APRIL 2025

PROPERTY TAX REFORM

TARGETING IOWA'S HIGH LOCAL TAX BURDEN

AUTHORS: BEN MURREY & ANDRZEJ WIECIORKOWSKI

ABOUT THE AUTHORS

Ben Murrey is Iowa Director of Policy and Research with the Common Sense Institute (CSI) where he leads the research efforts of CSI Iowa to provide insightful, accurate and actionable information about the impact of public policy on families, businesses, and communities.

With over a decade of experience researching and advising lawmakers on tax and economic policy, Ben has contributed to key legislative and ballot issues at the state and federal level, including the 2017 Tax Cuts and Jobs Act and landmark state tax reforms. In addition to publishing regular research reports for CSI, Ben has been published in state and national outlets including the *Wall Street Journal, Real Clear Policy, the Corridor Business Journal, the Colorado Springs Gazette,* and others. Prior to joining CSI, Ben worked for a state-based think tank in Colorado and as a U.S. Senate aide for tax, budget, and economic policy.

Andrzej Wieciorkowski is a research analyst with CSI Iowa. Before joining CSI, he attended the College of the Holy Cross where he majored in political science and economics. Wieciorkowski also worked as an intern for the Heritage Foundation's Center for Education Policy, where he developed public policy and research experience in education, economics, law, immigration, and international affairs.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Iowa's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Iowans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

TABLE OF CONTENTS

INTRODUCTION

In March, Iowa lawmakers introduced House Study Bill 313 and its companion, Senate Study Bill 1208, to overhaul the state's property tax system.[1] While some argue the legislation could threaten local governments' ability to provide essential services, legislators from both parties agree some form of property tax relief is needed.[2] Democratic legislators have introduced alternative legislation also aimed at reducing the property tax burden for residents.[3] The conversation around property taxes raises important questions about the tax burden appropriate and necessary for providing local services. Ultimately, the people and their elected representatives must make this determination based on the local services they wish to receive and the tax burden they are willing to shoulder to receive those services. Deep tax cuts may leave local governments with insufficient revenue to fund the services their residents demand. Inordinately high tax burdens can impact a state's economic growth and reduce migration into the state.[4] This report provides policymakers and the public with a barometer for measuring Iowa's property tax burden and its total local tax burden, ranking it against other states. It then quantifies and forecasts possible property tax reform targets that would bring the state's local tax burden in line with the median U.S. state.

KEY FINDINGS

- **CSI's analysis ranks Iowa 11th most burdensome nationally for local property taxes and 19th for total local tax burden.**
- **Property Tax Reform Target** – If Iowa's statewide property tax revenue growth exceeds 2.3% annually, CSI forecasts Iowa will always remain one of the top half most burdensome states for local taxes—assuming no changes to other local taxes.
  - CSI forecasts property tax revenue will grow at an average of 2.63% annually under the current trend.
  - If tax reform kept statewide local property tax revenue growth at 2% annually, Iowa's total local tax burden would reach the U.S. median by 2033.
  - If tax reform kept statewide property tax revenue growth at 1% annually, Iowa's total local tax burden would reach the U.S. median by 2027.
  - Total statewide local property tax revenues would need to fall by about $400 million to make Iowa a median local tax burden state in just one year.
- From 1978 through the end of the century, Iowa's statewide property tax revenues tracked inflation almost exactly. From 2000 to 2024, however, property taxes grew at more than twice the rate of inflation—170% versus 73%.
- If tax reform fixed total local property tax revenue growth at 1% annually, it would take nearly 2 decades for Iowa to become a median *property tax* burden state. At 2%, it would remain in the top half indefinitely.
- Iowans spend 3.25% of state personal income on just property taxes, or 25% more than the national average.
- Iowans spend 3.8% of state personal income on all local taxes, or 7% more than the national average.
- Iowans spend 0.5% of state personal income on local sales taxes and 0.1% on other local taxes. Both are below the national average.
- One-third of the total $22.7 billion in revenue received by Iowa's local governments in 2022 came from local taxes. Of that, $6.4 billion came from property taxes, equal to 85% of local tax revenues and 28% of local revenue from *all sources*.

Policy Recommendation – Cutting local property taxes by $400 million in one year would make Iowa tax competitive with other states, but it would be a rug pull for local government budgets. However, backfilling the lost revenue to local governments from state funds would only shift the burden of the tax from local to state taxpayers, resulting in no net benefit to Iowa's economy or to its taxpayers. Instead, policymakers should use modest gradual property tax reform that controls the rate of growth in property taxes. That will make Iowa's property taxes and overall local tax regime more competitive over time without cutting local budgets.

HOW MUCH TAX REVENUE DOES LOCAL GOVERNMENT NEED?

Article IV, Section 4 of the United States Constitution guarantees Iowans a "Republican Form of Government." This empowers the people, either directly or indirectly through their elected representatives, to determine which functions their state and local governments serve.[5] The same democratic process provides the means for determining the appropriate level of expenditures for carrying out those functions. Likewise, it dictates the methods for raising the funds necessary to provide state and local services. The same constitution also establishes a federalist system of government whereby people govern their own local affairs based on the needs and interests of their communities. Over 90,000 local governments across the United States carry out these responsibilities.[6] Local governments are an integral part of the American democratic system.

Iowa's local governments provide residents with a range of services, including sanitation services, public recreational facilities, public education, emergency services, social services, infrastructure maintenance, and much more. To provide those services, they generate revenue from various sources, including taxes, fees, licenses and permits, fines, bonds, and government operated business enterprises such as utilities and parking facilities. They also receive revenue from the state and federal government. It is up to policymakers and the public to answer three key questions about their local governments:

1. What is the proper role of each local government?
2. What is the appropriate cost of local government?
3. What is the best way to raise revenue for local government?

