

Welcome! 2012 Legislative Session Begins

Welcome to the Davis Brown Government Relations Report! Tom Stanberry and Jessica Harder are governmental relations attorneys who lobby at the Iowa State Capitol for their clients every day during the legislative session. They will be blogging each week about hot topics they are tracking.

Let's jump right in, since that's what the 84th General Assembly decided to do during its first week of the [2012 legislative session](#). Monday, January 9 marked the first day of the 100 day session.

The hot topic this week was property tax reform. The Governor, House and Senate have all flagged commercial property tax reform with the goal of reducing the amount of property taxes paid by businesses as a top priority this session.

Two property tax reform bills were introduced this week in the House:

[HSB500](#) sets up a commercial and industrial property tax "exemption" approach instead of a "rollback," but achieves a similar rollback-like effect to reduce commercial and industrial property taxes.

The bill phases in a 40 percent rollback for commercial and industrial properties over 14 years. It would use a dual stair-step approach in two 7-year, 20-percent steps, with incremental annual increases in exempted valuation amounts per property on the actual value of permanent improvements.

During the first 7-year step (January 1, 2013- December 31, 2019), 20 percent of the annual designated amount of valuation of permanent improvements (starting at \$100,000) would be exempted, until in 2019, **20 percent** of the actual value of permanent improvements to the property worth up to a \$1 million would be exempted.

During the second 7-year step (January 1, 2020-December 31, 2026) **40 percent** of the annual designated amount of valuation (starting with the first \$500,000 in valuation) would be exempted, until 40 percent of the total actual value of the permanent improvements to the property were exempted, no matter what the valuation. This would make 40 percent of the actual value of permanent improvements on all commercial and industrial property exempt by 2026.

To prevent a 'double-dipping' effect, the bill includes a provision which would reduce the exemption amount by any other "property tax exemptions" already given to the property.

In addition, the bill would change the way cities and counties levy property taxes by creating a Consumer Price Index (CPI) limitation on their general fund budgets.

The bill also deals with school finance, phasing in more state funding to reduce local property taxes.

A Governor's property tax bill has also been introduced. [HSB519](#) has an automatic 15 percent rollback on commercial and industrial property at 5 percent per year for three years. The bill contains the potential for an additional 5 percent rollback each year thereafter up to a maximum



of 40 percent, if a four percent statewide growth trigger for commercial and industrial growth is met, along with the state fulfilling its previous year's local government backfill amount required under the bill. The bill also contains the same CPI limitation as the House bill, HSB500.

This is a complicated topic we expect to continue to unfold throughout session that will affect taxpayers and local governments. Stay tuned!

The first week of the session also included the State of the State report from Governor Branstad. As expected, his speech highlighted education reform and a high level focus on economic development. We will report on both of these issues as they are developed into legislation.

The other issue which will receive a lot of attention this session is tax increment financing ("TIF"). We expect to see several bills which have the goal of amending the current TIF law while retaining TIF as an important economic development tool for cities and counties.