IN THE GAME

Together

ANNUAL CONFERENCE & EXHIBIT

SEPTEMBER 17-19 • 2025

The Basics of Iowa’s Property Tax System

Statutory Authority and Duties

- Chapters 24 and 384 of Code of Iowa
  - Details property tax levies that cities can use
  - Requirement to “keep separate accounts” of all funds collected, received or expended (gives responsibility to City Finance Committee to develop specific administrative rules)
  - Establishes process to approve and amend the budget
  - Allows for general obligation bonds
  - Allows for special assessments
  - Provides authority to establish rates/charges for city utility systems

Property Assessments

- Properties are assessed in a blend of three approaches:
  - Market Approach
  - Cost Approach
  - Income Approach
- Fair market value is the goal
- "Equalization" process smooths out significant differences around the state

Classes of Property
Agricultural
Commercial
Industrial
Railroad
Residential
Utility

Taxable Values

Residential/agricultural property growth capped at 3%

Coupling provision for agricultural/residential

THE ROLLBACK

Commercial, Industrial, Railroad have separate rollback

Everything is built on property valuations!

Taxable Values

Commercial/Industrial/Railroad Rollback

90%*

ROLLBACK

NOT TIED TO PROPERTY VALUATION GROWTH OR DECLINE

BACKFILL REDUCTION/ ELIMINATION BEGAN FY 2023!

https://dom.iowa.gov/cities

Taxable Values
Backfill Reduction/Elimination

31.24%

STATEWIDE AVERAGE

(3.9%/year)

