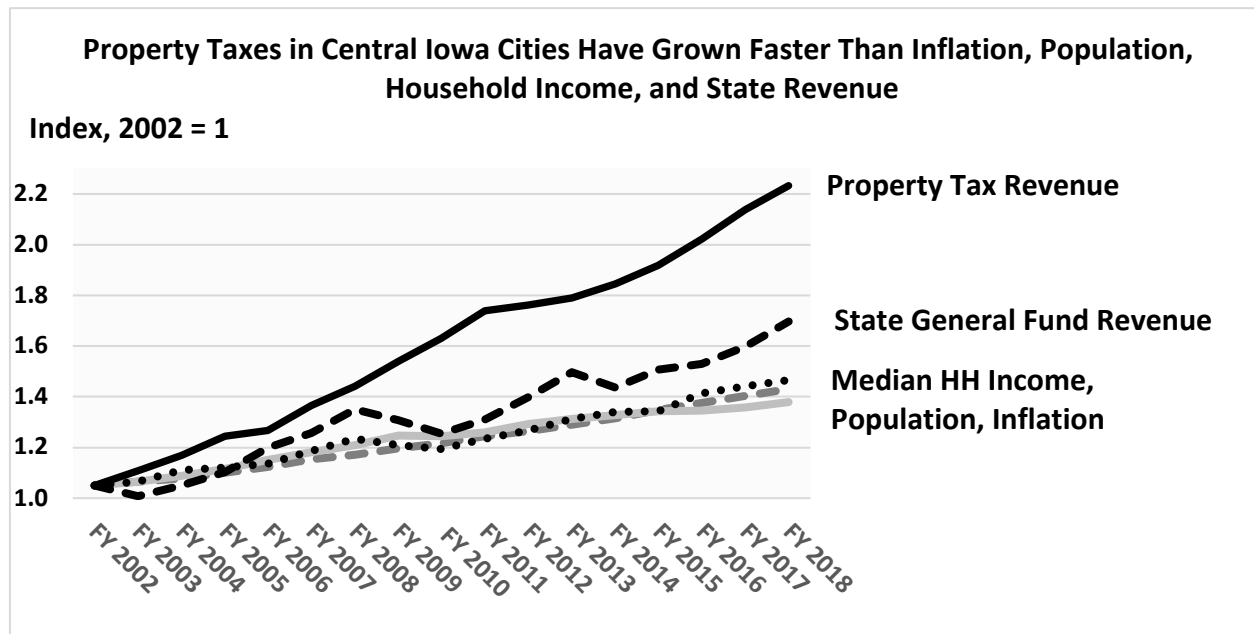


## New Property Tax Reform Legislation is All About Transparency

Property tax assessments hit the mailboxes and the news last month. Given such extraordinary (10 – 20 percent) increases, many people are fearful about what this will mean for their property tax bill. And rightfully so. Property taxes sometimes operate on “autopilot,” where local government taxing entities simply leave the property tax rate the same year after year, and collect from taxpayers the increases that come “automatically” from a constant rate applied to growing property assessments. In a year like this one, the impact on taxpayers can be dramatic, even though some local officials will say they are “holding the line on taxes.”

Property assessments are only the first step in an 18-month process. The most important decisions about property taxes are made by the local governments when they put a budget together and choose what to do with the growth in assessments. The Taxpayers Association of Central Iowa has long encouraged local elected officials to shift the focus in budgeting from the revenue generated by a constant property tax rate (\$ per \$1,000 of taxable value) to the actual revenue that is needed for a given budget year. If assessments grow so much that a constant rate generates more than is needed, the rate should be reduced. Decisions vary in any given year, but over the long term we believe the tendency to default to a constant rate has led to property taxes growing faster than inflation, population, household income, and even state revenue.



Senate File 634 will require an additional step in the annual local budget process for cities and counties. It is aimed at making this critical decision more transparent. Even if the proposed tax rate is constant, if an increase in property tax dollars is contemplated in an upcoming budget, a public hearing must be held specifically to outline the amount and purpose of the increase. The governing body must ultimately vote on the resolution describing the increase, and, if it is more than two percent above the prior year, a two-thirds majority approval is required.

Many local governments already do a great job of being deliberate about their taxing decisions, and communicating them. For them, the additional disclosure will make them look even better. For others, it may not be quite so easy to adapt to the new approach.

The bottom line is SF 634 is a property tax transparency bill, not a property tax cap or limitation. It is aimed at improving transparency around property tax increases, thus making it easier for citizens to understand what's happening, and to hold their local governments accountable. It does not constrain local governments from doing what they need to do; it simply requires them to disclose and explain it. We believe these simple actions will clear up much of the existing confusion in the tax and budgeting process. The result will be more deliberate local budget decision making, and a moderation of future property tax increases.

**Taxpayers Association of Central Iowa**

1312 Locust St. Suite 301 Des Moines, IA 50309 515-288-3328  
[www.taxpayersci.org](http://www.taxpayersci.org)