

## **Commercial & Industrial Property Tax Replacement Claims (Backfill) Talking Points**

- Senate File 295, the bi-partisan property tax reduction bill passed by the Iowa Legislature in 2013 and called the “largest tax cut in Iowa History”, included the commercial and industrial property tax replacement claims, what we call the “backfill”, as a key and essential component.
- The C&I Replacement Claims, also known as the backfill, are the result of an agreement that was reached as a compromise during the passage of SF295.
- The backfill greatly reduces the negative financial impact of statewide tax cuts on local governments and serves to help prevent significant local property tax increases.
- With the understanding that local governments provide essential and necessary services to citizens, the backfill was added as a key component to SF295 with the intention of holding local governments harmless as tax breaks phase-in for property owners. It was widely understood and agreed that replacing lost revenues to local governments was a responsible and necessary policy for all Iowa communities; urban and rural alike.
- The backfill is not an urban or rural issue; it is an all-Iowa, all-city issue, that impacts Iowans regardless of population or location. The backfill, while capped and will never grow, currently reimburses all cities, in addition to counties and school districts, for a portion of the lost revenue.
- Importantly, there is no sunset on the backfill support for communities: it was a promise made - specifically as a standing appropriation - providing assurance to local governments that they can and should continue to provide services and invest in important infrastructure.
- The backfill promotes economic growth and helps provide financial stability to communities. Elimination or reduction of the backfill will force communities to raise taxes, which would adversely impact small businesses that create jobs and help small communities sustain vibrant main street communities.
- Reducing or removing the backfill may seem like a simple solution to legislators only concerned about the state (not local) budget. In reality, however, reducing or removing the backfill is not a solution, but rather, a convenient means of simply passing a state fiscal problem to local governments that are already hamstrung in many respects. Moreover, local governments are charged with providing additional and essential services that the state does not provide. These local services are relied upon and used daily by citizens across Iowa, helping make our communities strong and successful. Any reduction is merely a shift to property taxes that will disproportionately and negatively impact residential property tax payers.
- The ability to provide necessary city services is essential for Iowa and its cities to attract and maintain businesses, jobs, families, and a strong workforce in an ever-changing global marketplace. Without backfill, a city’s ability to invest in critical infrastructure and essential services is compromised. In short, the backfill is critical to maintaining vibrant growth throughout Iowa’s communities and offering a strong quality of life for all citizens.
- Among other important services, cities are responsible for public safety, economic and community development, drinking and wastewater water infrastructure, local transportation infrastructure, sanitation and recreational opportunities that citizens expect.
- Some argue that cities have “grown out of the backfill” and that it is no longer needed by many communities. This argument could not be further from the truth in many parts of the state. In fact, approximately 670 cities across Iowa have lost population over the past five years, which has created fiscal emergencies by itself. Layering on a reduction of an essential component of property tax reform - the backfill - will only compound an already troubling fiscal situation across Iowa. Now is not the time to pull money out of Iowa communities.