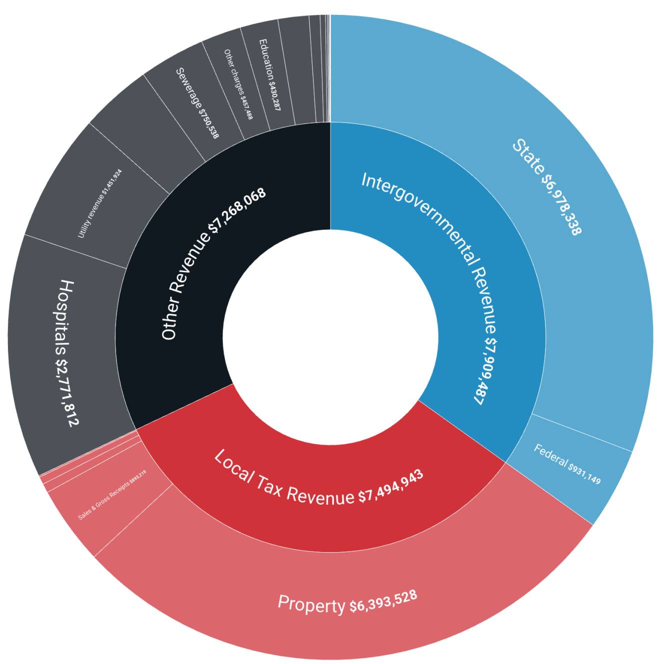
This report does not attempt to answer the first question. It does not make an item-by-item value judgment on each service provided by local governments across the state. Federalism works precisely because residents get to make those decisions locally based on their local needs. The Tax Foundation has done excellent work on the question of how to tax to fund local governments, including in a recent report, "Securing Property Tax Relief in Iowa."[7] This report does not purport to add to the discussion. Rather, in this report CSI offers Iowa policymakers an approach for addressing the second question: What is the appropriate cost of local government?

WHERE DO IOWA'S LOCAL GOVERNMENTS GET THEIR REVENUE?

In Iowa, local governments receive about a third of their revenue from the state and federal government, about a third from local taxes, and about a third from all other sources. According to the U.S. Census Bureau, all local government revenues across Iowa totaled $22.7 billion in fiscal year (FY) 2022, the last year with available data.[8] Of the total, $7.9 billion came from transfers from the state and federal government; $7.5 billion came from various local tax revenue sources; and $7.3 billion came from other charges, fees, and miscellaneous revenue sources. Property taxes alone supplied $6.4 billion in revenue, or about 28% of the total. Figure 1 shows the total revenue collected by all local governments across Iowa in 2022, broken down by revenue source.

Many local revenues not originating from federal, state, or local tax collections come from charges and fees for services provided by local governments. Such charges differ from a general tax. A government fee charges the direct beneficiary of a government service for the cost of providing that service.[9] This might include entrance tickets for a public pool or a water utility bill, for example. As a rule, fees are voluntary, whereas taxes are compulsory.

FIGURE 1. TOTAL REVENUE COLLECTED BY ALL LOCAL GOVERNMENTS IN IOWA, DIVIDED BY REVENUE SOURCE, 2022



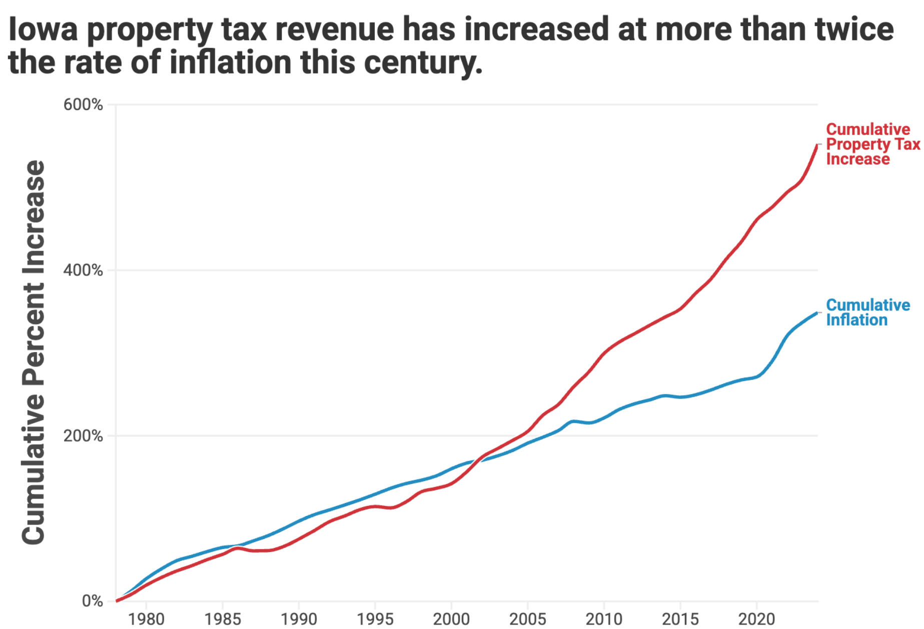
Source: Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)."

Governments levy taxes to cover general government expenses in service of the public good broadly. Those paying the tax may or may not benefit directly from the good or service funded with the revenue generated. This report purposes to understand the cost burden of local government services imposed generally through local taxes, not the cost of voluntary user fees. While the “Other Revenue” category in figure 1 may include some general taxes—including taxes dubiously labeled “fees” or “charges”—this report’s analysis excludes that category altogether. It also excludes intergovernmental revenue. While intergovernmental revenue primarily originates from taxes, this report focuses on the *local* tax burden. That focus points back to the primary question of this report: What is the appropriate cost of local government? Or more precisely, what degree of local tax burden is necessary and appropriate for funding local government?

DOES IOWA HAVE HIGH PROPERTY TAXES?

During Iowa's 2025 legislative session, the local tax reform debate has focused on reforming the main source of local tax revenue: property taxes. This focus is understandable given sharp increases in property assessments in recent years and the state's relatively high property taxes.[10] In a recent report on Iowa property taxes, the Tax Foundation calculated the total statewide property tax burden grew by 5% per capita in FY 2021 and amounted to more than $5,600 per household in 2024.[11] With a mean effective property tax rate of 1.4%, Iowa had the 9th highest effective rate for owner-occupied housing nationally.[12] In 2023, the state dropped to 10th highest as its effective rate rose slightly to 1.43%.[13] That compares with a national average of just 0.91%. By appearances, Iowa has a relatively high property tax burden compared with other states. Yet, the organization points out that because of Iowa's relatively low property values, higher rates result in lower-than-average annual property tax liabilities for homeowners. "The median homeowner in Iowa pays $2,825 on their home, which is actually slightly lower than the national average of $3,073," the report notes.[14] While useful for adding context to the property tax reform conversation, none of these metrics fully convey the relative capacity of Iowa's economy to shoulder the cost of its property taxes.

