



IOWANS FOR TAX RELIEF

VOICE OF THE TAXPAYER



LEGISLATIVE PROJECT FOR

★ ★ ★ **2025** ★ ★ ★



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2025 LEGISLATIVE ISSUE GUIDE

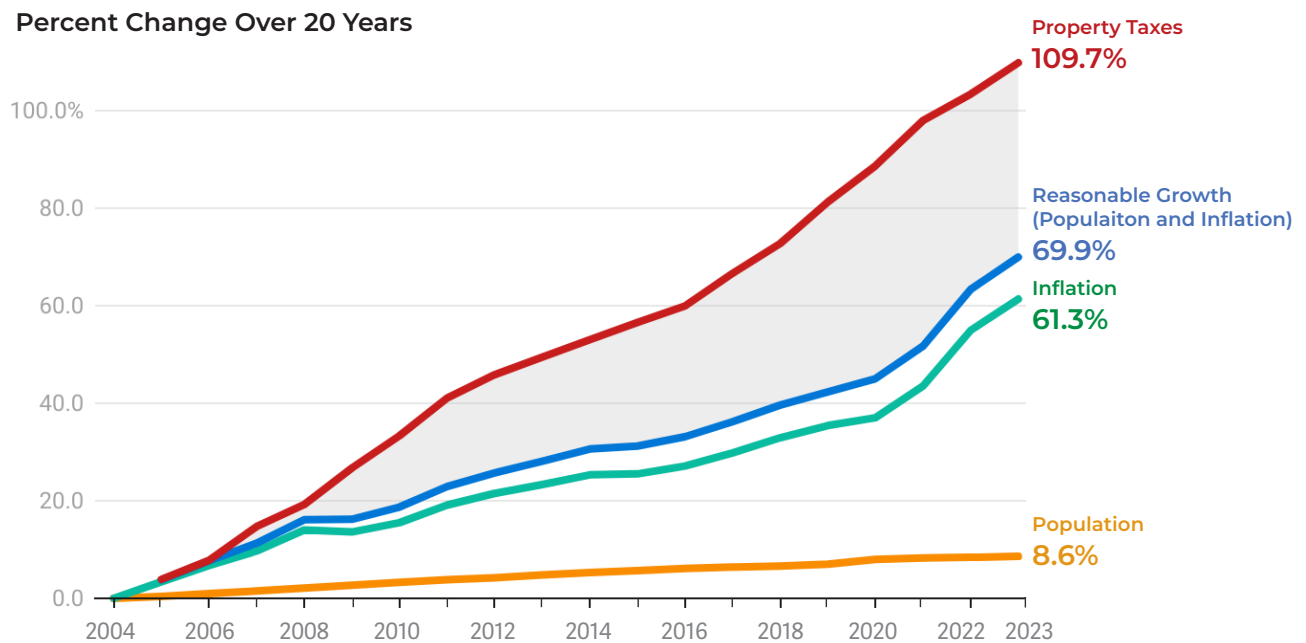
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THE PROPERTY TAX PROBLEM

Legislators, your constituents are crying out for real relief.

City, county, and school budgets are growing beyond the taxpayers' ability to pay their property tax bill. In fact, they have grown much faster than the state's population and inflation.

Over the past 20 years, property taxes in Iowa have grown almost 110 percent, which is more than the combined growth of inflation and population. This is why Iowans, regardless of political party or rural or urban, are upset about high property taxes.



Family budgets can't keep up with local government budgets.

Local elected officials are so wrapped up in their next building project, soccer stadium, glass cathedral, or business incentive they won't stop.

The only way to deliver the results Iowans expect is to stand firm and tell local governments to limit their spending. Lawmakers have a responsibility to keep local governments in check and protect taxpayers. There is no other solution.

