

NEWS

Property tax bill removing rollback system passes House, Senate subcommittees

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Iowa Capital Dispatch

Promising that movement will continue to be slow, panels in both the Iowa House and Senate moved forward Wednesday with the major property tax proposal set forward by legislative Republicans.

Subcommittees for House Study Bill 313 and Senate Study Bill 1208 were held Wednesday, the first public hearings for the property tax legislation that Rep. Bobby Kauffman, R-Wilton and Sen. Dan Dawson, R-Council Bluffs introduced in early March.

The legislation would change Iowa’s local property tax system from a “rollback” to a “revenue-restricted” system, according to the legislators. Currently, residential property taxes are calculated by assessing the market value of a property, a portion of which is taxable. The Iowa Department of Revenue sets the rate of how much of the property’s value can be taxed each year based on the growth of statewide taxable properties — but the rollback system limits how much the aggregate value of residential property can grow each year to 3%.

The new system would remove this rollback restriction, allowing taxable property value to grow by a larger margin in the state. However, there would be new limits in place that would limit property tax growth,

Dawson and Kauffman said, including measures that cap the increase of most property tax levy rates to 2% each year — excluding new construction — and that limits the amount of new tax revenues that local governments can collect. The new system would be phased in over the course of five years.

Several speakers at the subcommittee meetings expressed concerns about the 2% growth cap. Amy Campbell, representing Polk County, suggested that instead of a flat rate, the growth cap should be attached to the consumer price index (CPI) or the Midwest employee index “since human resources and employee costs are a large part of the budgets and county government.”

Jolly Omar with the city of Pleasant Hill said the 2% cap could have a negative impact on cities’ ability to keep up with inflation as it relates to services and staffing that residents.

“The 2% hard cap is a little too restrictive when you take into account CPI, when you take into account public safety costs — again, those are expanses that for Pleasant Hill, about 50% of our property tax dollars go towards the support of public safety,” Omar said. “So we just want to help bring some context with that.”

Scott Sanders, city manager of Des Moines, expressed similar concerns, saying that public safety makes up 60% to

70% of a city’s general fund spending. In Des Moines, he said, public safety costs grow 4% each year.

“The 2% will not reconcile with that,” Sanders said. “The 2% cap, coupled with the historic 4% growth in public safety, would force Des Moines to make about \$2 million of additional cuts each year continuously.”

Sanders and other speakers also brought up concerns about the changes to revenues collected through tax increment financing (TIF) — a mechanism where increased property tax revenues in a designated TIF district from development in that area go toward public improvements in that district. He said he feared the change would stop cities from pursuing these projects.

“A new development within a TIF district will not generate the future additional general operating lending dollars that are needed,” Sanders said. “Obviously, those projects are breeding additional needs for services. There is no motivation at that point for communities to incentivize the projects, because they’re not getting any additional tax dollars for operations at any point.”

Dawson said he did not agree with concerns brought up about TIF districts, saying that if “TIF is your first concern on property tax reform, you’re not concerned about property tax reform.” He said while these

projects may be financially beneficial for developers and cities, they do not benefit most taxpayers.

“The people involved in TIF are probably going to make some money off it, and everyone else has to have a bad system and a high TIF rate to support it,” Dawson said. “And by the way, from a state budget standpoint, we’re here to make you whole at the tune of \$95 million a year right now, the state of Iowa is supplementing on TIF, which we are robbing from school districts.”

The bill also shifts \$426 million funding for K-12 schools currently paid for using property taxes to the state. Dawson told reporters this would not result in an increased cost to the state, as these funds would be reallocated from existing tax credits that would be eliminated by the legislation.

Margaret Buckton, representing the Urban Education Network and Rural School Advocates of Iowa, warned that while the state taking over the levies funding public schools under the current formula will result in a lower cost for property taxes, it could make it more difficult for schools to get needed funding from the state.

“What that does is makes it a lot harder for schools to convince you and the public that they have enough money, because you see your line item going up in investment (from the state)

and don’t necessarily see what the property taxpayer would have paid,” Buckton said. “We are struggling with adequate funding, and this doesn’t make it easier to do that, but understand that gives property tax relief.”

Rep. Larry McBurney, D-Urbandale, said he was glad to see the process of this bill going “a little bit slower” than previous discussions on property tax changes and that he still had issues with the legislation. However, he said the bill could be a good vehicle for needed changes to Iowa’s property tax law.

“I will give credit where credit is due, and that is, this is a very bold change to our property tax code,” McBurney said. “I think that there are a lot of things in here that are workable. There are concerns that I have, speaking with my city leaders and speaking with my school districts that I would like to see addressed. ... (I’m) not ready to call it a property tax cut yet, because I don’t think we’ve seen a true cut since we started doing this in 2013, but I am hopeful.”

