

Property Tax Levies in Iowa Cities



Property tax levies are part of a formula that determines how much taxpayers pay to fund local investments and services. The property tax system as a whole is complex; this sheet provides a brief snapshot of what levies are available and how they are used. Note that recent changes have been made to local governments' levy authorities (see House File 718, 2023).



Property Tax Mechanics in Brief

Properties subject to tax in Iowa may include land, buildings, structures and other improvements in one of the following classes of real property: agricultural, commercial, industrial, residential, and utilities/railroad. There are also many types of property that receive exemption from property tax by the state. Partial exemptions and credits are also available to qualified taxpayers.

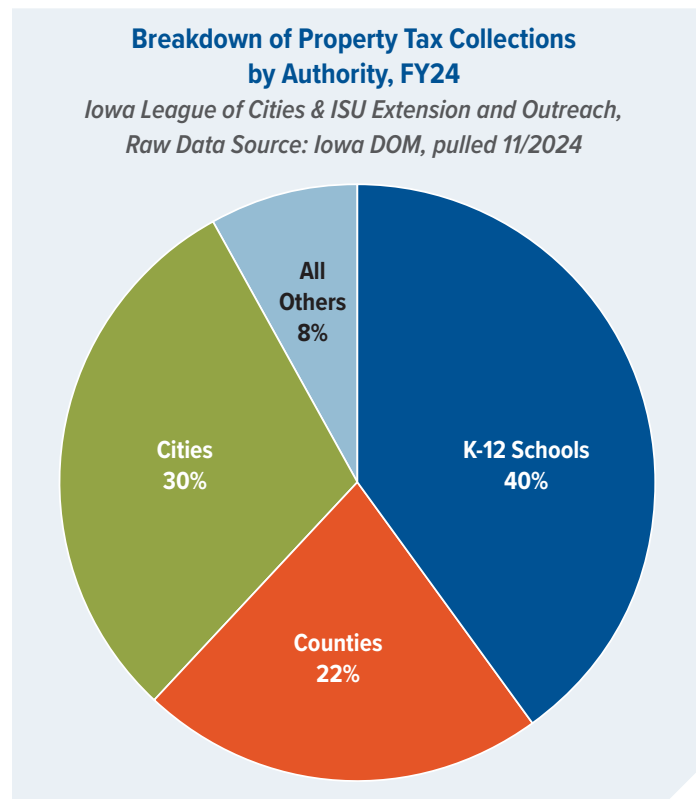
Local assessors calculate assessed property values every other year, with the exception of centrally assessed properties. Centrally assessed properties include railroads and some utility property, which are assessed each year by the state. The State of Iowa is charged with equalizing assessments, which is conducted every other year by the Iowa Department of Revenue to equalize for differences found in across jurisdictions. This is done by property class and applied across an entire jurisdiction. This is a systematic check to ensure state aid and tax burdens are equitably distributed. The state also applies “rollbacks,” which are adjustments to the percentage of assessed values that may be taxed. The original purpose of rollbacks was to prevent property taxpayers from experiencing sharply rising property tax bills. Each class of property has its own rollback.

A notable additional variable relates to residential and agricultural property. The two classes of property are “coupled” together, with a limit to the calculated increases applied to the entire property classes of 3 percent statewide (this limitation has decreased over time due to legislation). If either class of property (residential or agricultural) has less than 3 percent property valuation increase, both classes will be limited to the lesser increase.

Generally, the total taxable value of property in a taxing entity, the individual budgets of taxing authorities and the sources of non-property tax revenue together impact

total property taxes levied across the state. Changes in these three factors directly impact whether individual taxes increase or decrease. The levy rates and individual city breakdowns of how they are using levies also impacts local totals.

There are many taxing authorities, though schools, cities and counties receive the largest share, due to the level of services they provide. The chart below shows the distribution of tax funds by taxing authorities. Note that cities on an average receive approximately 30 percent of the total property tax revenues, including tax increment finance (TIF) revenues.



The remainder of this document focuses on the city-specific property tax revenues and levies.

Brief History on Levies in Iowa

Iowa’s Home Rule authority was passed via amendment to the Iowa Constitution in 1968. In brief, Home Rule allows cities to exercise powers subject only to limitation expressly imposed by a state or federal law; an exercise of city power is not inconsistent with a state law unless irreconcilable with state law; and a city may not set standards and requirements lower/less stringent than those imposed by state law but may set them higher or more stringent unless state law provides otherwise. However, the Home Rule amendment has two express

limitations, one of which relates to taxation and local levies. Cities can tax citizens only as “expressly authorized” by the Iowa Legislature. Under the *Code of Iowa*, cities are allowed to tax real property, but with limits on how much of the property value is subject to taxation and the levy rates which may be used and applied. Cities are also given limited ability to tax sales and use transactions, but again with limitations set by state law. Levies must be used only for the specified, eligible purposes set in the Code.

Levy Use

There are fewer than 15 authorized property tax levies in state law; however, only a small number of these levies are commonly used. This is because cities may not have characteristics that match the levies, which must be used for the exact purposes expressed in state law.

out of a total of 939 cities. Note that only the top five levy categories have greater than 4% of cities currently using that levy as of Fiscal Year 2025 data; only three levy categories have greater than half of cities currently using that levy.

Generally, four property tax levies are the most commonly used across cities in Iowa. These are the regular consolidated general levy; the liability, property and self-insurance levy; the employee benefit levies (three subcategories combined, including FICA/IPERS, Police & Fire Retirement, and the Other Employee Benefits); and the debt service levy, respectively. It should be noted that only employee benefits, not including salary/wages, can be spent from the employment benefits levies.

Outside of these levies, the vast majority of levies are not widely used or not used at all. In the table below, the number of cities using each of the levies is shown,

Levy Name FY25	Count	Limit
Consolidated General	937	Limited by HF 718 to a levy at/lower than \$8.10
Liability, Property & Self Insurance	730	Uncapped; subject to requirements in Code Section 384.12(3)
Employee Benefits Levies (combined)	676	Uncapped; subject to requirements in Code Section 384.6
Debt Service	419	Subject to Iowa’s Constitutional Debt Limit, requirements in Code Section 384.4
Support of Local EMC	167	Subject to requirements in Code Section 384.12(5)
Operation & Maintenance of Publicly Owned Transit	30	Limited to 95-cent levy or less; subject to requirements in Code Section 384.12(1)
Capital Improvement Reserve	24	Limited to 67.5-cent levy or less; subject to requirements in Code Section 384.7
Unified Law	19	Limited to \$1.50 levy or less; subject to requirements in 28E.22
SSMIDs	17	Special cases; subject to requirements in Chapter 386
Aviation Authority	14	Limited to 27-cent levy or less; subject to requirements in Code Section 384.12(2) under section 330A.15

*References: *Code of Iowa* Chapters 384 and 386: www.legis.iowa.gov/docs/ico/chapter/384.pdf, www.legis.iowa.gov/docs/ico/chapter/386.pdf, www.legis.iowa.gov/docs/code/28E.22.pdf



(515) 244-7282



legislativestaff@iowaleague.org



www.iowaleague.org