

What's Up With Property Taxes?

I have received questions and concerns from constituents in the wake of counties sending out updated property tax assessments. Taxpayers are concerned about how the rise in assessments will impact their property tax bill. Increases in assessments for homeowners have been from 20% to 60% and even higher.

How are assessments on residential homes figured?

Iowa law requires that all residential property be reassessed every two years on the odd numbered year by the county assessor. That means Iowans had their homes reassessed this year. Assessments are based on the market value of the home. The law in Iowa is that assessed value is market value.

The assessor finds the market value by analyzing recent sales, but also looks at the replacement cost (the amount it would cost to rebuild the property) less depreciation. Assessed value should be as close to market value as possible.

One thing people often wonder is how an assessor knows that they finished a basement or added a bathroom without ever coming into a home. Assessors actually find out most of this information by looking at building permits that are filed with the local city hall or the county.

Another issue people have is when they find mistakes in their assessments— like a basement that claims to be finished when it is not. When homeowners find inaccuracies with their assessment, they should contact the assessor's office. The assessor will review it and determine if the changes need to be made. An appraiser from the assessor's office may need to walk through the property to obtain accurate data.

After considering all relevant information, assessments are sent out to homeowners by April 1 of the assessment year. A homeowner will not actually pay the taxes on these assessments we just received until September of the following year.

Does this mean my property taxes will go up by the same amount?

Your assessed value is not the same as your taxable value. Only part of the assessed value of your property is taxable. Just like not all of your income is taxable—not all of your property is taxable. The various taxing jurisdictions (cities, counties, and schools) apply tax rates to your taxable value, not your assessed value, to get the amount of the property taxes you will pay. Likely, property taxes will increase but not by as much as they would have if they were figured on assessed value. (Later I will explain 2 Senate proposals to help deal with this.)

Background: In Iowa increases in assessed values for residential and agricultural property are subject to an assessment limitation formula. This formula does exactly what it appears to do. It limits the amount your property assessment (and therefore taxes) can increase year over year.

If the statewide increase in values of homes and farms, classified as residential or agricultural properties, exceeds 3 percent, the values of those properties are limited so that the total increase in aggregate value statewide is 3 percent. Iowa does not limit *individual* property from increasing in assessed value by more than 3 percent—it does that for the *entire class* of property. Some will increase more than 3 percent, some will be less than 3 per cent and some will decrease. But the overall the increase will be 3 percent or less.

Then the Department of Revenue calculates a “rollback rate”. This rate is the per cent of your assessed value that is taxed. The Department will figure out how much of your assessed value should actually be taxed so as to not violate the 3 percent assessment limitation. The last “rollback rates” figured were:

- Agricultural—91.64%
- Residential—54.65%

This represents the percentage of your assessed value will actually be taxed (will have the tax rates applied to it). The main reason Iowa does this is to keep Iowans’ property taxes as predictable and stable as possible. It does not solve all issues—but it strikes the balance between wanting to give property owners as well as local governments some predictability.

Is the legislature doing anything about property taxes?

Short answer is yes, it is being worked on. WalletHub recently released [2023's Tax Burden By State](#), putting Iowa among the worst states for property tax burdens. This is no surprise to anyone paying property taxes. Iowa ranks 40th in property taxes and 45th in business property taxes.

There are 5 factors that influence the amount of our property taxes:

1. The amount of spending in city, county, and school budgets
2. The property tax levy rates set by cities, counties, and schools
3. The assessed value of our property
4. The assessment limitation of 3% (explained earlier)
5. The rollback rate set by the Department of Revenue

Property tax proposals in both chambers are a major focus as we head into these last scheduled weeks of the legislative session and are seeking to alleviate the burdens on Iowa property taxpayers. The Senate has 2 proposals that begin a phased-in approach to property taxes and bring relief to homeowners and employers.

Property taxes are the largest source of revenue raised and directly controlled by cities, counties, and schools, therefore, a well-functioning property tax system is critical. These 2 proposals are designed to take some pressure off of property taxpayers for paying for local government expenses and let sales taxes, which everyone pays, pick up more of the burden. Everyone benefits from most local government services and so it is only fair that everyone more share in the burden of paying for those services.

The first proposal (SF 356) controls the growth of property taxes and streamlines the system. It simplifies and consolidates the number of levies used by local governments, limiting levies that seem open-ended for additional spending, reinstating hard levy caps, and providing a series of controls to protect taxpayers.

The second proposal (SF 550) diversifies local government revenues by adding to the penny Local Option Sales Tax (LOST) that cities, counties, and schools receive, 25 to 40% of another penny. This shifts the burden of local government expense some more off the property taxpayer and over to everyone-because everyone pays sales taxes. Some say that shifting the burden more onto sales taxes hurts those with low income. In Iowa we have greatly reduced that effect of sales taxes because food and medicine, being necessities for everyone, are exempt from sales tax.

The second proposal also protects the property taxpayer by making less of your home's value subject to tax, doubles the homestead benefit, adds to the homestead exemption an additional amount for those over 65, doubles the military service tax credit, and reduces the taxable value of business property, among other provisions.

Additionally, the second proposal takes the LOST statewide and thus triggers the funding of the Natural Resources and Outdoor Recreation Trust Fund. This would mean that 37.5% of a penny would go for natural resources programming as required by the Iowa constitution. (Changes are made to the allocation of funds under the Natural Resources and Outdoor Recreation Trust fund in this bill but it's too long to describe here.) Local governments would still retain 1 penny plus receive 25% - 40% of another penny. Schools would still retain their SAVE penny. Iowans in those counties with the LOST would still pay 7% sales tax-that would not change. The handful of counties without a LOST would see their sales tax go from 6% to 7%.

What if I disagree with the assessment of my home?

Fortunately, there is a process for you to argue your case. The first step is to file an appeal with the local Board of Review. This website will describe the process: <https://paab.iowa.gov/appealing-your-assessment>.

In a reassessment year, a property owner may protest an assessment for one or more of the following reasons:

- The assessment is not comparable to others with similar properties.
- The property is assessed at more than its actual value.
- The property is exempt from taxation.
- There is an error in the assessment.
- The assessment is fraudulent.

Completed protest forms can be received in the local assessor's office starting April 2nd up to and including April 30th. The Board of Review will then review the assessment and determine whether the assessed value is fair. If, after review, you still do not agree with the assessed value, the homeowner may choose to appeal the case by filing in district court or with the Property Assessment Appeal Board at the Department of Revenue.

Feel free to contact me with ideas, thoughts, and concerns. My phone is 319-987-3021 or you can email me at sandy.salmon@legis.iowa.gov . I want to hear what you are thinking and will listen to your input. Together we will work to make a difference for the future of Iowa. Thank you very much for the honor of representing you!

Sincerely,

Sandy