

COUNTY FINANCE & THE PROPERTY TAX SYSTEM

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Sources of County Revenue

- Property Taxes

- Intergovernmental

(state road use taxes, franchise taxes, state replacement of property tax credits, state and federal grants, and pass-through revenues)

- Other County Taxes

(local option sales tax, hotel/motel tax, gambling tax revenue, tax increment financing revenue, and utility replacement excise taxes)

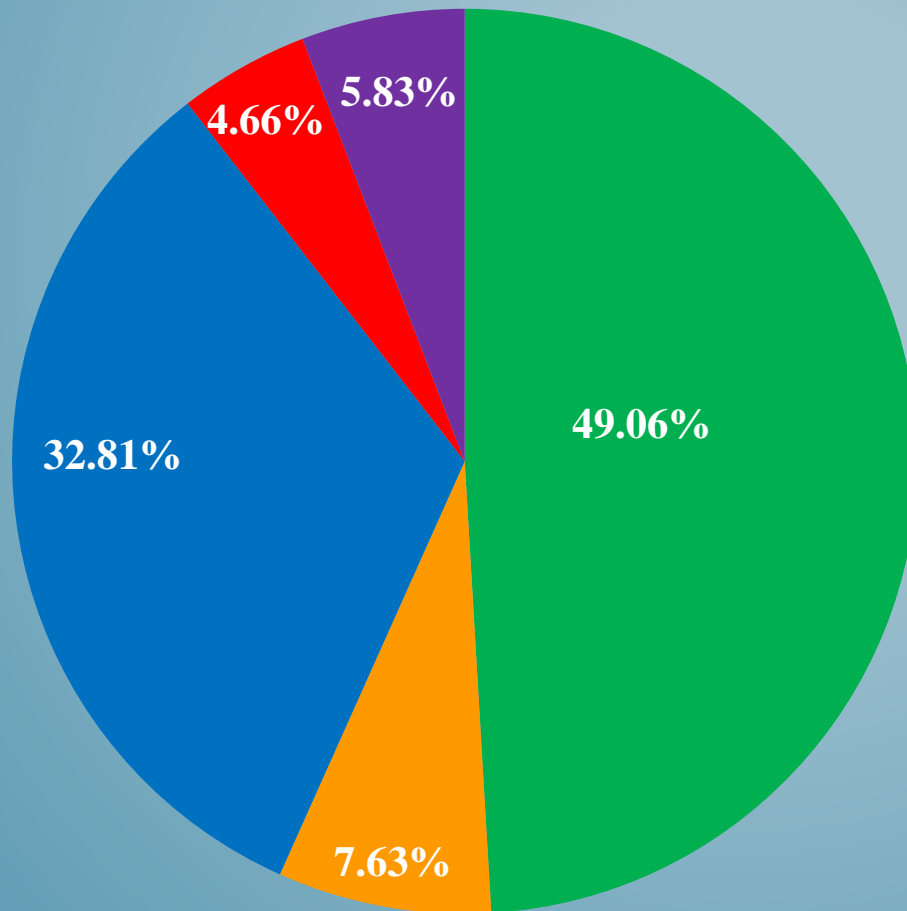
- Charges For Service

- Other Miscellaneous Revenue

(delinquent property taxes, licenses and permits, penalties and interest, use of money and property, long-term debt proceeds, and fixed asset sales)

Proportions of Revenue

Fiscal Year 2023
All Counties – Statewide Average



- Net Property Taxes
- Other County Taxes
- Intergovernmental
- Charges for Service
- Other

*Other includes long-term debt proceeds, penalties and interest, use of money, licenses and permits, and fixed asset sales

