while the share paid by agricultural taxpayers has fallen.

In 1995, the relative tax burdens paid by agricultural and commercial taxpayers was roughly equal (24.5% to 22.2%).

By 2006 commercial taxpayers saw their share of the burden rise by nearly eight percentage points while the share of the burden paid by agricultural taxpayers had fallen by over eight percentage points.

The current General Assembly would be wise to revisit the provisions of House File 847 (2005) and reform the current system by linking all four classes of property into one combined rollback wherein the annual growth in any one class of property is limited to the smallest percentage increase in any of the classes of property.

Regardless, Iowans for Tax Relief will continue to work toward a solution to this problem that does **NOT** result in higher property taxes for residential home owners who already carry nearly 50% of the total burden statewide.

**The Watchdog** is a weekly update of issues which are being considered by the Iowa Legislature.

It is a service to members of Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

Comments or questions concerning **The Watchdog** should be directed to:

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