

# Iowa

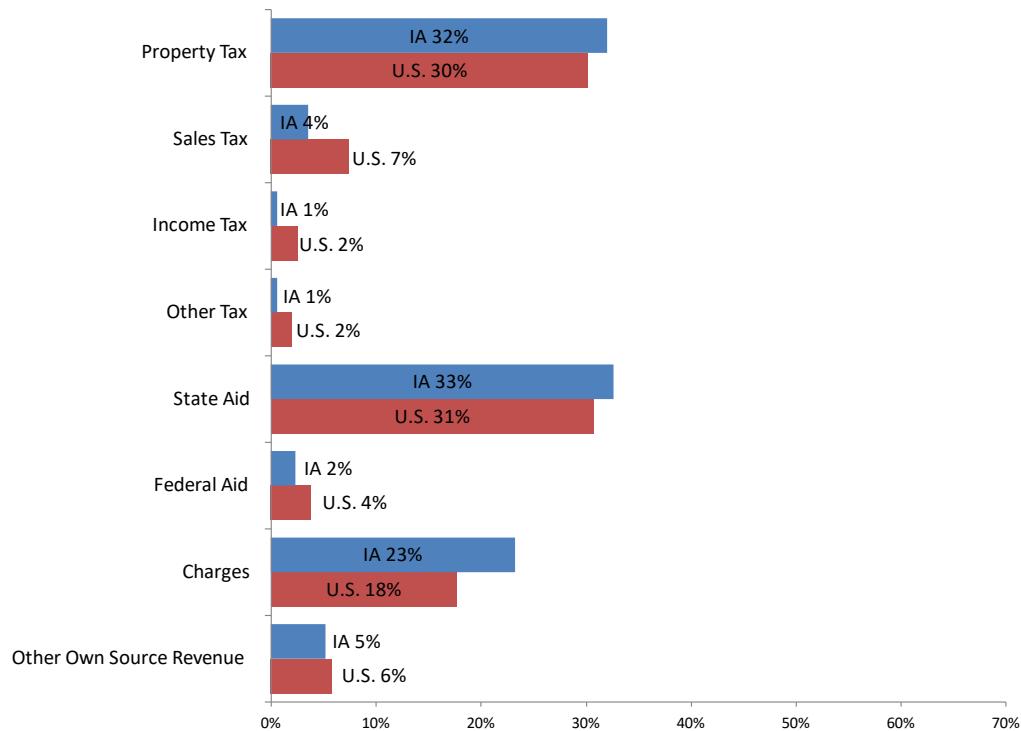
## Highlights

The property tax is a major source of revenue for local governments in Iowa (figure IA-1). It would play an even bigger role if cities and counties were not able to levy a local-option sales tax and school districts could not levy a surtax on the state income tax.

Iowa imposes property tax rate limits on counties and cities and requires school districts to make minimum property tax contributions (\$5.40 per \$1,000 of assessed value). The state's counties and cities may have additional property tax levies to fund services specified in the Iowa Code, while school districts may have separate property tax levies for unemployment benefits, libraries, and capital expenses.

The state divides property into seven different classes and since 1978 has implemented a complex system of statewide assessment limitations, also known as rollback provisions. A historic property tax bill, Senate File 295—which was passed in 2013 and became effective July 2014—enacted substantial modifications in those rollback provisions as well as other changes.

**Figure IA-1**  
**Sources of Local General Revenue, Iowa and U.S., 2019**



Source: U.S. Census via Significant Features of the Property Tax

## Property Tax Reliance

In 2019, property tax as a percentage of state and local revenue was close to the national average (table IA-1).

**Table IA-1**  
**Selected Iowa Property Tax Statistics, 2019<sup>1</sup>**

	Iowa	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,775	\$1,758	17
Property tax percentage of personal income	3.4%	3.1%	15
Total property tax as percentage of state-local revenue	14.9%	16.6%	26
Median owner-occupied home value <sup>2</sup>	\$147,800	\$217,500	43
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$2,315	\$2,471	22
Effective tax rate, median owner-occupied home <sup>3</sup>	1.6%	1.1%	12

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup> The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2015-2019.