FIGURE 2. IOWA STATEWIDE PROPERTY TAX REVENUE GROWTH VS. MIDWEST CPI, 1978-2024



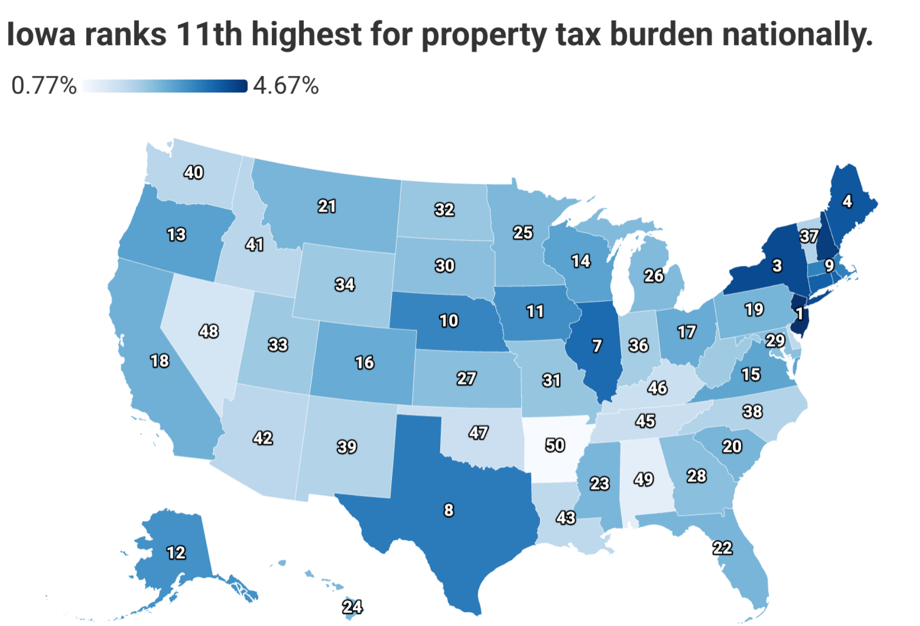
Source: Iowa Department of Management, "Historical Property Taxes"; Bureau of Labor Statistics, "CPI All Urban Consumers Midwest Region."

Different timeframes seem to suggest entirely different conclusions about the sufficiency or insufficiency of Iowa's property tax revenue growth. Property taxes rose by 5% in FY 2021, but inflation in the Midwest was also 5% that year. In FY 2022, tax collections rose by 2.7% while consumer price inflation increased by 8% in 2022. In other years, the opposite occurs; property taxes rise by more than inflation. Any year might yield different results, but picking a span of years serves the analysis no better. Over the last four tax years, for example, Iowa's property tax revenues grew by 16.3% while consumer prices rose 20%. Add one year—going back five tax years—and they each rose at almost exactly 22%. From tax year 1978 to 2024, consumer prices rose 350% in the Midwest while Iowa's statewide property tax revenues rose by 550%. They tracked each other almost exactly from 1978 until the start of the new millennium. Since 2000, however, statewide property tax revenues have grown at more than twice the rate of inflation—73% versus 170%. Measuring the change in property taxes over time, even pegged to a benchmark like inflation, does not necessarily indicate that taxes today are too high or too low.

If property tax revenues are insufficient, they may need to increase faster than inflation. Yes, property taxes have risen more than twice as fast as consumer prices this millennium, but maybe tax revenues were way too low in 2000. If so, the increase may have simply brought revenues up to the appropriate levels to fund local services. Perhaps they remain too low today even with the faster rate of increase over time. Property taxes outpacing inflation over a given period does not necessarily prove that today's property taxes are inappropriate.

Comparing Iowa's effective property tax rate to other states makes the state's tax burden appear relatively high, but this is not necessarily the case. Higher tax rates could result in lower tax bills if property values are lower. Previous CSI research found Iowa has one of the most affordable housing markets in the country, largely due to relatively low home prices.[15] In 2022, the median Iowa household paid $248 less in property taxes than the average American household, according to the Tax Foundation, yet U.S. Census data show it earned $1,740 more.[16] This metric comes closest to capturing the real cost of property taxes for those who pay them, but it only captures owner-occupied residential property. Residential

