

## Key Differences Remain on Property-Tax Reform

Written by Lynn Campbell

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As a businessman, David Greenspon owns four buildings in the Des Moines metro area and says he pays more than \$387,000 a year in property taxes.

“They’re expensive,” said Greenspon, president of Competitive Edge Inc. in Urbandale, which manufactures promotional products. “When you pay a lot of tax, somebody else is paying it. It’s going to cost my customers; it’s going to cost me profits that I could put into hiring people.”

Greenspon said he loves Iowa and has been in business here for 29 years. But he said the high taxes discourage businesses from locating in Iowa when they can find lower taxes elsewhere.

Employees are also affected. Greenspon said he’s had a “relatively tight control on wages” for the past three years and hasn’t been able to give the kind of pay raises, profit-sharing, and 401(k) contributions that he would have liked.

“I’ve got 150-plus employees,” he said. “If you take a quarter-million dollars and give it back to me, I would distribute a big chunk of that in bonus checks. They’d have more money to spend, and their lives would be better.”

Governor Terry Branstad and the Iowa legislature on January 9 renewed efforts to overhaul the

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state's property-tax system. If they can do it, it will be the first time in more than 30 years that property taxes have been reformed in the Hawkeye State.

The problem: Iowa businesses pay taxes on 100 percent of the assessed valuation of their commercial and industrial properties, while homeowners and farmers pay taxes on about 50 percent of the assessed valuation. Iowa is second-highest in the nation for urban and rural commercial-property taxes, according to a 50-state property-tax study by the National Taxpayers Conference, a not-for-profit that analyzes state and local taxes and spending.

Reforming the property-tax system is a top priority this year for both Iowa Republicans and Democrats. However, there is some evidence already of the same kind of disagreements that prevented reform from happening last year.

Iowa Senate Majority Leader Mike Gronstal (D-Council Bluffs) and Iowa Senate President Jack Kibbie (D-Emmetsburg) made clear on the opening day of 2012 legislative session that they still favor a more modest plan proposed last year by Senate Democrats – which would create a \$600 property-tax credit for businesses at an initial cost to the state of \$50 million, and would grow incrementally to \$200 million if state revenue increased by at least 4 percent – rather than a more sweeping Republican plan that could cost as much as \$1 billion.

“It is the only proposal that does not simply shift more of the cost of local schools and local services onto the backs of homeowners and farmers,” Gronstal said of the Senate plan. “That’s because the Senate’s property tax is paid for. Most importantly, the Senate’s property-tax cut focuses the help on the people who need it, Iowa’s small and Main Street businesses.”

Iowa House Speaker Kraig Paulsen (R-Hiawatha) also called for property-tax reform on the opening day of the legislature. [House Study Bill 500](#) was introduced Monday in the House chamber. Paulsen said the amount of property taxes paid by Iowans has increased by \$1.75 billion over the past 10 years.

But Paulsen told IowaPolitics.com that the property-tax plan advocated by Senate Democrats doesn't cut it.

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“One of the things with their plan is it completely leaves the residential property-taxpayer out of the equation, and they deserve tax relief just as much as everybody else,” Paulsen said. “The other thing is their plan does not remove any taxing authority. It’s built upon tax credits, which then the state has to go back through and fund. And we don’t have a great history of funding those things.”

Branstad, a Republican, on January 10 released details of his [2012 property-tax-reform plan](#). He again called for a rollback on commercial and industrial property taxes from 100 percent to 60 percent of valuation. But this year, he’s calling for it to happen over eight years rather than five. Branstad’s plan also would limit residential and agricultural property-tax increases to 2 percent, rather than the current 4 percent. And it would limit city and county property-tax increases to the rate of inflation.

The governor has said that Iowans would see their property taxes increase by \$1.3 billion during the next five years if lawmakers don’t approve property-tax reform. The estimate was based on the assumption that local governments would increase their tax levies each year by the 4-percent maximum permitted by state law.

Local government leaders last year decried the Republican plan to reduce property taxes, saying it would be “crippling” and would lead to service reductions, layoffs, and increased tax rates.

Linda Hinton, government-relations manager for the Iowa State Association of Counties, said January 9 that county officials once again are wary of property-tax reform, and are especially concerned about the proposal to cap residential and agricultural property-tax increases at 2 percent.

“We certainly are in the same position we were in last year, which is very concerned about what the overall picture is going to be, and the overall impact, and whether local governments ... have the resources to make sure services are provided,” Hinton told IowaPolitics.com.

Branstad said he has worked with local governments to alleviate their concerns. Under his plan, the state would reimburse a portion of the tax revenue lost by local governments – \$50 million the first year, then eventually growing to \$240 million. “We foresee that we’re going to be able to

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protect local governments,” Branstad said.

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