<sup>3</sup> Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

## Administration and Assessment

In Iowa, property taxes are levied by more than 2,000 local taxing districts, including county governments, cities, townships, school districts, and special districts such as community college districts, hospital districts, and sanitation districts (Iowa Department of Revenue). Assessments are conducted at the local level. All real property that is not tax-exempt is assessed every two years at 100 percent of market value. Personal property is not taxed.

The seven classes into which property is separated are: agricultural, residential, multiresidential, commercial, industrial, utilities, and railroads. Multiresidential includes mobile home parks, manufactured home communities, assisted living facilities, and other such properties. Assessment limits restrict the growth in assessed value of each property class to a certain percentage or set its taxable value at a certain (less than 100) percentage of assessed value, or both.

## Limits on Property Taxation

Iowa places limits on property tax rates for the general funds of counties and cities (\$3.50 and \$8.10, respectively, per \$1,000 of assessed value) (table IA-2). However, counties and cities can have supplemental levy rates for certain services.

Assessment limitations, often referred to as rollback provisions or simply rollback, were passed by the legislature to keep assessed values from rising too quickly. Rollback applies to classes of property and not to individual properties. For 2020, commercial, industrial, and railroad property taxable value was set at 90 percent of assessed value. Growth in utility assessed value is limited to 8 percent. Residential taxable values are set at 56.4094 percent of assessed value, and growth in assessed value is limited to 3 percent. Agricultural taxable value is set at 84.0305 percent of assessed value, and growth in assessed value is limited to 3 percent. Multiresidential property taxable value is set at 67.5 percent of assessed value. The Iowa Department of Revenue posts the assessment limitations by property type each year (Iowa Department of Revenue 2020a, 2020b).

## Property Tax Relief and Incentives

Iowa has several property tax credit programs. The first is a homestead credit. Currently, the credit is equal to the total tax liability on the first \$4,850 of taxable property value. Eligible property owners must file an Iowa income tax return and occupy the property for at least six months each calendar year. There is no income requirement. Iowa also has a property tax circuit breaker for both homeowners and renters, which is limited to households with incomes less than \$23,216. In addition, Iowa offers property tax credits to agricultural landowners.

The state provides various property tax incentives for economic development, including enterprise zones and tax increment financing (TIF). In Iowa, TIF districts are called Urban Renewal Zones. In 2018, Iowa had 3,340 TIF districts, the highest number of any state in the United States (Merriman 2018).

As part of a 2013 tax law, business property tax credits totaling \$125 million are divided among qualified commercial, industrial, and railway property owner-applicants each year. The state fully reimburses cities, counties, and school districts for the credits (Iowa Department of Revenue 2016).

**Table IA-2**  
**Iowa Property Tax Features, 2020**

Feature	Iowa	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	Yes	25
<a href="#">Assessment of property primarily by county</a>	No	31
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	Yes	18
<a href="#">Circuit breaker property tax relief program</a>	Yes	31

Sources: Significant Features of the Property Tax

## Key Property Tax History

In a 2002 suit, a group of Iowa school districts and individuals alleged that the state's education finance system violated the state constitution on education equity (SchoolFunding.Info). The suit was later withdrawn, making Iowa one of the few states with no state court decision on the constitutionality of the state's school funding system.

School districts were funded mostly by the local property tax up until the 1960s (Winkler 1979). In 1971, the General Assembly of the Iowa Legislature passed a bill, House File 654, laying the foundation for the current education funding formula in which a guaranteed foundation level of expenditures is financed by a uniform local property tax levy rate (20 mills for fiscal year 1972) and varying state aid (Foeller 1974). Another House bill passed in 1986 established \$5.40 per \$1,000 of assessed value as the minimum uniform school levy rate.