8
YEAR

CITIES WITH LESS GROWTH THAN STATEWIDE AVERAGE FOR ALL LOCAL GOVERNMENTS
= 8 YEAR SCHEDULE

5
YEAR

CITIES WITH MORE GROWTH THAN STATEWIDE AVERAGE FOR ALL LOCAL GOVERNMENTS
= 5 YEAR SCHEDULE

Rollback Percentages

FY 2026

AGRICULTURAL – 73.8575%

COMMERCIAL – 90%*

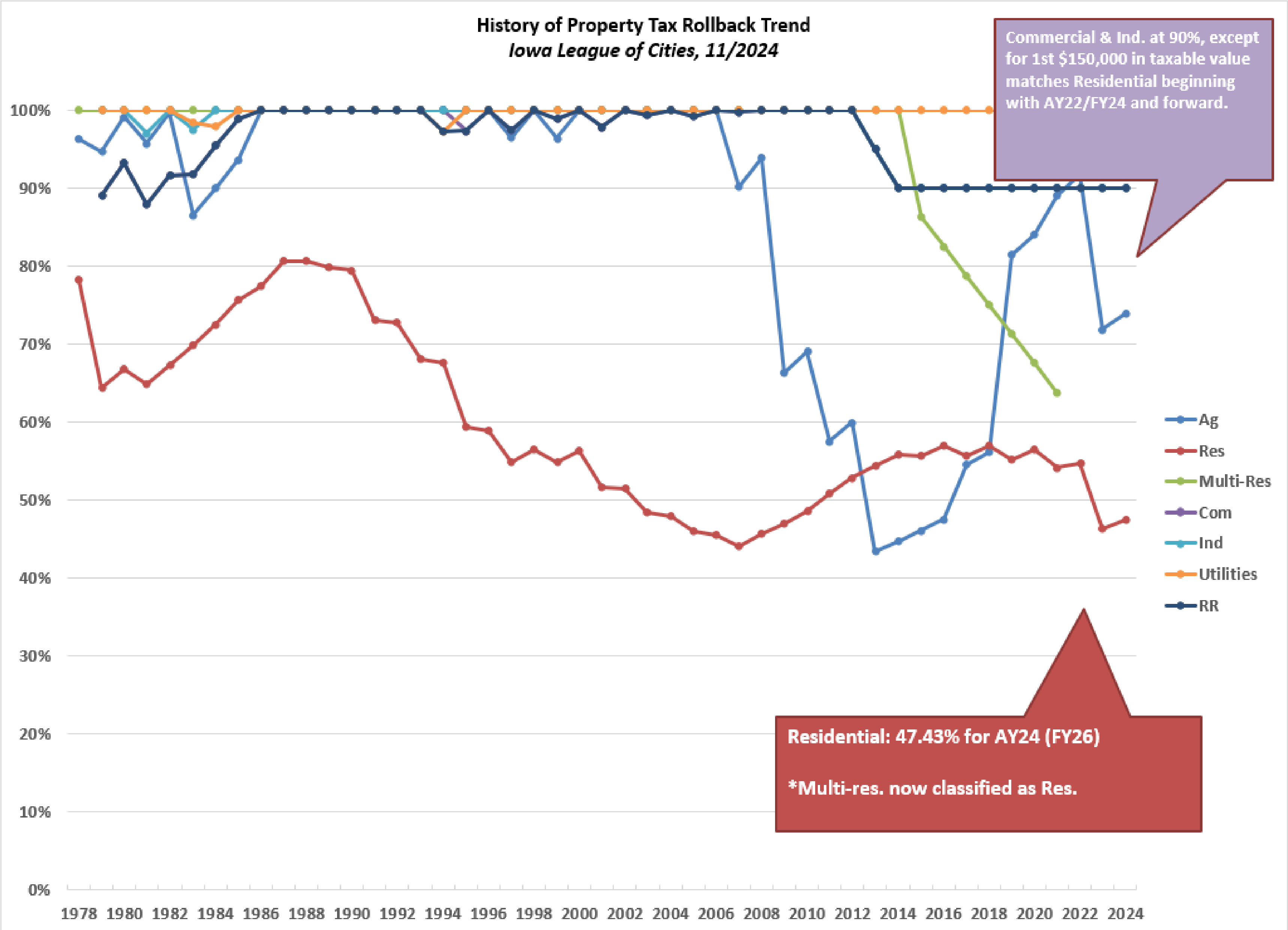
INDUSTRIAL – 90%*

RAILROAD – 90%*

RESIDENTIAL – 47.4316%

First $150,000 subject to residential rollback

Rollback History and Projections



Property Tax Levies

- **Combined General Fund Levy (CGFL) - $8.10 (per $1,000 of taxable valuation) is baseline**

- Liability/property/self-insurance (Amount necessary)
- Support of Emergency Mgmt Comm (Amount necessary)
- Capital Projects - $.675*
- Police/Fire Retirement (Amount necessary)
- FICA/IPERS (Amount necessary)
- Other employee benefits (Amount necessary)
- Self-supporting muni-improvement districts (Amount necessary) *
- Debt service levy (Amount necessary)

Property Tax Levies

- **Combined General Fund Levy (CGFL) - $8.10 (per $1,000 of taxable valuation) is baseline**

Tier	Annual Non-TIF Taxable Valuation Growth	CGFL Impact
Tier 1	Less than 2.75%	CGFL not impacted
Tier 2	2.75%-3.99%	Revenue growth reduced by approximately 1% for the next budget year
Tier 3	4%-5.99%	Revenue growth reduced by approximately 2% for the next budget year
Tier 4	6% or higher	Revenue growth reduced by approximately 3% for the next budget year

Property Tax Levies

- Combined levies comprise **Consolidated Tax Rate**, which is applied to $1,000 of taxable property
- Must factor in rollback, tax credits, any local tax incentives
- City tax rate is **one part** of consolidated tax rate

