

## Property-Tax Relief Tops Priorities for Business Groups

Written by Lynn Campbell  
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Iowa business groups, undeterred by the lack of success this year in getting state lawmakers to lower property taxes, will make the issue a top priority once again in the 2012 legislative session.

The Iowa Chamber Alliance, a nonpartisan coalition representing 16 chambers of commerce and economic-development groups statewide, on November 30 released its 2012 legislative priorities. Property-tax relief topped the list.

“The table is set for a substantive dialogue,” said John Stineman, executive director of the Iowa Chamber Alliance. “All the right people are talking, and they’re talking about the right things. We just have to make sure that at the end of the day, they can reach an agreement.”

In the nation, Iowa has the second-highest urban commercial property taxes and rural commercial property taxes, according to the National Taxpayers Conference. Its 50-state property-tax study is often cited by Governor Terry Branstad.

“In order to compete with other states, regions, and countries, Iowa must improve its business tax climate,” said Dennis Hinkle, CEO of the Greater Burlington Partnership, the umbrella economic-development organization in Burlington. “The number-one thing that can help achieve this is property-tax relief for commercial and industrial property taxpayers.”

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Branstad made commercial-property-tax relief a top priority in the 2011 legislative session. Lawmakers spent a great deal of time on the issue, but the Democrat-led Senate and the Republican-led House couldn't reach an agreement.

A plan offered by Iowa Senate Democrats would have given a property-tax credit to businesses. It would have cost the state \$50 million in Fiscal Year 2013 and would have grown to \$200 million over four years – but only if state revenue increased by at least 4 percent in each of those years.

Republicans wanted a bigger, bolder plan. Branstad's plan called for a 40-percent rollback on commercial property taxes over the next five years, which would have cost the state \$500 million. Meanwhile, a \$347-million plan by Iowa House Republicans would cut commercial and industrial property taxes by 25 percent and give all property taxpayers some relief by picking up more of the cost for schools.

A key hurdle to passage of property-tax reform in the 2011 session was the impact on local governments. Mayors, city managers, county supervisors, and school and community-college officials told lawmakers that a GOP plan to reduce property taxes would lead to service reductions, layoffs, and increased tax rates. They described the loss in revenue as "crippling" and predicted an increase in tax rates would fall on homeowners.

Some progress appears to have been made since the session ended June 30.

"We have continued to work throughout the summer and fall with the local officials and with business people, to look at what we can do to prevent a massive property-tax increase on all classes of property and to reduce the very high commercial-property-tax burden that we have in Iowa," Branstad told IowaPolitics.com at his weekly news conference. "We want to make sure that we're doing that in a way that protects the budgets of local governments."

Branstad declined to say whether his 2012 plan again will call for a 40-percent rollback on commercial property taxes. He said the state is considering opportunities to assist local governments, financially as well as freeing them from some state requirements and costs.

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“I think this is one of the most important things we can do to grow the state’s economy,” Branstad said. “This is important not just to the businesses, but to their tenants. The people that are renting apartments are paying that property tax.”

Hinkle agreed that the impact on local governments must be considered with any plan for property-tax relief.

He said the plan must be substantive, permanent, and targeted at commercial and industrial property. He said any move toward real reform must move the four locally assessed classes of property taxpayers – residential, agricultural, commercial, and industrial – closer to equitable treatment. And he said the plan must be simple, transparent, and predictable.

Under state law, businesses pay property tax on 100 percent of the value of their buildings, while homeowners pay 50 percent.

“Property taxes have been disproportionately carried by business for over three decades, and it has become a severe impediment to growth,” Hinkle said. “Substantial reform is in order, and Iowa’s businesses and communities simply cannot sit by and watch another session slip by without providing needed commercial/industrial property tax relief.”

Other 2012 legislative priorities for the Iowa Chamber Alliance include new or alternative sources of revenue to pay for Iowa’s roads. The group supports a gas-tax increase, but wants to change the Road Use Tax Fund formula so more money is given to Iowa’s most traveled roads.

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