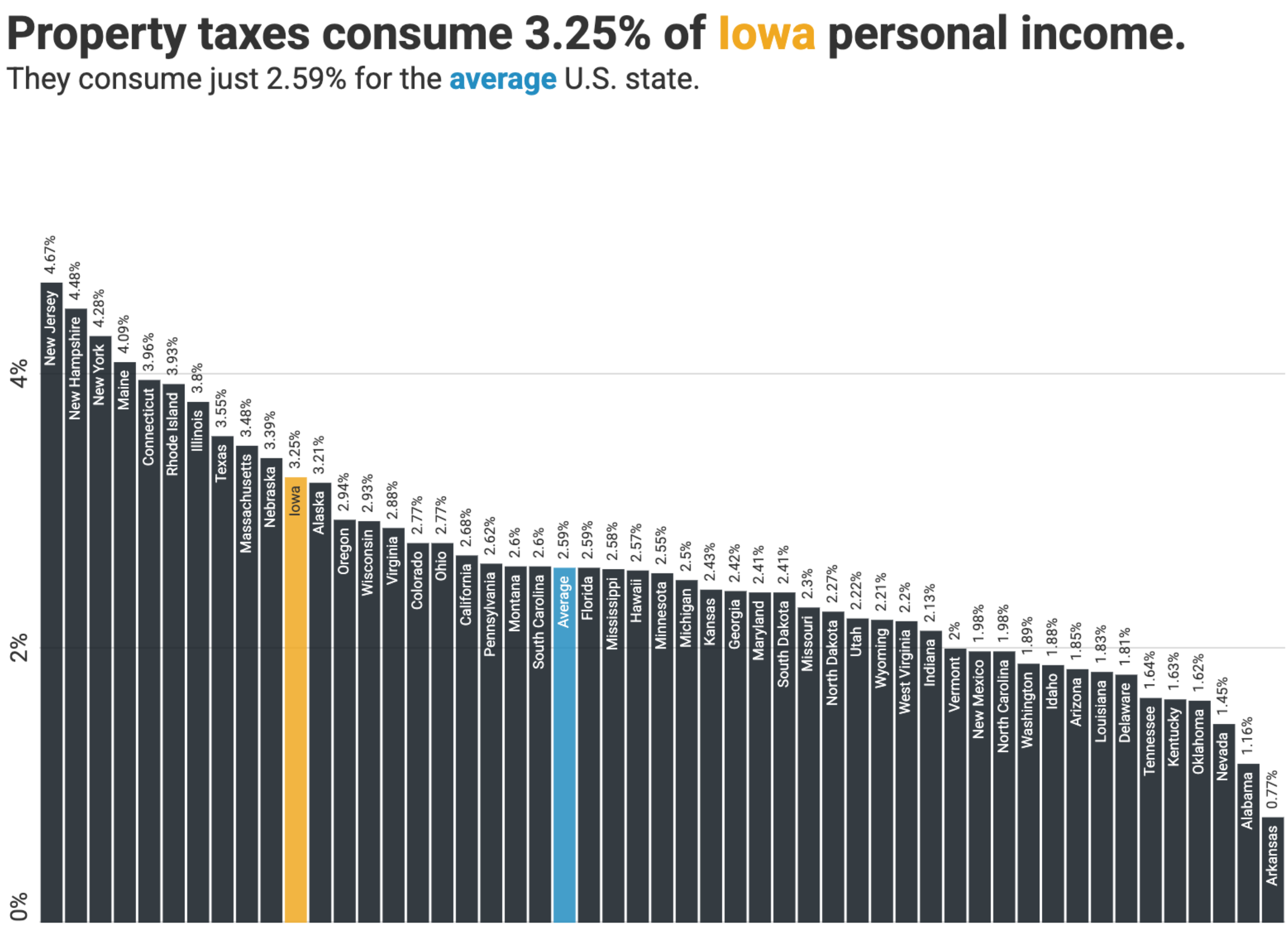
FIGURE 3. STATES RANKED BY TOTAL STATEWIDE LOCAL PROPERTY TAX BURDEN, 2022



Source: [Census Bureau](), "Annual Survey of State and Local Government Finances (ALFIN)"; [Bureau of Economic Analysis](), "Personal Income by State"; CSI calculations.

properties generally pay a much lower rate than other types of property in Iowa.[17] While most residents do not write checks to the county assessor for non-residential property taxes, the state's economy still bears the cost. Thus, this approach fails to convey the true cost of property taxes to Iowa's economy. For policymakers and the public to decide the appropriate level of taxation, they must first understand the real cost burden of the tax. Common Sense Institute has developed a metric for determining the cost of property taxes to a state's economy based on the state's capacity to shoulder that cost, shown in figure 3.

FIGURE 4. SHARE OF PERSONAL INCOME CONSUMED BY STATEWIDE LOCAL PROPERTY TAXES, 2022



Source: Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)"; Bureau of Economic Analysis, "Personal Income by State"; CSI calculations.
Note: The "Average" bar in blue represents the average state without Iowa and D.C.

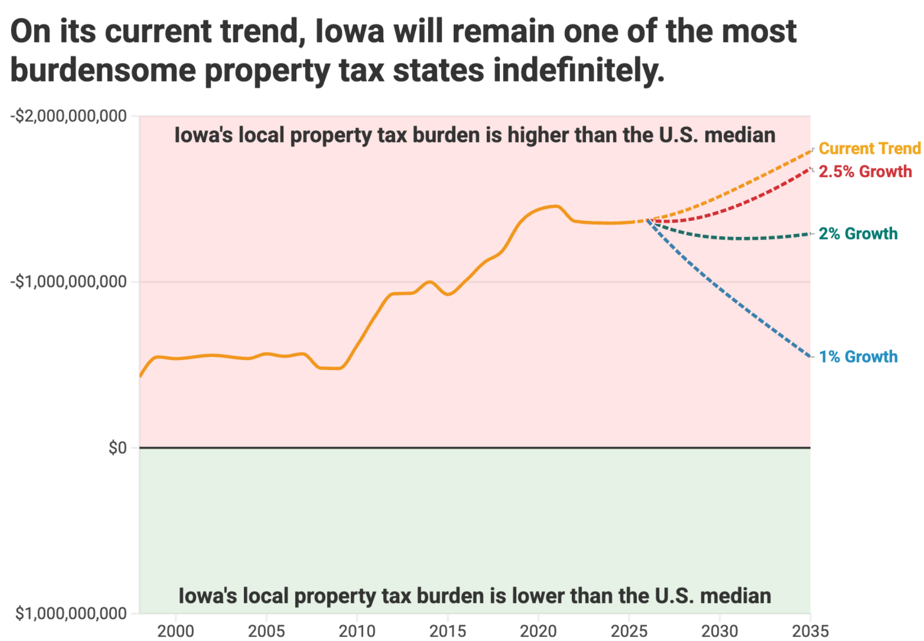
The CSI property tax burden metric measures the percent of state personal income required to pay all local property taxes levied statewide each year. Before issuing a mortgage loan, banks consider the borrower's capacity to pay the mortgage each month.[18] JP Morgan Chase recommends borrowers spend no more than 28% of their gross monthly income on their mortgage payment.[18] Spending over 28% of their income on a mortgage would make them overburdened. In other words, a borrower's capacity to cover the cost of their house payment is a function of their costs *and* their income. Common Sense Institute's tax burden metric takes the same approach. This approach implicitly means states with lower personal incomes will have less revenue for local services, just as poorer individuals cannot afford the same house as their wealthy neighbor. Mississippians may *want* an underground metro rail like Washington, D.C. has, but it has less than half the personal income per capita. Based on their respective capacities to shoulder the cost, installing a metro rail may overly burden Jackson but prove a reasonable and sensible local government service for the district. With property taxes consuming 3.25% of statewide personal income, Iowa had the 11th highest property tax burden in the nation in 2022. That compares with an average burden of 2.59% and a median burden of 2.52% that year.

