

2018 Legislative Objectives

1. Tax Reform

PROBLEM: Property Tax reform legislation that was passed in the 2013 legislative session is providing property tax relief for several classifications and subsets of property, but changing the assessment methodology for certain property has unduly reduced the future revenue of local governments. While the new business property tax credit and legislatively imposed rollback are funded in large part by state dollars, changes to the taxable value of multi-residential and telecommunications properties will have a detrimental effect on future property tax revenues. Additionally, capping backfill funding and reducing the assessment growth limitation percentage will only further threaten the future revenue of local governments, and by extension, the services they provide to the taxpayers. In the absence of true reform, Iowa's property tax system is still in need of equity among classes and stability for local governments.

SOLUTION: Comprehensive property tax reform should continue to be a primary goal of the Legislature in 2019 and the years ahead. The Iowa State Association of County Supervisors (ISACS) supports property tax reform that stabilizes the tax base, resolves unfair discrepancies within the current tax base, improves accountability in the budgeting processes of local governments, and imposes a reasonable limitation on city and county property taxes while maintaining local control for citizens and their elected representatives. The Legislature should fully fund the property tax credits and the commercial and industrial property tax replacement claims (backfill) and should consider an appropriation to help local governments deal with the reduction in revenue due to the changes to the assessment methodology for multi-residential and telecommunications property. There are six steps that the Iowa Legislature could take that would improve the system and address the tax burden of local property owners:

1. As the state determines how to manage its funding priorities, the Legislature must understand that funding taken from local government will result either in significant cuts in services or increased property taxes. Any proposal brought forth that reduces the percentage at which property is assessed should be revenue neutral or provide the necessary level of funding to replace the loss in local government property tax dollars. The backfill should be fully funded to make up for the reduced taxable value of commercial and industrial property. If the legislature insists on reducing or phasing-out the backfill, it must be done in a responsible manner that does not result in significant property tax increases or cuts to vital services. Funding for services that the county is required to provide should be equal to the cost of services.
2. Legislation should be passed to phase-in a decoupling of agricultural buildings from agricultural land, and to value agricultural buildings at their full market value. Agricultural buildings account for about \$1.5 billion, or 5.1% of agricultural taxable value. However, the value generated from agricultural buildings is automatically subtracted from the value generated for agricultural land by the productivity formula. The result is that the construction of any new agricultural building adds zero net value to Iowa's property tax base. This situation is doubly problematic because large-scale livestock operations and grain facilities impose significant additional costs on counties, such as for road maintenance, without expanding the tax base to help pay for those costs.
3. Legislation should decouple residential and agricultural property for purposes of the assessment growth limitation. The practice of limiting the growth of both classes to the lower level of the two, which began in the late 1970s to address rapidly rising residential values, is outdated and contributes to the growing disparity between residential property and commercial/industrial property. Each class of property should rise or fall, subject to the assessment growth limitation, on its own market factors.
4. The assessment growth limitation should also have a lower limit. While there is currently a ceiling, there is no floor to limit the decline of taxable property value in adverse markets. By setting a limit on the devaluation in a given year, the property tax revenue stream would be protected from sharp declines in property valuation. While the assessed value would decline with the market, the taxable value would not be rolled back as much with lower limits in place.
5. The state sales and use tax should be increased by up to one cent. The first 3/8 of a cent is dedicated to the Natural Resources and Outdoor Recreation Trust Fund, leaving additional sales tax revenue that can be used to fund mental health and disability services currently covered by property taxes. The remainder of the increased revenue could be used to provide income tax relief.

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2. Mental Health and Disability Services

PROBLEM: Addressing long term sustainable funding has long been an issue since Iowa moved to a regional based mental health and disability services (MH/DS) delivery system. While progress was made during the 2017 session at addressing MH/DS funding specifically levy equity for counties within MH/DS regions, the new regional caps that were established do not allow for growth in the system, provide the necessary resources to sustain complex needs services that were called for in this last session in House File 2456, as well as fund children’s mental health services. Further, the carry forward balance restrictions in Senate File 504 in 2017 of 20% and 25%, depending on the size of a region, are setting up a potential funding calamity with rapid property tax swings from year to year to meet these requirements and fund the necessary services.

SOLUTION: ISACS recommends that the 2019 Legislature:

1. Eliminate the regional MH/DS levy caps that were established in SF 504 and allow counties to levy what is necessary to meet their regional budgetary needs.
2. Remove the carry forward balance restrictions of 20% and 25% to provide regions/counties the resources for new and existing programs without dramatic changes in property taxes.
3. If the above remedies are not advanced, an increase in the sales tax should be considered to fund MH/DS that must be constitutionally protected based on a distribution formula that is equitable for all counties in Iowa.

3. Water Quality Management

PROBLEM: There continues to be a need to provide adequate, sustainable, dedicated state financial resources to address the statewide concerns related to Iowa’s water quality management issues. Specifically, the Natural Resources and Outdoor Recreational Trust Fund has not been appropriated any funding since its inception in 2010. In addition, there remains on-going issues that must be addressed in efforts to minimize future losses caused by flooding through effective flood mitigation programs.

SOLUTION: ISACS recommends the following:

1. The passage of a state-wide sales tax increase of at least 3/8s of one cent in support of the Natural Resources and Outdoor Recreation Trust Fund, or I-WILL, to which it is commonly referred.
2. The maintaining of the distribution formula found in Iowa Code Chapter 461, outlined by the Iowa Legislature in support of the 2010 vote by Iowans on the Constitutional Amendment.
3. The passage of legislation that would support and encourage public sector entities, such as counties, to be directly involved in water mitigation projects that would involve county conservation boards, engineers, and supervisors.

HOME RULE

The Iowa State Association of County Supervisors strongly believe in and support the state of Iowa’s County Home Rule Constitutional Amendment, amendment 37, passed by the citizens of Iowa on November 7, 1978 and now found in Chapter 331 of the Iowa Code.

Counties home rule. Article III, Sec. 39A.: Counties or joint county/municipal corporation governments are granted home rule power and authority, not inconsistent with the laws of the general assembly, to determine their local affairs and government, except that they shall not have power to levy any tax unless expressly authorized by the general assembly...

The proposition or rule of law that a county or joint county-municipal corporation government possesses and can exercise only those powers granted in express words is not a part of the law of this state.

Iowa Code 331.301: A county may, except as expressly limited by the Constitution of the State of Iowa, and if not inconsistent with the laws of the general assembly, exercise any power and perform any function it deems appropriate to protect and preserve the rights, privileges, and property of the county or its residents, and to preserve and improve the peace, safety, health, welfare, comfort, and convenience to its residents.

STATE MANDATES

The Iowa State Association of County Supervisors supports the State Mandates Act contained in Chapter 25B of the Iowa Code. State mandates relating to activities of counties and state programs or services performed by counties should be funded as outlined in this chapter. Unfunded and underfunded mandates place an undue burden on property taxpayers that should be the obligation of state taxpayers or those paying a fee for service. The Iowa Legislature should make every effort to respect the spirit of the State Mandates Act and ensure that any state mandate placed on a county is fully funded.

FUNDING OF LOCAL SERVICES

The Iowa State Association of County Supervisors believes county governments provide high-quality, vital services that the residents of Iowa rely on and desire. Counties utilize a combination of property taxes, local option sales taxes, fees for service, intergovernmental transfers, and other sources of revenue to fund these services. The Iowa Legislature should prioritize modernizing fees for service counties are authorized to collect and consider other means by which local revenue can be generated in order to maintain local services.