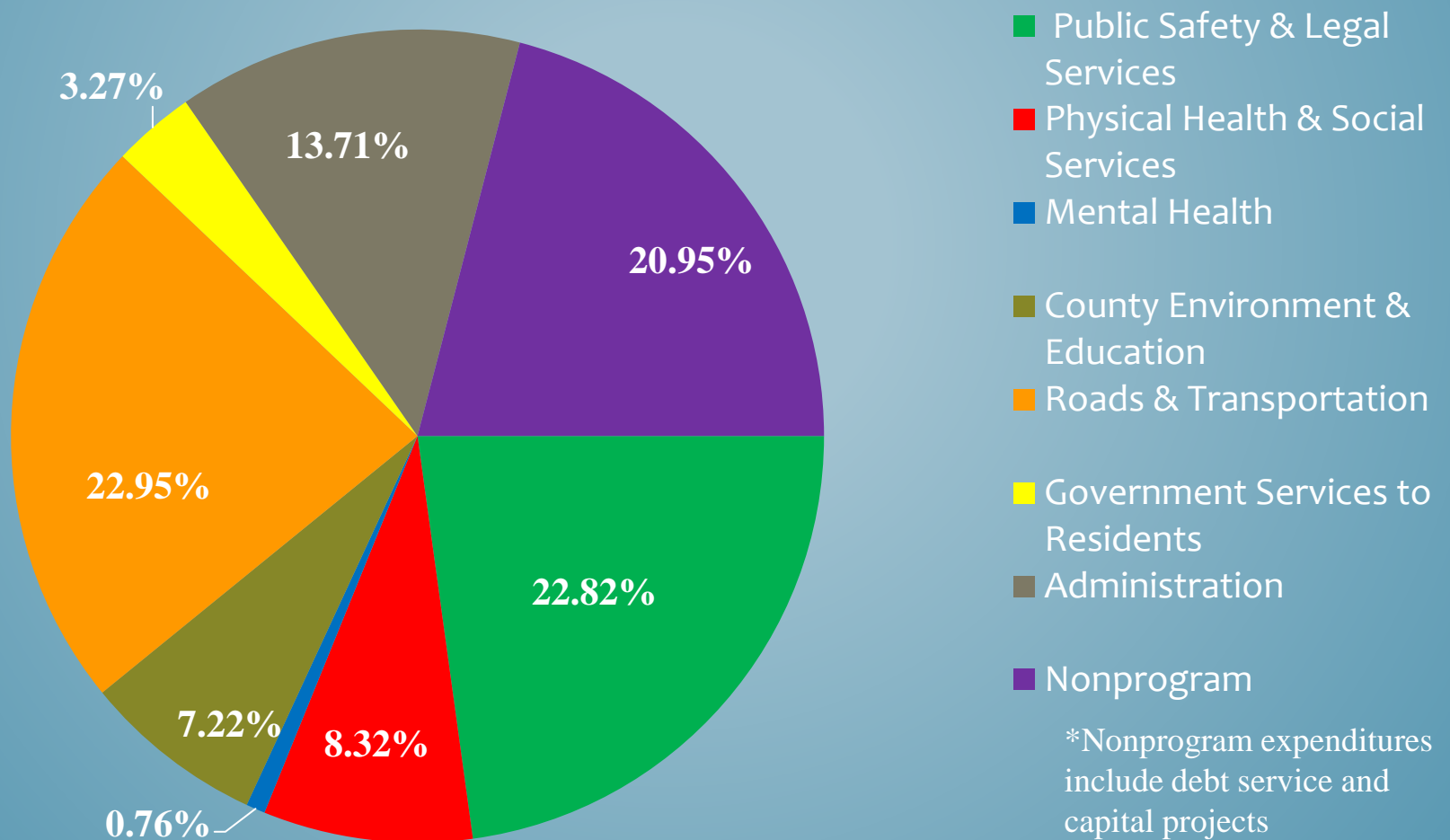
County Expenditures By Service Area

- Public Safety & Legal Services
- Physical Health & Social Services
- Mental Health*
- County Environment & Education
- Roads & Transportation
- Government Services to Residents
(many state-mandated services, such as elections, motor vehicle registration, and the recording of public documents)
- Administration
(some employee salaries and wages, as well as many insurance costs and general office expenses)
- Nonprogram Expenditures
(short-term debt, corrections from previous years, debt service, and capital projects)

Allocation of Funds

Fiscal Year 2023

All Counties – Statewide Average



PROPERTY TAX 101

Property taxes account for an average of 49.06% of county revenues statewide

$$\begin{array}{ccc} \text{Valuation} & \times & \text{Tax Rate} & = & \text{Levy} \\ \text{(taxable value of} & & \text{(amount of tax per} & & \text{(property tax} \\ \text{real property)} & & \text{\$1,000 of value)} & & \text{dollars generated)} \end{array}$$

***Note: Because valuation is determined independently, governing boards can control rate or levy but not both.**

PROPERTY VALUATION

- Property valuation is a key component of the property tax equation.
- Property valuation set by assessor or Department of Revenue depending on property class.
- Rate set by local governments to generate the desired levy amount
- At the most basic level, the taxable value is multiplied by the tax rate to determine the dollars generated.

TYPES OF PROPERTY SUBJECT TO TAX BY LOCAL GOVERNMENTS

Real Property

- Land and any permanent improvements such as buildings or other structures

Personal Property

- Everything subject to ownership that is not real property, for example a car or boat.
- Iowa is among only a handful of states that exempt all personal property from property taxation.

Intangible Property

- Includes intangible financial assets, such as investments in stocks and bonds.
- Only a few states tax intangible personal property; Iowa is not among them.

WHO DETERMINES PROPERTY VALUE IN IOWA?

County Assessor

- Appointed by conference board comprised of the board of supervisors, mayors of each incorporated city, and school board members from each high school district.