Between 1998 and 2022, total statewide property taxes have cost Iowa anywhere between 3.19% and 3.63% of personal income. The average has ranged from 2.59% in 2022 to 3.15% in 2009. The median ranged from 2.52% in 2022 to 3.2% in 2009. Over the surveyed period, Iowa's property tax burden has averaged 21% higher than the average and 23% higher than the median.

Over the time series provided by the Census Bureau from 1998 to 2022, Iowa ranked worse than 2022 only in 2019 and 2020 when it had the 10th highest burden nationally. Its absolute burden was also higher those years at 3.5% compared with an average burden of 2.77% and a median of 2.67%. On an absolute basis, its highest burden came in 2010 with 3.63% of personal income going to local property taxes. It ranked 15th highest that year. Its best rank in the series came in 1998 at 17th highest nationally. That year its burden was 3.3% compared with a national average of 2.84% and a median 2.74%. Its lowest absolute burden came in 2008 when only 3.19% of statewide personal income went to paying for property taxes. It ranked 15th that year. Figure 4 shows the percentage of state personal income required to cover the cost of statewide local property taxes for each state.

Figure 5 illustrates the revenue change necessary to make Iowa competitive on its total local property tax burden by making it equal with the U.S. median. The Y axis represents

FIGURE 5. NOMINAL REVENUE CHANGE NEEDED TO MAKE IOWA A MEDIAN PROPERTY TAX BURDEN STATE, ACTUAL AND PROJECTED, 1998-2035 (CURRENT DOLLARS)



Source: Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)"; Iowa Department of Management, "Historical Property Taxes"; Bureau of Economic Analysis, "Personal Income by State"; CSI calculations.
Note: The Y axis at $0 represents the median of all states without Iowa and D.C. CSI used property tax revenue from the Iowa Department of Management (DOM) for Iowa actuals and forecasts. It used Census data to calculate the median of all other states. The DOM reported Iowa property tax revenue about 4% greater than the Census Bureau in 2022, with a similar delta in other years.

the property tax revenue increase or decrease necessary each year to make Iowa equal to the median U.S. state property tax burden that year. The solid orange line equals actual total statewide property tax revenue in Iowa each year. Dotted lines represent trend forecasts under different scenarios.

Iowa's local property tax burden has remained in the top half most burdensome of all states every year since at least 1998; it will remain so indefinitely under the current trend. The trend forecasts property tax revenue will grow at an average of 2.63% annually through 2035.

Iowa's statewide property tax receipts would need to fall by an estimated $1.4 billion in FY 2027 for the state's overall local property tax burden to rank in the middle of all states. Making this change in just one year would require large cuts to local government budgets. Conversely, controlling the rate of growth in revenue would allow Iowa to reach parity without cuts to local budgets, but it would take more time. The rate of growth would need to slow significantly to achieve parity in this way. If policy change first affecting FY 2027 fixed property tax revenue growth at 2% annually, the property tax burden would fall initially, though not by enough to make Iowa a median state. Even at 1% annual growth, it would take nearly two decades for Iowa's local property tax burden to become competitive with the rest of the nation. Fortunately, such tight controls would not be necessary to make Iowa tax competitive when considering the cumulative cost of all local taxes.

Source: Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)"; Bureau of Economic Analysis, "Personal Income by State"; CSI calculations.

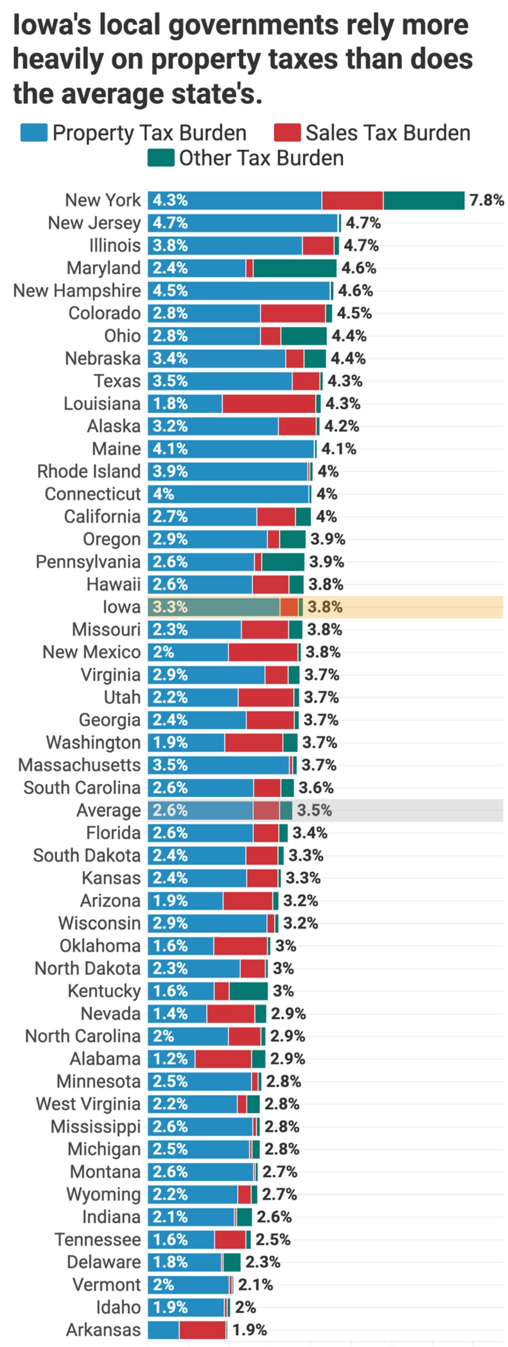
ARE TOTAL LOCAL TAXES HIGH IN IOWA?

Targeting property tax reform should begin with a holistic view of local taxes. In 2022, 85% of all local tax revenue across Iowa came from property taxes, and about 12% came from sales and gross receipts tax. The rest accounted for just under 3% of all local tax revenue. Figure 1 provides a visual representation of this division. Nationally, the share came out to approximately 74%, 19.5%, and 6.5%, respectively. As a percentage of total local tax revenue, Iowa relies more heavily on property taxes for local tax revenue compared with the average state. It relies less heavily on sales and other taxes to fund local governments. Consequently, using the same tax-cost-to-personal-income ratio used for the property tax burden ranking, Iowa ranks more favorably for the overall local tax burden than for property tax alone.