Tax Credits and Exemptions

ELDERLY TAX CREDIT

*Expanded 2023

HOMESTEAD TAX CREDIT

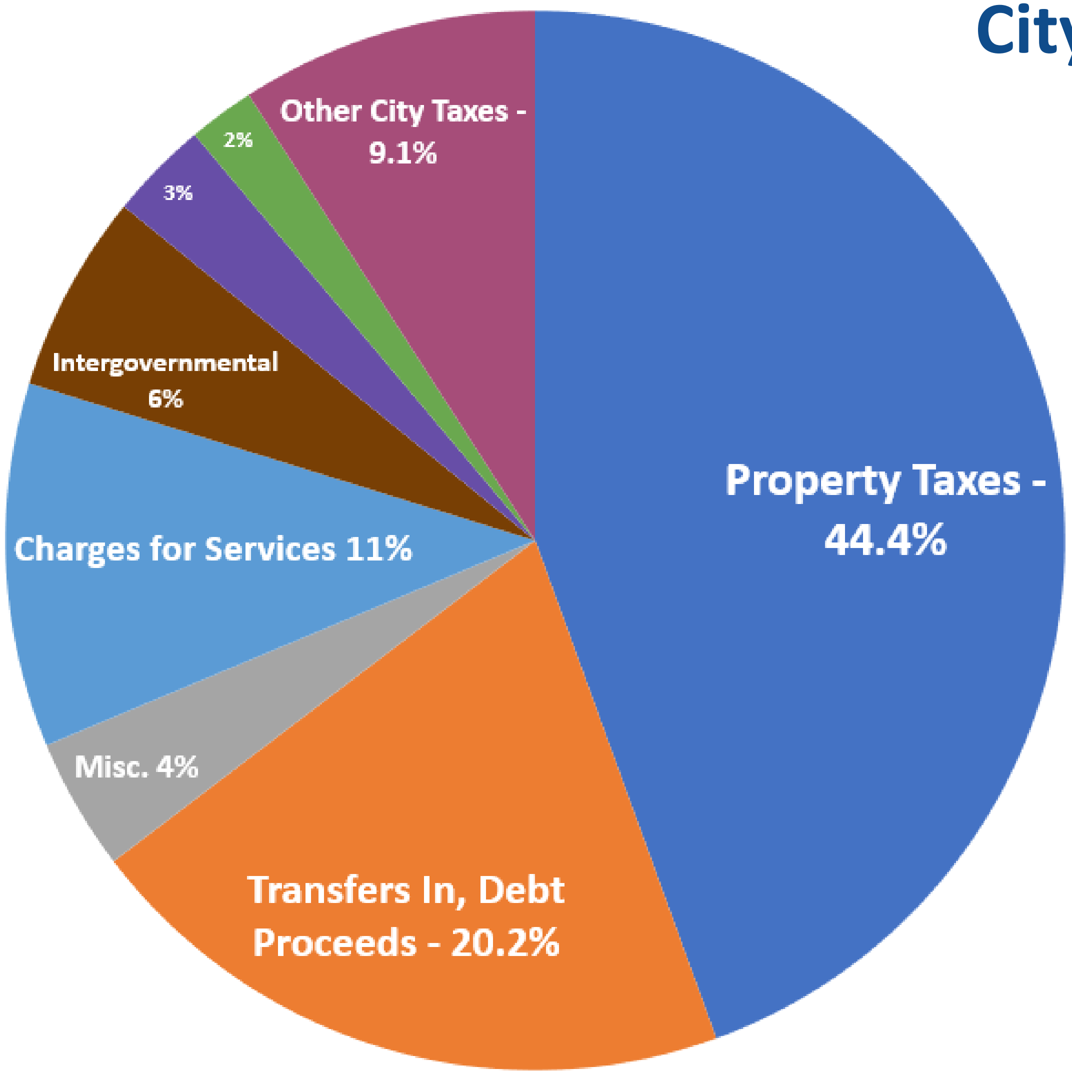
*Expanded 2023

BUSINESS PROPERTY TAX CREDIT

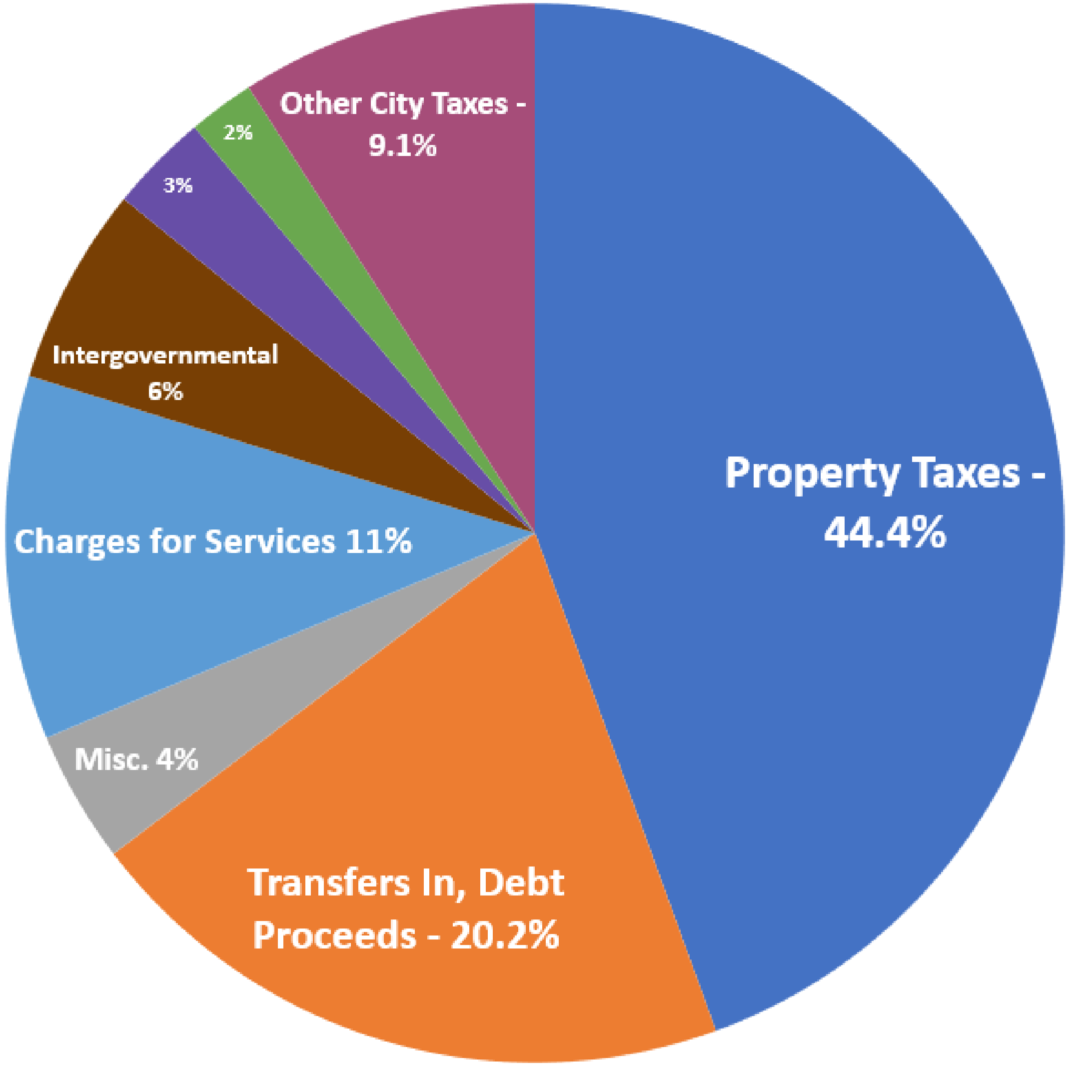
(CONVERTED TO ROLLBACK)

City Revenues

City General Fund Revenues by Categories FY24 (Budgeted) All Cities



Property Tax Collections by Class



All Taxing Authorities
FY24 Collections

Property Tax Calculation Examples

RESIDENTIAL PROPERTY (FY 25)

Assessed Value	Rollback	Taxable Value/ Calculation	Tax Obligation (city only)
$100,000	46.3428%	($46,343/ $1,000) x $8.10	$375.38

