

## Property Taxes and the State Budget

Property owners across the state are receiving updated assessments and property tax rates in their mailboxes. Many are higher than ever before, leaving Iowans worried. I hope to address some questions and provide some information about how the state budget and current legislation affects how much you pay in property taxes.

### **How are property tax rates determined?**

Contrary to popular belief, county assessors do not determine your bill. Your tax bill can be lowered even when the value of your property increases. "Assessments are updated every two years, and the values are just one factor in the calculation of property tax bills. The members of your city council, the county board of supervisors, and school boards determine your final bill when they set their budgets." [from Iowans for Tax Relief.]

*Here are the steps taken in calculating any Iowa property tax:*

1. The County Assessor estimates the value of the property. This is the "assessed value" and is almost always at the actual or market value of the property.
2. The Assessor totals all taxable properties together and reports to the County Auditor.
3. "Each assessor sends the reports, called "abstracts," to the Iowa Department of Revenue. The abstract shows the total values of all real property in each jurisdiction by classification of property, not by individual property. A process called "equalization" is applied every two years to ensure that property values are comparable among jurisdictions and comply with Iowa code. In addition, the "assessment limitation" is applied every year by the auditor. This process is commonly called "rollback" and is used in response to inflation. The application of the rollback results in taxable value in most cases." [IowaTaxandTags.org]
4. Budgets are determined by each taxing entity in the county and submitted to the Auditor.
5. Tax rates are established by the Auditor taking the amount of the budget not funded by other sources and divide it by the taxable value of all the property in that taxing district.

"The result is referred to as "dollars per thousand." For example, if the dollars per thousand were \$10, the tax on a home valued at \$50,000 would be calculated at \$10 x 50. The tax on that home would be \$500 for that single taxing authority. The rates for all authorities are added together, resulting in a single tax levy called a consolidated levy for each unique set of taxing districts. The consolidated levy rate is always the result of two or more tax rates established by different government entities." [from IowaTaxandTags.org]  
Any applicable tax credits are subtracted before the final tax bill is sent.

### **What can I do about my property tax rate?**

If you think your property's value assessment is unreasonable, you can file a protest to appeal the value. Visit the Iowa Property Assessment Appeal Board at [www.paab.iowa.gov/appealing-your-assessment](http://www.paab.iowa.gov/appealing-your-assessment) for instructions. You can also contact your County Assessor.

### **How can I affect change in the property tax process?**

Since property tax rates are so heavily reliant on the county taxing authority budgets, it is important for citizens to be involved in the budget-making process. You can attend public hearings about the budget and ask questions. These hearings are required to be announced two weeks in advance by your county or school district. Contact your county courthouse for more information. There is also a process to make an appeal or protest the proposed budget.

### **What is the Iowa legislature doing about property taxes?**

[House Study Bill 313](#) is currently making its way through the House. It would provide an estimated \$426 million in property tax cuts. Under this bill we would move away from the rollback system I described earlier to a "revenue-restricted system". It would create a new schedule of assessment limitations and a 2% growth factor restriction, based on the fiscal year's actual property tax dollars that have been certified for a local property levy. While this would be a welcome change, it will take five years to implement.

### **How is the state budget determined?**

The state's budget is determined by the Governor and the Legislature. They appropriate (designate certain money for certain purposes within the government) funds after the Revenue Estimating Conference estimates the revenue receipts from the previous year.

Each state agency prepares a budget request within the Governor's guidelines and must submit their request by October 1st for the following fiscal (financial reporting) year. Iowa's Fiscal Year is July 1st through June 30th.

The Revenue Estimating Conference meets by December 15th to set revenue estimates, which serve as the basis for the General Fund budget for the following fiscal year. The conference consists of the Governor (or Governor's designee), the Director of Legislative Services Agency, and a third member agreed to by the other two. Estimated revenue receipts detail the funds that came in to the General Fund from sales tax, personal income tax, corporate income tax, and use tax, as well as other sources.

The Governor reviews the budget requests made by state agencies, holds public hearings, and compiles recommendations for the Legislature by January. The Governor's budget is required by law to be balanced and to meet spending limitations.

The House and Senate conduct joint budget meetings during January and February. The seven joint budget subcommittees make recommendations for the different budget categories and report them to the Appropriation Committee of each chamber. A budget bill is compiled and examined by each subcommittee.

Once the budget bill is passed in the same form by both chambers, it is sent to the Governor

for approval.

The Iowa Constitution gives the Governor the ability to “line-item veto” appropriations bills. This means she can effectively strike out single lines of the bill. If she uses the line-item veto power and the legislature disagrees, they can override that veto with a majority vote.

Unless otherwise noted in the budget bill, the new budget takes effect beginning July 1st following approval. Check out a detailed description of how our general budget works and is made [here](#).