Figure 6 shows the percent of statewide personal income required to pay for all local government taxes in each state in 2022. Figure 7 shows the rank of each state using CSI's total local tax burden metric. The darkest shaded state ranked 1 represents the highest burden and the lightest shaded state ranked 50 represents the lowest.

While Iowa ranked 11th highest for property tax burden in 2022, it was below average for sales and other taxes, putting its overall local tax burden at 19th highest in the nation. Only 0.5% of personal income went to pay local sales taxes compared to the 0.7% national average; 0.1% covered the cost of other local taxes versus a U.S. average of 0.3%. Of course, this

FIGURE 6. SHARE OF STATE PERSONAL INCOME CONSUMED BY LOCAL TAXES, 2022



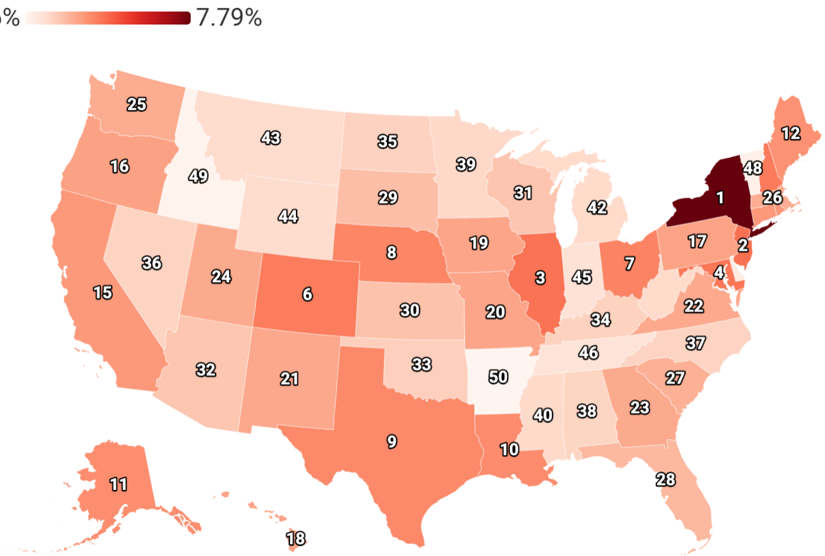
Source: Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)"; Bureau of Economic Analysis, "Personal Income by State"; CSI calculations.

distribution changes each year, and Iowa's position relative to the average also changes over time. Figure 8 shows the linear trend for the total local property tax burden and for each of the three tax subgroups—property, sales, and other. Solid lines denote Iowa and dotted lines denote the U.S. average.

Iowa had a consistently higher property tax burden and a consistently lower burden from other taxes between 1998 and 2022. Only Iowa's sales tax burden rose above the national average during the period—and that only from 2008 to 2012. Since 2013, Iowa has maintained a lower sales tax burden than the national average. While property taxes make up the bulk of Iowa's local revenues, property taxes alone do not represent the full local tax burden imposed by local governments. Property taxes alone consume 3.25% of Iowa personal income; altogether, local taxes consume 3.8%. To make Iowa less tax burdened and more tax competitive, policymakers should consider the total tax burden, not just property taxes.

FIGURE 7. STATES RANKED BY TOTAL STATEWIDE LOCAL TAX BURDEN, 2022

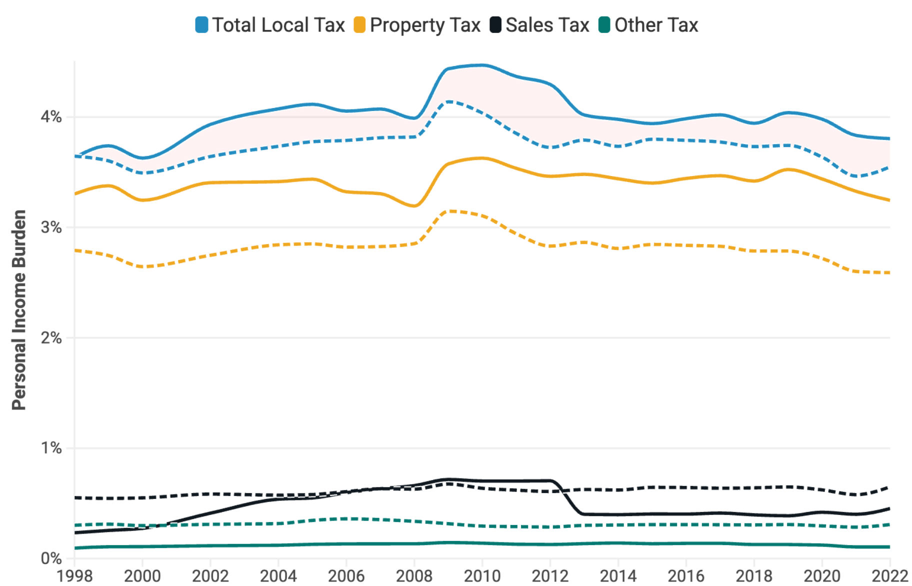
Iowa ranks 19th highest for total local tax burden nationally.



Source: *[Census Bureau](), "Annual Survey of State and Local Government Finances (ALFIN)"; [Bureau of Economic Analysis](), "Personal Income by State"; CSI calculations.*

FIGURE 8. CHANGE IN SHARE OF PERSONAL INCOME CONSUMED BY PROPERTY, SALES, OTHER, AND ALL LOCAL TAXES, 1998-2022

Iowa's property tax burden and total local tax burden have remained consistently above the national average over time.



Source: *[Census Bureau](), "Annual Survey of State and Local Government Finances (ALFIN)"; [Bureau of Economic Analysis](), "Personal Income by State"; CSI calculations.*

WHAT IS THE PATH FORWARD FOR PROPERTY TAX REFORM?