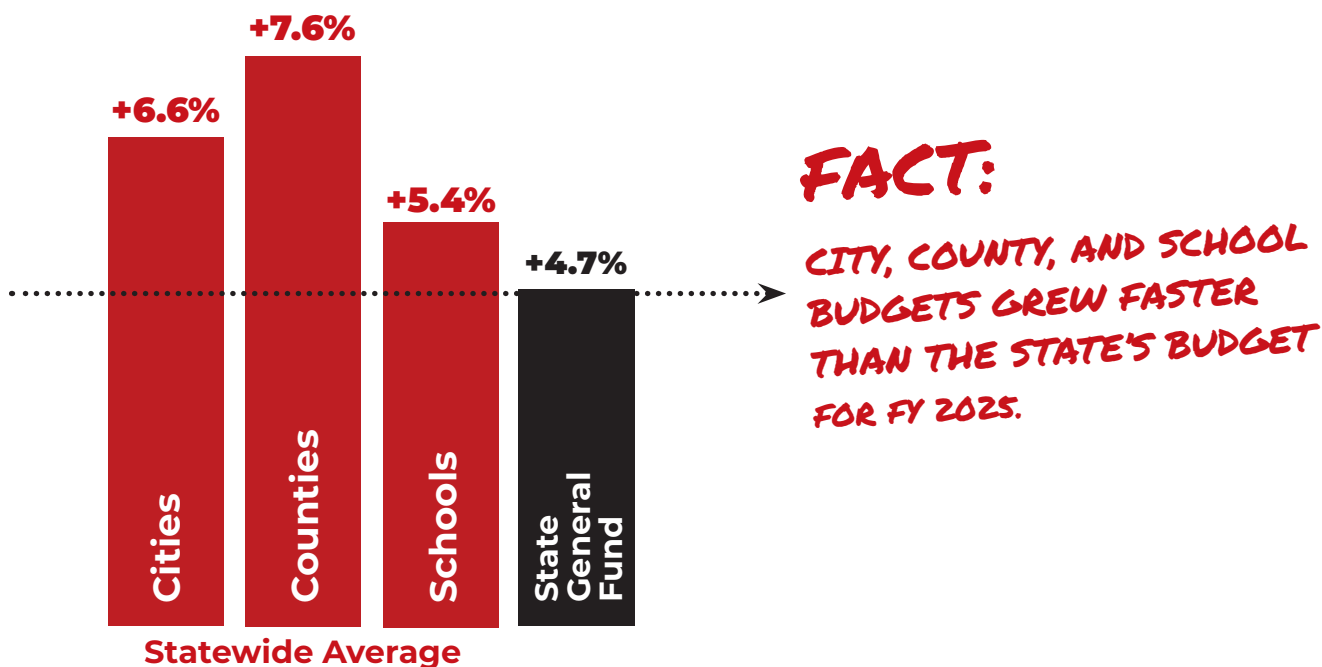


Don't just rearrange the deck chairs.

There is no magical formula where if we move this pot of money over here, change that formula, and adjust these assessments, that will fix the problem.

That won't work.

Recent property tax reform legislation hasn't restrained local government spending. The 2023 law made some positive reforms, but it failed to address the direct cause of high property taxes: local government spending.



How much did local governments increase taxes and spending AFTER the 2023 property tax reform? Here are some of the highest increases:

Select Cities		Select Counties		Select Schools	
Wilton	+47.5%	Dallas	+27.0%	Rock Valley	+44.6%
Huxley	+23.7%	Shelby	+16.9%	Fairfield	+24.7%
Clear Lake	+16.4%	Jefferson	+16.2%	Okoboji	+22.2%
Ankeny	+15.1%	Wapello	+15.6%	Midland	+20.1%
Pella	+12.4%	Warren	+13.3%	Allamakee	+17.6%
Eldridge	+12.1%	Polk	+10.7%	West Delaware	+17.5%
Council Bluffs	+8.9%	Jackson	+10.4%	Storm Lake	+12.0%

Individual increases for every city, county, and school can be found at:



THE PROPERTY TAX SOLUTION

1. A Two Percent Spending Cap

Legislators have no other choice than to enact local government spending restraints.

Iowa has the opportunity to be a national leader in addressing high property taxes by focusing on the root of the problem: local government spending.

Saying “no” is hard. Every community has special interests pushing for more money, and local leaders want to stay popular.

Learn from state government.

