



Leading Iowa's Economic Growth

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On behalf of Professional Developers of Iowa and our 300+ members across Iowa, we'd like to compliment the bill's authors on the scope of the property tax reform in SSB 1208/HSB313. As the State's professional organization for economic developers, PDI recognizes many positive components of these bills, most notably the elimination of the residential and commercial rollbacks.

Our members are the primary marketers of Iowa to new businesses looking for a home. For many years, the complexities of Iowa's property tax system has been a source of frustration in limiting our ability to communicate clarity and simplicity to both new and existing business. The rollback has been a significant driver to this complexity. This is the exact opposite of recent income tax changes where State leaders have made marketing Iowa much easier through the consolidation of brackets, the elimination of federal deductibility, and the lowering of the income tax burden on both individuals and businesses.

We do want to highlight Iowa's recent population and economic growth as a driver in real estate prices that have been outpacing the national market. The rise in assessed values has been more responsible for property tax increases than any widespread reckless spending by cities and counties. This isn't a dismissal of the messages legislators heard knocking doors last Fall, but just a recognition of the current market factors.

After consulting with our members, we'd like to offer suggestions for improving these companion bills and making them a workable long term solution for cities and counties.

- Our members believe the 2% hard cap is too restrictive. Please consider a compromise better aligned with the broader economy and private sector growth. We would suggest considering a 2% cap, or 12-mo CPI, whichever is greater, not to exceed 3%.
- The new valuation definition is a welcome change from HF718. However, the use of tax increment financing needs to be added to this definition in order to both protect current projects and to continue to drive economic growth. Many of our members, in their home communities, have seen a quick pivot from considering new economic development projects with the potential of TIF not being included in new growth.
- As a strong advocate for protecting local control of TIF, when the \$5.40 levy is ratcheted down to \$2.97 in Division 3 of the bill, there may need to be language added to ensure that existing projects relying on the \$5.40 levy revenues are allowed to remain online until those projects are completed. This can have immediate negative impacts on private sector investments and their complex financing strategies.
- Eliminating the rollback is a positive change, but the shift in tax burden is concerning. We encourage you to consider ratcheting up and freezing the rollback. Perhaps a 5-year phase where commercial goes back to 100% and residential goes to 70% is workable. The current proposal will place a significant swing and increased burden on residential tax classes.

- We believe for cities and counties to be able to operate under a hard revenue cap, there needs to be some flexibility granted for communities to be able to address their local priorities. We suggest the voter approved levies that were eliminated under HF 718 be allowable for communities that voluntarily decide that funding their library, museum, etc., is a tax they voluntarily decide to pay. While some residents are outspoken on local property tax rates, it remains intriguing that many of these same residents will vote to support bond issues on quality of life amenities such as a new swimming pool or recreation center. We think local communities should be allowed to institute any levy that their local voters approve.
- In our discussions with local governments over the past few months, it has been clear that public safety is the biggest cost driver for local governments. This bill doesn't really address this, and we aren't sold on any one solution. One idea might be to allow and possibly incent cities and counties working together beyond their own boundaries to ensure the safety and well-being of their citizens. While the 28E section of the Code allows for some flexibility, policy makers should look for ways to allow regions to come together to provide these services more efficiently.