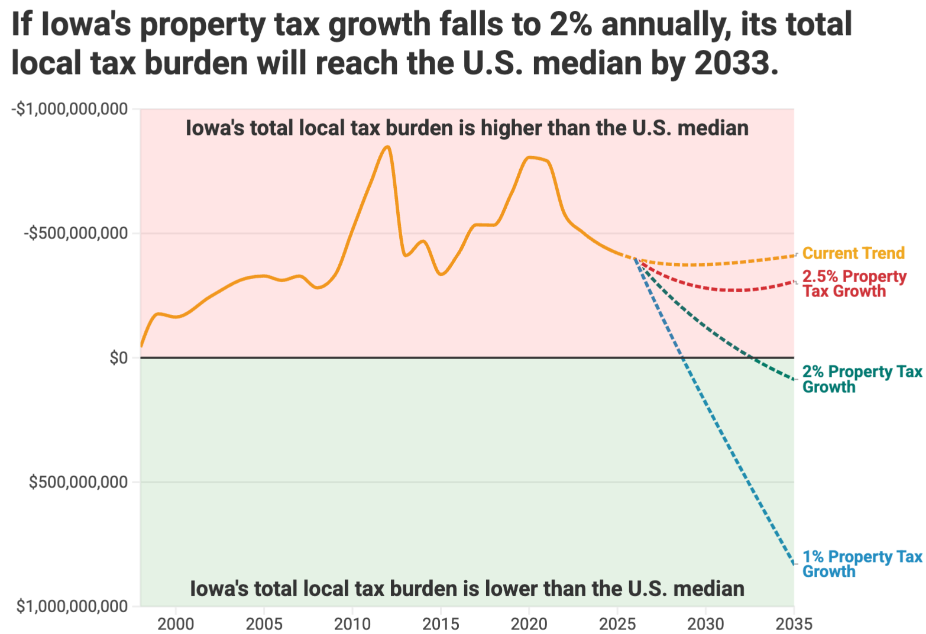
If Iowa policymakers wish to bring each category of local taxes in line with the U.S. median in one year, it would require a $1.4 billion cut to property taxes and an increase of $500 million to local sales taxes and $500 million to other local taxes. If policymakers simply wish to make the overall local tax burden more competitive, however, they could achieve their goal through more modest property tax reform—without touching sales or other local taxes.

It would require a $400 million property tax reduction to bring the state's overall local tax burden down to the median level in the country. The state's above-average reliance on sales and other local taxes makes up for the $1 billion difference. A $400 million reduction in property tax receipts from one year to the next, however, would pull the rug out from underneath local government budgets. To avoid local budget cuts, the state could backfill that revenue from state funds, but doing so would only shift the burden of the tax from local to state taxpayers. Such a change would in principle produce no net benefit to Iowa's economy or to its taxpayers. Instead, policymakers should use modest gradual property tax reform to make Iowa's overall local taxes more competitive over time.

Figure 9 illustrates the change in local tax revenue necessary to make Iowa a median state for total local tax burden. Like figure 5, the Y axis quantifies the tax revenue increase or decrease necessary each year to make Iowa equal to the median local tax burden among all 50 states. The orange line labeled "Current Trend" shows the nominal amount by which Iowa's total local tax burden is projected to exceed the U.S. median through 2035. Each of the other lines forecasts the amount by which the local tax burden is projected to exceed or fall short of the median under various scenarios. Dotted lines are forecasts.

As in figure 5, the current trend seen in figure 9 will keep Iowa's total local tax burden indefinitely higher than the median. If local property tax revenue grew at 2.5% annually, CSI projects Iowa's local taxes would become more competitive but would remain in the top half of states indefinitely. In fact, if Iowa's statewide property tax revenue growth exceeds 2.3% annually, CSI forecasts Iowa will always remain one of the top half most burdensome states for local taxes—assuming no changes to other local tax revenues. However, CSI projects a policy change fixing total statewide local property tax revenue at a growth rate of 2% annually would bring Iowa's total local tax burden down to the national median by 2033. This assumes the policy change first impacts FY 2027 revenues. At a 1% annual growth rate, Iowa would reach local tax burden parity by 2029. Neither scenario would require cuts to local government budgets. If those growth rates held beyond 2033 and 2029, respectively, Iowa's local tax competitiveness would continue to improve in future years. In practice, tax reform legislation like HSB 313 would not yield the precise results forecast in figure 9 for several reasons.

FIGURE 9. NOMINAL REVENUE CHANGE NEEDED TO MAKE IOWA A MEDIAN PROPERTY TAX BURDEN STATE, ACTUAL AND PROJECTED, 1998-2035 (CURRENT DOLLARS)



Source: Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)"; Iowa Department of Management, "Historical Property Taxes"; vureau of Economic Analysis, "Personal Income by State"; CSI calculations.
Note: The Y axis at $0 represents the median of all states without Iowa and D.C. CSI used property tax revenue from the Iowa Department of Management (DOM) for Iowa actuals and forecasts. It used Census data to calculate the median of all other states. The DOM reported Iowa property tax revenue about 4% greater than the Census Bureau in 2022, with a similar delta in other years.

Firstly, forecasts are imperfect. This is evident from the change seen from the actual historic data in figure 9 (solid line) to the forecasts (dotted lines). The dotted lines are smooth, whereas the line for the actual historic data is volatile and unpredictable. The forecasts in figures 9 and 5 rely on the trend from the yearly moving average of tax revenues from 1998 to 2022. The actual data will be impacted by changes in inflation, economic conditions, and public policies in Iowa or in other states that will alter these projections in ways forecasters cannot precisely predict. Lacking the benefit of foreknowledge, however, the forecasts are nonetheless useful for illustrating the directional impact of hypothetical policy changes.

Furthermore, policy changes like Iowa's current property tax rollback and those in HSB 313 serve as limiting mechanisms, but they do not fix statewide property tax revenue growth at an exact percent rate of growth. It would be nearly impossible to do so for several reasons. First, levy limits do not prevent district revenue from coming in below the allowable growth rate. Second, levy limits may not prevent local districts from independently increasing their levy, causing revenues to exceed the limit. Moreover, if the legislation exempts certain property classes from the limit or sets different rules and rates for different types of property, that could affect the rate of growth in total property tax revenues. Finally, most levy limits only apply to taxes on existing properties. Revenue from new construction would come in addition to the allowable growth limit. However, new construction will generally coincide with growth in state personal income, offsetting the burden of the revenue increase.