Iowa’s local governments can learn from how the state manages its budget. Under Governor Reynolds and the legislature, Iowa has lowered income tax rates by controlling spending. The

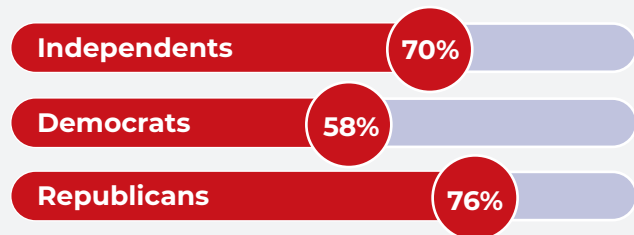
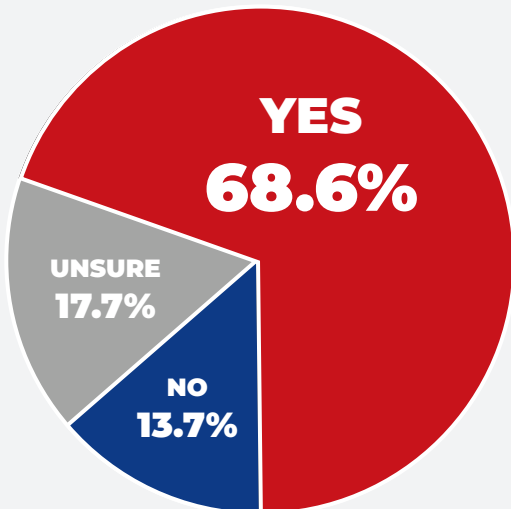
same idea can help with property taxes. Local governments need to limit their spending and focus on providing essential services instead of spending money on things that aren’t necessary.

A two percent cap would allow cities and counties reasonable property tax revenue growth—while forcing them to control their spending. If a cap had been in place for FY 2025, taxpayers would have saved \$250 million.

Local governments haven’t followed the state’s example. Why should the state bail them out?

A two percent spending cap is popular idea and the people of Iowa want and support this solution!

“Do you believe the state of Iowa should pass legislation limiting the amount by which local governments can increase property taxes each year to two percent?”



September 2024 ITR Foundation Poll



2. Fix the Property Tax Notifications

School, County and City Budget Year Statement to Owners and Taxpayers - As Required by Iowa Code 24.2A

Taxing District: _____

This statement informs you of the upcoming School, County and City public hearings where proposed property taxation for next fiscal year will be presented. Oral or written testimony from any resident or taxpayer will be received by each respective governing body. The referenced "Effective Tax Rate" would be a rate produced by holding current taxation constant while using next fiscal year's taxable values. See reverse side for distribution examples and notes.

School Public Hearing on Proposed Property Taxation for Fiscal Year July 1, 2024 - June 30, 2025

Date: _____ Time: _____ Location: _____

Telephone: 5159875161 Website: _____

	Current Property Tax	Current Tax Rate	Effective Tax Rate	Proposed Prop Tax	Proposed Tax Rate
All School Funds	112,853,597	16.6890%	16.6890%	120,424,395	17.8041%

Reasons Proposed Property Tax exceeds the Current Property Tax: _____

County Public Hearing on Proposed Property Taxation for Fiscal Year July 1, 2024 - June 30, 2025

Date: _____ Time: _____ Location: _____

Telephone: 515993584 Website: _____

	Current Property Tax	Current Tax Rate	Effective Tax Rate	Proposed Prop Tax	Proposed Tax Rate
Countywide	2,205,440	2.9594%	2.8460%	31,395,543	3.5865%
Rural Additional	2,863,240	1.9179%	1.8992%	3,274,318	1.9179%

Reasons Proposed Property Tax exceeds the Current Property Tax: _____

Telephone: _____ Website: _____

	Current Property Tax	Current Tax Rate	Effective Tax Rate	Proposed Prop Tax	Proposed Tax Rate
General Non-Ag	17,970,807	10.1400%	9.4807%	18,789,238	9.9107%
Ag Only	920	3.0037%	3.3262%	830	3.0037%

Reasons Proposed Property Tax exceeds the Current Property Tax: _____

The 2024 property tax notifications were confusing.

It is essential to redesign the notices to be more taxpayer-friendly, clearly displaying the:

- Proposed tax bill for each property
- Change from the prior year
- Public hearing dates, times, and locations

Although local governments often complain about the cost of sending these notices, they remain silent about the cost of mailing tax bills to the same addresses.