Kaufmann said he appreciated the feedback from local officials and advocate groups on the issue, pointing to multiple areas brought up by lobbyists that were areas “to work on” like TIF components and education funding consistency. He said these discussions were why he “committed to moving slowly on this.”

“That’s why there was two weeks in between subcommittee and the bill being released,” Kaufmann said. “There’ll be two more weeks in between subcommittee and committee, and then after that, I’m sure we’ll have a couple more weeks after that, where we will then continue to solicit feedback and hopefully put forth an amendment that most of us can agree on.”

House Speaker Pat Grassley said Republicans are “not trying to rush anything forward” and were still assessing the full impact of the proposed changes to Iowa’s property tax system.

“When you’re trying to tackle something of this magnitude, it isn’t something you should rush forward,” Grassley told reporters earlier in March. “But we’ve been having some good meetings with groups coming in ... and I think we need to be very deliberate, because this is a significant change to the current system.”

Though legislators said they plan to take their time with the measure, Dawson said he believed moving forward with the measure was necessary to lower costs for Iowa taxpayers.

“I’ve got to say that, either we do something in this (form) or we do nothing at all and stay in the current system, which isn’t fair to the taxpayers,” Dawson said. “And I’m not sure some other entities out there can survive underneath that.”

MEDICAID

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create more hardships for low-income people.

“Iowans are not lazy. They are not sitting at home on their little hammock and having a margarita,” Donahue said. “They’re doing what they can, which is why they have this program to help them, because they cannot afford private insurance.”

Under the bill, Iowa HHS would be required to seek a waiver from the federal government to implement these work requirements. If the federal government does not allow for work requirements to be implemented, the legislation directs the Iowa HHS to discontinue IHAWP with a provision to implement an alternative plan if ending the program is not allowed.

Sen. Janet Petersen, D-Des Moines, introduced an amendment that would remove this language. She called the legislation as a whole a “Medicaid repeal bill in sheep’s clothing” — a reference to comments made by Idaho Democratic state Rep. Ilana Rubel regarding a similar bill in Idaho that proposed repealing Medicaid expansion if the federal gov-

ernment did not approve work requirements.

Petersen said the IHAWP program was a “huge bipartisan effort signed by Governor (Terry) Branstad” that lowered Iowa’s uninsured population by 50%. The “trigger language” in the bill, cutting the program if work requirements do not receive federal approval, would strip health coverage from all 181,000 Iowans currently on IHAWP, she said, and would remove the state savings, support for Iowa health care providers and better health outcomes achieved through the program.

“This demands the department to get rid of Medicaid expansion,” Petersen said. “I’ve heard many of you talk about not having health care access in your hometowns — if you look at the fiscal report, it doesn’t even talk about the detrimental impacts if that goes into effect. Get rid of the trigger language in this bill.”

Sen. Mike Klimesh, R-Spillville, the bill’s floor manager, said this provision contained the language “subject to federal approval” for Iowa HHS to be allowed to discontinue the Medicaid expansion pro-

gram. In this situation, the bill states the state would instead pursue the implementation of an “alternative plan” as allowed for under federal Medicaid administration guidelines.

However, Klimesh said the conversation on the bill should be focused on the importance of work in an individual’s life.

“Work is more than just a paycheck,” Klimesh said. “It provides individuals with a sense of pride, accomplishment, and a deeper connection to society. This bill ensures that individuals receiving Medicaid expansion benefits are given the opportunity to experience this dignity. By requiring work, we are providing an important stepping stone to help Iowans develop the life skills, build responsibility and regain a sense of purpose.”

The measure also directs Iowa HHS to seek approval from the U.S. Department of Agriculture to implement work requirements for other public assistance programs like the Supplemental Nutrition Assistance Program (SNAP). There are already work requirements in place for SNAP recipients — able-bodied adults with no dependents are

required to work, participate in work programs or volunteer for at least 80 hours a month to receive benefits.

LSA estimated any additional SNAP work requirements under the legislation would have a “minimal fiscal impact” on the state because SNAP work requirements are already in place.

The House has its version of the Medicaid work requirements bill, House File 948, on the calendar for floor debate Wednesday.

As state lawmakers are advancing bills to set these work requirements, Gov. Kim Reynolds has also pledged to pursue work requirements through executive action. In her Condition of the State address in January, she said she plans to seek a waiver from the Trump administration for these requirements.

Mason Mauro, deputy communications director

for the governor’s office, said the governor has directed HHS to seek a waiver, but that the request has not yet been submitted.

“As she stated in her Condition of the State speech, Governor Reynolds has directed HHS to submit a Medicaid Work Requirements waiver which will be done soon,” Mauro said. “The waiver will match the current bill moving through legislation and will install new eligibility requirements for Iowans to be covered by Medicaid. It will include common sense exemptions such as, but not limited to, age, disability, caretaking of children under a certain age, and those on unemployment. Iowans who do not meet the new requirements will be given a time to come into compliance; those who choose not to will no longer be eligible for Medicaid coverage.”



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