The Urban Renewal Law, enacted in 1957, authorized cities to use property tax increment financing in slums or blighted areas. An amendment in 1985 allowed TIF adoptions even in the absence of slum or blight conditions. In 1991, counties were authorized to adopt TIF for industrial purposes. Beginning in 1996, TIF was also allowed for development of affordable housing for low- and moderate-income residents.

Iowa introduced rollback in 1978—the same year Proposition 13 was passed in California. A law passed in 2013 made changes to these limitation factors and allowable growth percentages.

In June 2013, Governor Terry Branstad signed into law Senate File 295, which generated Iowa's historically largest property tax cut for all property classes. Businesses received hundreds of millions of dollars in property tax credits. Taxable values for commercial and industrial properties went down to 90 percent from 100 percent of assessed value for fiscal year 2015–2016. The growth limitation for

residential and agricultural properties went down to 3 percent from 4 percent (Crowley and Duster 2015). This law created a new class of “multiresidential” properties; that is, basically converting buildings that had been treated as commercial property into properties with the same rollback as the residential property class.

## Recent Developments

At the tail end of its 2019 session, the Iowa legislature passed legislation (Senate File 634) to make it more difficult for local governments to increase property tax levies. The new law signed by Republican governor Kim Reynolds in May requires a public hearing and a two-thirds vote of the local legislative body to approve property tax collections that would exceed the previous year’s levy by more than 2 percent, including increases attributable to new construction, and requires a majority vote for any increase below 2 percent. Hailed as a property tax cap, the law does not strictly limit levy growth to 2 percent but requires more scrutiny and a supermajority vote to exceed this threshold. A previous version of the legislation would have capped annual growth in the levy at 3 percent (Rodriguez 2019; Walczak 2019).

Local governments in the Midwest have experienced a wave of assessment appeals from big-box stores using “dark stores” assessment theory in recent years. The dark stores approach to assessment uses a sales comparison approach with vacant or “dark” stores as comparable properties. While retailers have successfully slashed their assessments in some states, Iowa courts have generally upheld values set by assessors (Polk County Assessor 2018). Indeed in 2021, the Iowa Court of Appeals upheld Johnson County’s appraisal of a Lowe’s store, rejecting the retailer’s dark store theory argument (McLoughlin 2021). Lowe’s appealed the 2017 valuation of its property in Coralville, Iowa, assessed at \$11.9 million. On appeal, the Property Assessment Appeal Board rejected a \$5.2 million valuation submitted by Lowe’s’ expert appraiser. The Iowa District Court for Johnson County upheld the appeal board ruling. In affirming the District Court ruling in February 2021, the Court of Appeals rejected Lowe’s’ argument that the property should be assessed as if vacant, citing a rule requiring assessors to “consider conditions existing at the time and the condition of the property in which the owner holds it” (*Lowe’s Home Centers LLC v. Iowa Property Assessment Appeal Board*).

With 40 percent of property in Des Moines exempt from taxation, the City is discussing how to generate more revenue from its tax-exempt nonprofits. In the City’s 2019 election, both the incumbent mayor and his challenger expressed support for a program under which the City would request voluntary payments in lieu of taxes (PILOTs) from more nonprofits. In 2019, five nonprofits made payments totaling \$1.8 million, with \$1.2 million coming from Des Moines Water Works. City officials have discussed approaching Grand View University and Drake University, although according to a 2020 news report, both institutions responded coolly to the idea (Cannon 2020).

## Resources

Cannon, Austin. 2020. “Could Voluntary Payments from Nonprofits Ease the Pressure on Des Moines Budget, Property Owners?” *Des Moines Register*, March 3.

<https://www.desmoinesregister.com/story/news/2020/03/03/tax-exempt-properties-pilot-program-ease-pressure-des-moines-property-owners/4836734002/>.

Crowley, Susan, and Michael Duster. 2015. *Local Property Tax*. Legislative Guide. Des Moines: Legislative Services Agency. [www.legis.iowa.gov/DOCS/LSA/Legis\\_Guide/2009/LGLSL015.PDF](http://www.legis.iowa.gov/DOCS/LSA/Legis_Guide/2009/LGLSL015.PDF).