Iowans want to know: How much is my tax bill?

Iowa taxpayers deserve to know what cities, counties, and school districts want to take from them before it is too late to speak up.

A link to a webpage with a tax calculator is not enough. Statements must include the amount an individual's tax bill will change if the proposed budget is approved.

The image to the right shows Minnesota's simple, easy-to-read statement as an example. Yes, tax-and-spend Minnesota lets taxpayers clearly see how much tax pain they will have.

Increasing transparency and public involvement in the budgeting process will create more accountability for local government.

Minnesota's notification of proposed property taxes.

Spruce County
Jane Smith, Auditor-Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-6789
www.co.spruce.mn.us

TAXPAYER(S):

Property Information

PIN Number: _____ Property Address: _____

Property Description: _____

PROPOSED TAXES 2024

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2023	2024
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
PROPOSED TAX			
2	Property Taxes before credits	\$1,562.46	
	School building bond credit	\$	\$ 12.00
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,550.46	
PROPERTY TAX STATEMENT			
3	Coming in 2024		
The time to provide feedback on PROPOSED LEVIES is NOW			
It is too late to appeal your value without going to Tax Court.			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2023	Proposed 2024
State General Property Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 6, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 2, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 9, 7:00 PM Spruceville High School		
Your school district was scheduled to hold a referendum at the November district's voter approved property tax for 2024 may be higher than the			
Metro Special Taxing Districts			
Spruceville Metropolitan Council www.spruceville.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December Spruce P 500 Pine		
Other Special Taxing Districts Tax Increment Tax	No public No public		
Total excluding any special assessments			

Actual 2023 **Proposed 2024**

\$1,442.02 **\$1,550.46** **9.0%**

PROTECT IOWA TAXPAYERS

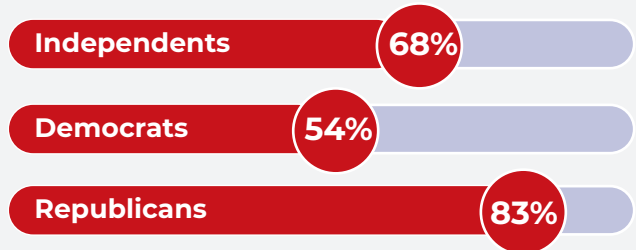
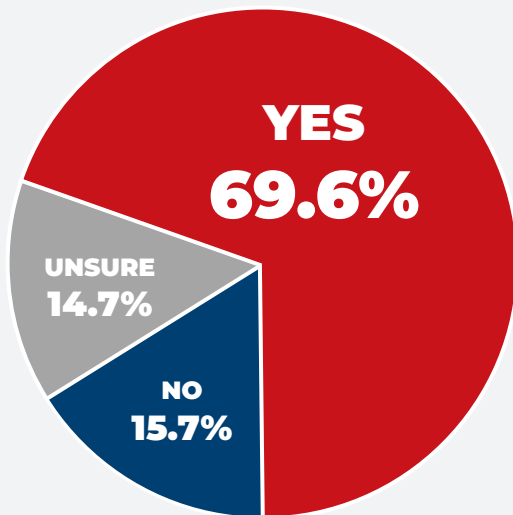
Iowans across the spectrum agree these constitutional amendments are practical, common-sense protections.

1. Two-Thirds Legislative Majority to Increase Taxes

A two-thirds majority requirement would force legislators to justify why they want to raise taxes and make it more difficult to implement new taxes, such as a wealth tax. Currently, 16 states have some form of supermajority requirement for tax increases. Seven states have enshrined it in their constitutions.

A whopping 69.6% of Iowans support the supermajority amendment. This is consistent across party lines and demonstrates strong bipartisan support for fiscal restraint.

Would you vote “yes” or “no” on an amendment to the Iowa state constitution that would require two-thirds of the state legislature to vote “yes” on any tax increase, effectively making it more difficult for the legislature to raise taxes?