Another limitation of forecasts like those in figures 5 and 9 is that property tax reform legislation often creates or increases exemptions, deductions, or credits. These policies cause the revenue baseline to "gap down" when they take effect. If, for example, Iowa policymakers managed to achieve a 2% fixed rate of growth in property tax revenue, a tax credit that reduced the revenue baseline by $100 million ongoing would allow the state to reach the median tax burden before 2033. Put simply, growth rates like those in figure 9 should be seen as targets. If lawmakers do not set a target, they are guaranteed to miss. But if they design policy around a clear and workable growth rate goal, they can make Iowa's local governments less burdensome to taxpayers and more competitive with other states over time without forcing cuts to local government budgets.

BOTTOM LINE

Iowa has remained among the top states in the nation for highest property tax burden for more than two decades. While its overall local tax burden fares better, it has remained in the most burdensome half of states for all local taxes every year since the start of the millennium. Historically, Iowa's local sales taxes and other local taxes have remained below the national average, but the disproportionately high burden from property taxes has kept the state's overall local tax burden elevated. Indeed, over the last 20 years, statewide local property tax revenues have grown at more than twice the rate of inflation. This millennium, Iowa has always remained among the top third most burdensome states for property taxes. If lawmakers want to make Iowa's local tax burden more competitive by bringing it in line with the national median, they can either cut property taxes by $400 million, or they can pass legislation to control the rate of growth in property tax revenues over time. The first route would amount to a rug pull for local governments, leaving them with insufficient revenues to fund current services and with no time to plan for the change. Controlling the rate of growth in property tax revenue would moderate Iowa's high local tax burden, bringing it in line with the rest of the nation without the need for cuts to local governments' budgets.

REFERENCES

1. House Study Bill 313, 91st General Assembly, State of Iowa (2025), https://www.legis.iowa.gov/legislation/BillBook?ba=HSB%20313&ga=91.

2. Robin Opsahl, "Property tax bill removing rollback system passes House, Senate subcommittees," Iowa Capital Dispatch, March 26, 2025, https://iowacapitaldispatch.com/2025/03/26/property-tax-bill-removing-rollback-system-passes-house-senate-subcommittees/.

3. Stephen Gruber-Miller, "A $1,000 check to lower your property tax bill? Iowa Democrats propose homeowner rebate," Des Moines Register, March 27, 2025, https://www.desmoinesregister.com/story/news/politics/2025/03/27/iowa-legislature-democrats-propose-homeowners-rebate-to-cut-property-tax-bill/82691041007/.

4. Andrew Wilford and Evelyn Kilty, "Latest Tax Migration Data Shows Tax Rates Play Major Factor In Residency Decisions," National Taxpayers Union Foundation, July 18, 2022, https://www.ntu.org/foundation/detail/latest-tax-migration-data-shows-tax-rates-play-major-factor-in-residency-decisions.

5. Robert G. Natelson, "A Republic, Not a Democracy? Initiative, Referendum, and the Constitution's Guarantee Clause," Texas Law Review, Vol. 80, p.807, 2002, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1979002. "For the American founders, the concept of republic and democracy largely or entirely overlapped. Moreover, their use of the term "republic" was based on explicit acknowledgment that republics could include direct citizen lawmaking --- as had been the case in the Roman republic and in most other republics prior to the drafting of the Constitution. The purported distinction between "republic" and "democracy" is an invention of the political battles of the 1840s, and draws strength from a misinterpretation of Madison's views in The Federalist."

6. U.S. Census Bureau, "U.S. Local Governments by State: 1942—2022," August 24, 2023, https://www.census.gov/library/visualizations/interactive/local-governments-by-state.html.

7. Abir Mandal and Jared Walczak, "Securing Property Tax Relief in Iowa," Tax Foundation, March 24, 2025, https://taxfoundation.org/research/all/state/iowa-property-tax-relief/; Janelle Fritts, "Close to Home: A Short Guide to Property Taxes," Tax Foundation, March 27, 2023, https://taxfoundation.org/research/all/state/property-taxes-guide/.

8. U.S. Census Bureau, "Annual Survey of State and Local Government Finances (ALFIN)," https://www.census.gov/programs-surveys/gov-finances.html.

9. Tax Foundation, "TaxEDU," https://taxfoundation.org/taxedu/glossary/user-fee/.

10. "Metro home assessments up by record amounts," KCCI Des Moines, April 5, 2023, https://www.kcci.com/article/central-iowa-home-assessments-values-up/43510237.

11. Abir Mandal and Jared Walczak, "Securing Property Tax Relief in Iowa," Tax Foundation, March 24, 2025, https://taxfoundation.org/research/all/state/iowa-property-tax-relief/.

12. Andrey Yushkov, "Property Taxes by State and County, 2024," Tax Foundation, August 20, 2024, https://taxfoundation.org/data/all/state/property-taxes-by-state-county-2024/.

13. Andrey Yushkov, "Property Taxes by State and County, 2025," Tax Foundation, March 4, 2025, https://taxfoundation.org/data/all/state/property-taxes-by-state-county/.

14. Abir Mandal and Jared Walczak, "Securing Property Tax Relief in Iowa," Tax Foundation, March 24, 2025, https://taxfoundation.org/research/all/state/iowa-property-tax-relief/.

15. Zachary Milne, Ben Murrey and Andrzej Wieciorkowski, "Housing Affordability in Iowa," Common Sense Institute, November 14, 2024, https://www.commonsenseinstituteus.org/iowa/research/housing-and-our-community/housing-affordability-in-iowa.

16. U.S. Census Bureau, Median Household Income in Iowa [MEHOINUSIAA646N], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/MEHOINUSIAA646N; U.S. Census Bureau, Median Household Income in Iowa [MEHOINUSIAA646N], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/MEHOINUSIAA646N.

17. Abir Mandal and Jared Walczak, "Securing Property Tax Relief in Iowa," Table 4, Tax Foundation, March 24, 2025, https://taxfoundation.org/research/all/state/iowa-property-tax-relief/.

18. "The 4 C's of Qualifying for a Mortgage," Freddie Mac, https://myhome.freddiemac.com/blog/homeownership/20171204-4Cs-qualifying-mortgage.

19. "What percentage of your income should go to mortgage," JP Morgan Chase Bank, https://www.chase.com/personal/mortgage/education/financing-a-home/what-percentage-income-towards-mortgage.