City Assessor

- Any city with a population of 10,000 or more may adopt an ordinance to establish the office of city assessor. Currently Iowa has 7 city assessors.
- Appointed by conference board comprised of the board of supervisors, city council, and school board.

Department of Revenue

- Central assessment of specific industries whose companies have property throughout the state.

REAL PROPERTY CLASSIFICATIONS IN IOWA

Assessor

- Residential
- Multi-residential
- Commercial
- Industrial
- Agricultural



Property assessed every two years in odd-numbered years

Department of Revenue

- Gas
- Electric
- Railroad
- Telecommunications



Property assessed every year

PROPERTY CLASSES (continued)

- Properties are divided into classes based on the primary use
- Classification allows groups of property to be treated differently
 - Valuation method
 - Rollback
 - Tax credits

***Note: Property classification and zoning may be different.**

DETERMINING ASSESSED VALUES

Residential, multi-residential, commercial, and industrial properties assessed at market value.

Valuation Methods:

- Sales Method
 - Compare to recent sales of similar properties in the vicinity
- Cost Method
 - What would it cost to replace the property?
- Income Method
 - Capitalize anticipated annual income for the useful life of the property

ASSESSMENT OF AG PROPERTY

- Agricultural property is assessed based on productivity formula rather than market value.
- The productivity formula is intended to measure the property's capacity to generate farm income.
- At basic level, net earning capacity is determined by 5 year rolling average of crop prices multiplied by yields minus expenses.
- Productivity value per acre is multiplied by taxable acres to get the aggregate whole.
- Ag buildings are assessed at their actual value and then multiplied by the ag factor (productivity value divided by market value)

AG PROPERTY (continued)

- Productivity value of the ag buildings is subtracted from the aggregate whole value of the ag land.
- After taking out the ag buildings, the aggregate whole value is apportioned to land based on Corn Suitability Rating (CSR) and other factors.
- Countywide aggregate value is limited, but not every acre will have the same value assigned.
- The addition of ag buildings is a net zero for taxable valuation because of this formula.

DISPUTING ASSESSED VALUE

Informal Assessment Review

- A dissatisfied property owner may request an informal assessment review by the assessor on one or more grounds for protest outlined in Iowa Code between April 2 and April 25.
- Assessor may recommend the owner file a protest with the board of review and may make a recommendation to the board of review based on the informal review.
- Assessor may also enter into a written agreement with the owner authorizing the assessor to correct or modify the assessment.

DISPUTING ASSESSED VALUE

Board of Review

- Local board consisting of 3 or 5 members that evaluates assessment protests from property owners within the jurisdiction. Protests are submitted between April 2 and April 30, and the BOR meets between May 1 and May 31.

Property Assessment Appeal Board

- State board consisting of 3 members that hears appeals to decisions by a local board of review. Appeals are submitted within 20 days of the BOR adjournment or by May 31, whichever is later.

EQUALIZATION

- In odd-numbered years the Department of Revenue conducts a statewide review of assessments in each class of property, and the assessor abstracts are compared to the Department's sales assessment ratio study.
- If the assessments in a given jurisdiction for a certain class are more than 5% above or below the sales assessment ratio, IDR "equalizes" the class in that jurisdiction by raising or lowering the assessment.
- Equalization provides for consistency among the classes of property and across jurisdictions.

ASSESSED VS. TAXABLE VALUE

Assessed Value:

- The actual value of property as determined by the assessor.
- Approximates market value for all property except agricultural.

Taxable Value:

- The value of property that is subject to tax after exemptions and rollback.

PROPERTY TAX EXEMPTIONS

- Certain property may be wholly or partially exempt from property taxation because of the property itself, the owner, or the use.
- Exemptions for military service, elderly/disabled individuals, conservation practices, wind energy conversion, and many other specific uses.
- There is also property that is tax exempt because of the ownership such as property owned and used by the federal, state, or local government; non-profit organizations; churches or religious groups; educational institutions; public airports; and libraries.

GROWTH LIMITATION

- In response to rapidly rising residential values in the late 1970's, the Iowa Legislature put in place the assessment growth limitation.
- Originally just for residential and agricultural property, it soon applied to commercial and industrial property, and will include multiresidential.
- Started off as cap of 6% annual statewide growth, reduced to 4% for AY1980, and reduced to 3% in SF295 for AY2013 and beyond.
- Cap on annual statewide growth for particular class, not a limit on growth of individual property valuation.
- Residential and ag property are “coupled” and limited to the lesser growth if less than the cap.

ROLLBACK

- If the statewide increase in a class of property exceeds the growth limitation, the value is “rolled back” to equal the limitation amount.
- While the growth limitation is on the entire class, the rollback is applied to each individual property.