Crull, Jennifer J. 2013. "What Does the Property Tax Reform Mean to You?" Institute Brief 20, No. 27. Council Bluffs, IA: Iowa Wesleyan College Public Interest Institute. (September).

Foeller, William H. 1974. "Differential Tax Incidence of State Educational Grant-in-Aid Programs in Iowa: Abstract." *National Tax Journal* 27 (1): 9–19.

Iowa Department of Revenue. "Property Tax - Assessment Limitations." <https://tax.iowa.gov/property-tax-assessment-limitations>.

Iowa Department of Revenue. 2020a. "History of Assessment Limitations (Rollbacks)." Iowa Department of Revenue. <https://tax.iowa.gov/sites/default/files/2020-10/2020%20History%20of%20Assessment%20Limitations.pdf>.

Iowa Department of Revenue. 2020. "Order Certifying Percentages for Assessment Limitations." <https://tax.iowa.gov/sites/default/files/2020-10/Assessment%20Limitations%20Order%202020.pdf>.

Iowa Department of Revenue. 2016. "Business Property Tax Credit: Information for Taxpayers." (September). [https://tax.iowa.gov/sites/default/files/idr/documents/BPTCInstructions\\_0\\_1.pdf](https://tax.iowa.gov/sites/default/files/idr/documents/BPTCInstructions_0_1.pdf).

Iowa Department of Revenue. "Iowa Property Tax Overview." <https://tax.iowa.gov/iowa-property-tax-overview>.

Iowa Fiscal Partnership. 2015. "Iowa's Problem of Priorities." The Iowa Policy Project. (March 23).

*Lowe's Home Ctrs. v. Iowa Prop. Assessment Appeal Bd.*, No. 20-0764 (Iowa Ct. App. Feb. 17, 2021).

Merriman, David. 2018. *Improving Tax Increment Financing (TIF) for Economic Development*. Policy focus report. Cambridge, MA: Lincoln Institute of Land Policy. [www.lincolninst.edu/publications/policy-focus-reports/improving-tax-increment-financing-tif-economic-development](http://www.lincolninst.edu/publications/policy-focus-reports/improving-tax-increment-financing-tif-economic-development).

Nguyen-Hoang, Phuong. 2014. "Tax Increment Financing and Education Expenditures: The Case of Iowa." *Education Finance and Policy* 9 (4): 515–40.

Polk County Assessor. 2018. "Big Box Retailers' Tax Appeals and the Dark Store Theory." *Real Talk*. (Fall). <https://www.assess.co.polk.ia.us/info/web/realtalk/2018/RealTalkFall18.pdf>.

Rodriguez, Barbara. 2019. "Gov. Kim Reynolds has Signed a Property Tax Bill Into Law. Here's What That Means for You." *Des Moines Register*, May 23. [www.desmoinesregister.com/story/news/politics/2019/05/23/gov-kim-reynolds-signs-bill-into-law-add-new-oversight-local-governments-before-they-can-raise-prope/1205150001/](https://www.desmoinesregister.com/story/news/politics/2019/05/23/gov-kim-reynolds-signs-bill-into-law-add-new-oversight-local-governments-before-they-can-raise-prope/1205150001/).

Ross, Justin, and Phuong Nguyen-Hoang. 2013. "School District Income Taxes: New Revenue or a Property Tax Substitute." *Public Budgeting & Finance* 32 (2): 19–40.

SchoolFunding.Info. "Iowa." <http://schoolfunding.info/litigation-map/iowa/>.

Significant Features of the Property Tax. [www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax](http://www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax). Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

Walczak, Jared. 2019. "Iowa Adopts a 'Soft' Property Tax Cap." Tax Foundation. (April 29). <https://taxfoundation.org/iowa-property-tax-cap/>.

Winkler, Donald R. 1979. "Fiscal Limitations in the Provision of Local Public Services: The Case of Education." *National Tax Journal* 32 (2): 329–43.

## Publication Date

May 2021, data updated February 2022