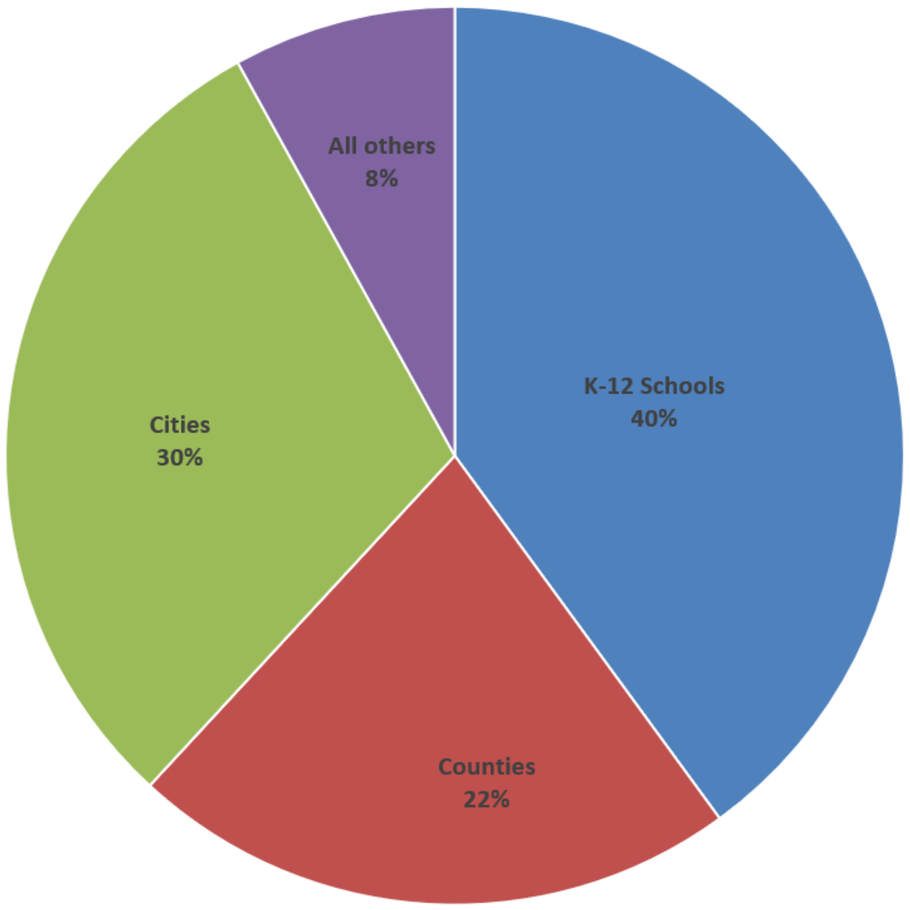
COMMERCIAL/INDUSTRIAL PROPERTY (FY 25)

Assessed Value	Two-Tiered Rollback	Taxable Value/ Calculation	Tax Obligation (city only)	Total
$500,000	46.3428% 90%	$69,514 $315,000	$563.07 $2,551.50	$3,114.57

Total Property Tax Revenue by Class

FY 24 Breakdown of Collections by Authority

Breakdown of Property Tax Collections by Authority, FY24
Iowa League of Cities & ISU Extension and Outreach,
Raw Data Source: Iowa DOM, pulled 11/2024



Approving/Amending the Budget

- State code requires several steps to adopt and submit annual budget
  - City must submit Proposed Property Tax Rate form to Iowa Dept of Management by March 5
  - County governments must mail notice to each property owner a statement that summarizes each taxing authority's proposed tax rate and related info

Approving/Amending the Budget

- State code requires several steps to adopt and submit annual budget
  - Council must set date/time for public hearing on Proposed Property Tax Rate
  - Meeting must be separate from any other meeting/business
  - City must publish/post hearing notice (4-20 days before meeting) and post link to notice on all city websites/social media platforms

Approving/Amending the Budget

- Council must set date/time for public hearing on proposed budget
- City must publish/post hearing notice along with summary of proposed budget (4-20 days before meeting)
- Council must hold hearing, then approve budget by resolution

- Must be submitted by April 30

Approving/Amending the Budget

- Budget amendments
  - To appropriate and spend unrestricted fund balances from previous fiscal year and not anticipated
  - To appropriate and spend unanticipated funds from sources other than property taxes
  - Fund transfers
  - Transfers between programs within general fund

Approving/Amending the Budget

- Must largely follow same process as budget approval
  - Same public hearing requirements
  - Use IDOM budget amendment form
  - Two copies of amendment to county auditor (along with proof of publication/affidavit of posting)
  - County auditor submits amendment to IDOM
  - Deadline is May 31 (kind of)

Approving/Amending the Budget

- If a city fails to submit their budget by April 30 they will be limited to previous year’s budget

- IDOM can grant extensions in a few specific circumstances

- Failure to submit budget/certify taxes by June 15 could result in being unable to collect any property taxes and have state funds withheld

Best Practices

- Budgeting Tips
  - Review of previous budget (while working on Annual Financial Report)
  - Review goals and strategic planning initiatives
  - Review and update Capital Improvement Plan
  - Performance measures/evaluation

Best Practices

- Budgeting Tips
  - Department budgets
    - Process
    - Timing
    - Forms
  - Capital Projects
  - Other commitments?

Best Practices

- Budgeting Tips
  - When to start?
  - When do you incorporate the council?
  - When do you begin notifying the public?
  - When do you evaluate, gather feedback, make adjustments?