Example (not accounting for new construction):

\$75B taxable value last year + 3% growth = \$77.25B

\$80B actual assessed value (6.66% growth)

$\$77.25\text{B} / \$80\text{B} = 96.56\%$ rollback

Taxable value of \$100,000 house would be \$96,560

*As assessed value climbs and taxable value is limited, the rollback percentage continues to go down.

ROLLBACK

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
Agricultural	84.03%	89.04%	91.64%
Commercial	90%	90%	90%
Industrial	90%	90%	90%
Residential	56.41%	54.13%	56.49%
Multi-residential	67.50%	63.75%	56.49%

- SF295 adjusted the Commercial and Industrial rollbacks to 95% in FY2015 and 90% thereafter.
- The Commercial rollback applied to Multi-Res until FY17 when it became its own class. It will continue to decrease 3.75% per year until FY24 when it becomes coupled with Residential.

PROPERTY TAX LEVIES

General Fund

Taxes for the General Fund are levied against all taxable valuation in the county for general county services.

General Basic Fund

- Levy rate limited to \$3.50 per \$1,000 of taxable value.
- Limit can be exceeded in unusual circumstances outlined in Iowa Code such as unusual increase in population, natural disaster or other emergency, certain unusual problems or needs, and reduced or unusually low growth in property tax base.
- In FY23, 64 counties were at the maximum, 30 counties exceeded the maximum, and 5 counties were below the maximum.

PROPERTY TAX LEVIES

General Supplemental Fund

- Levy rate not limited to a dollar amount.
- Can only be used if General Basic is levied at maximum level (\$3.50/\$1,000)
- Can only be used for purposes outlined in Iowa Code such as substance abuse costs, certain juvenile care services, elections and voter registration, salaries and certain benefits for general county services, insurance necessary for county operations, maintenance and operation of the courts, and other miscellaneous expenses allowed in code.
- In FY23, 93 counties used the General Supplemental Levy.

PROPERTY TAX LEVIES

Rural Fund

Taxes for the Rural Fund are levied against taxable valuation in the unincorporated area of the county for services primarily intended to benefit rural residents.

Rural Basic Fund

- Levy rate limited to \$3.95 per \$1,000 of taxable value.
- Limit can be exceeded for the same reasons outlined in Iowa Code for General Basic.
- In FY23, 22 counties were at the maximum, 3 counties exceeded the maximum, and 74 counties were below the maximum.

PROPERTY TAX LEVIES

Rural Supplemental Fund

- Levy rate not limited to a dollar amount.
- Can only be used if Rural Basic is levied at maximum level (\$3.95/\$1,000)
- Can only be used for salaries and certain benefits for rural county services, and for contributions to an aviation authority as outlined in Iowa Code.
- In FY23, 8 counties used the Rural Supplemental Levy.

PROPERTY TAX LEVIES

Debt Service Fund

- Taxes for the Debt Service Fund are levied against all taxable valuation (including valuation divided in TIF districts) in the county for the purpose of satisfying general obligation debt.
- Levy rate not limited to a dollar amount, but the Iowa Constitution limits a county's debt to 5% of its assessed valuation.
- In FY23, 74 counties levied for Debt Service with the highest rate at \$3.16/\$1,000.

PROPERTY TAX LEVIES

Other Levies

- The countywide levy for pioneer cemeteries is limited to \$0.0675 and was used in 19 counties.
- The countywide levy for emergency medical services is limited to \$0.75 and was used in 1 county.
- The unincorporated area levy for unified law enforcement is limited to \$1.50/\$1,000 and is used in 1 county.

PROPERTY TAX LEVIES

Countywide Levies (all property pays)

- General Basic
- General Supplemental
- Debt Service
- Emergency Medical Services
- Pioneer Cemetery

Rural Services Levies (only unincorporated area pays)

- Rural Basic
- Rural Supplemental
- Unified Law Enforcement

TIMELINE SNAPSHOT

January 1, 2023 – Assessment date

April 1, 2023 – Assessments complete, taxpayers notified

April 2 - 30, 2023 – Taxpayers may protest assessment

May 1 - 31, 2023 – Board of Review meets

July 1, 2023 – Assessment abstracts submitted to IDR

August 15, 2023 – IDR issues tentative equalization notices

October 1, 2023 – IDR issues final equalization notices

November 1, 2023 – IDR certifies assessment limitation percentages to county auditor

TIMELINE SNAPSHOT (continued)

December 2023 – February/March 2024 – Taxing entities set levy rates and adopt budgets based on valuations

July 1, 2024 – Beginning of fiscal year in which taxes are due and payable

September 30, 2024 – First half of property taxes are due to county treasurer

March 31, 2025 – Second half of property taxes are due to county treasurer

QUESTIONS?

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