

PROPERTY TAX STUDY SUBCOMMITTEE
OF THE
SENATE AND HOUSE STANDING COMMITTEES ON WAYS AND MEANS

Final Report to the Legislative Council
and the First Session of the Sixty-eighth General Assembly

State of Iowa
1979

F I N A L R E P O R T
PROPERTY TAX SUBCOMMITTEE
OF THE
SENATE AND HOUSE STANDING COMMITTEES ON WAYS AND MEANS

December, 1978

The ten-member Property Tax Study Subcommittee was appointed to continue the work begun by the Tax Study Subcommittee which worked during the 1977 interim pursuant to authority granted in House File 332. Members of the Subcommittee are:

Senator Norman G. Rodgers, Co-chairperson
Representative Lowell E. Norland, Co-chairperson
Senator Rolf V. Craft
Senator Fred W. Nolting
Senator William D. Palmer
Senator David M. Readinger
Representative Diane Brandt
Representative Philip A. Davitt
Representative Hugo Schnekloth
Representative James C. West

Senator Rodgers originally appointed Senator Lowell L. Junkins to the Subcommittee but Senator Junkins resigned prior to the second meeting and Senator William D. Palmer was appointed to fill the vacancy. The Legislative Council authorized five meetings for the Subcommittee.

The Subcommittee held its first meeting on August 30, 1978. At that time, the Subcommittee discussed the issue of whether or not a consultant ought to be employed and reviewed House File 2329 which appropriated \$585,000 to the Legislative Fiscal Bureau for the purpose of developing, maintaining, and using a data processing interactive decision evaluation action system provided by Coopers & Lybrand. After considerable discussion and legal issues raised concerning the scope of authority regarding the employment of a consultant, the Subcommittee recommended that the Legislative Fiscal Director proceed in the development of a data base which will assist the legislative and executive branches of state government in making policy decisions relating to taxes and fiscal matters.

The Subcommittee held its second and third meetings on November 27 and 28, 1978. At this meeting, the State Comptroller's office reviewed the impact of the valuation limitations imposed under House File 332 and whether these limitations will create any budget problems for the political subdivisions. Based upon current data available and using certain presumptions in making the calculations, the State Comptroller's office has concluded that there are no immediate problems in this area which the General Assembly will have to address. However, it must be noted that this matter is subject to review upon receipt of the county auditor's

reports which will be received by the State Comptroller's office on or before January 1, 1979.

Representatives of the Department of Revenue appeared before the Subcommittee to discuss alternative proposals to avoid the problem which arose in 1978 when the 1977 equalization order was implemented by the assessors. Some assessors applied the adjustments ordered and some applied the adjustments ordered and revalued property which required further adjustment of property values within the assessor jurisdiction. The Department also reviewed the current recapture law and Senate File 292 relating to the full disclosure of the actual sales price of property.

Dr. Leland Tack of the Department of Public Instruction also appeared before the Subcommittee to discuss the recommendations arising from the State Equalization Project Study and the impact of these recommendations on property taxes.

The Subcommittee held its fourth and fifth meetings on December 11 and 12, 1978 to formulate and make its recommendations to the Legislative Council and the Sixty-eighth General Assembly. These recommendations include:

1. The indexation of the agricultural land tax credit and the homestead tax credit to allow an automatic annual adjustment for inflation.

2. Placing a limitation on the amount of agricultural land tax credit an individual property owner may receive.

3. The improvement of the property tax relief program for the elderly and disabled by providing for 100% reimbursement on property taxes paid for elderly and disabled claimants with an income of \$5,000 or less.

4. The development of procedures under the present elderly and disabled property tax reimbursement program to provide for the department of revenue to send the reimbursement to the county treasurer of the claimant's county to be credited against the claimant's property tax liability.

5. Considering the feasibility of providing different assessments for land not in production as is currently done for forest and fruit tree reservations.

6. Extending the assessment limitations on agricultural land and residential property imposed under House File 332.

7. Recommendation that a renter's credit be enacted to allow a credit to the renter in an amount equal to ten percent of rent paid or an amount equal to the actual homestead tax credit whichever is less and that an amount equal to twenty-five percent

of rent paid be considered as property taxes paid for purposes of allowing an income tax deduction.

8. Reexamination of imposition of property tax budget limits as was done under Senate File 1062.

9. Continuation of the current law to provide for the valuation of agricultural land on the basis of its productivity.

10. Enacting legislation permitting assessors to only increase valuations by the percentage specified in the equalization order issued by the Department of Revenue.

11. Prohibiting agricultural land owned by nonresident aliens from qualifying for the agricultural land tax credit.