September 2024 ITR Foundation Poll



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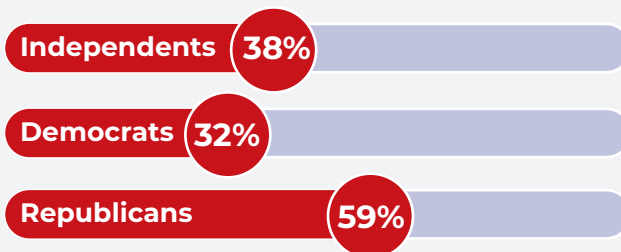
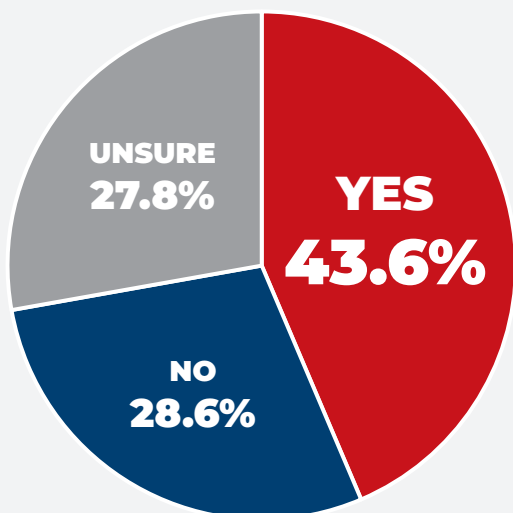
These two common-sense taxpayer protections would safeguard Iowa’s pro-taxpayer policies and make it more challenging to increase taxes or revert to a progressive tax system.

2. Flat Tax Amendment

Starting in 2025, Iowa will have a 3.8% flat tax. If this amendment passes, it would prevent any future legislature from reinstating a progressive, multi-rate income tax system, or even introducing a wealth tax. A flat tax is more equitable and beneficial for all taxpayers.

While 44% of voters currently support a constitutional amendment to “implement a single, uniform income tax rate for individuals, commonly referred to as a ‘flat tax,’ ” many remain undecided.

Would you vote “yes” or “no” on an amendment to the Iowa state constitution that would guarantee a single, uniform income tax rate for individuals, commonly referred to as a flat tax?



September 2024 ITR Foundation Poll



Voter uncertainty could stem from unfamiliarity with the potential impacts of the policy, as Iowa’s flat tax is still relatively new and not yet fully in effect.

PROTECT IOWA TAXPAYERS

Income Tax Reform

Since 2018, the state has steadily lowered its income tax rates, moving away from what were once some of the highest in the country. In 2025, Iowa will have a 3.8 percent flat tax — the sixth-lowest rate in the nation.

Iowa's budget is in a strong position:

- Fiscal year 2024 projects a surplus of \$1.9 billion.
- Fiscal year 2025 projects a surplus of \$2.4 billion.
- Reserve accounts are fully funded at their legal limits.
- The Taxpayer Relief Fund holds a balance of \$3.7 billion.

Looking ahead, the legislature should consider further opportunities to reduce this flat tax rate, as Iowa's fiscal position remains strong, with consistent budget surpluses over recent years.

The long-term goal is to ultimately eliminate the income tax, and legislators should look for ways to responsibly lower the flat tax rate.



“Tax cuts aren’t just about policy — they’re about returning what belongs to the taxpayers. It’s your money, not the government’s.” — Chris Hagenow

Despite claims from some critics, this revenue drop is not a cause for concern. It is proof the tax cuts are achieving their intended goal: returning money to taxpayers.



Protect the Taxpayer Relief Fund

The Taxpayer Relief Fund was originally created to provide income tax relief for Iowans. The fund currently holds a balance of \$3.7 billion, representing an over-collection of income and sales taxes paid by taxpayers.

During the last legislative session, the legislature approved a tax reform plan that accelerates the implementation of a lower flat tax rate of 3.8 percent. Along with this acceleration, the legislature also approved the use of funds from the Taxpayer Relief Fund to support the General Fund budget if needed. This is an appropriate use of the Taxpayer Relief Fund.

Legislators need to safeguard the Taxpayer Relief Fund from attempts to divert the money for purposes other than income tax cuts, including buying down property taxes.

It is crucial for the legislature to honor the original intent of the Taxpayer Relief Fund and ensure these funds are used for income tax relief and returned to taxpayers. If the Taxpayer Relief Fund is to continue, it would be essential for the legislature to constitutionally protect its balance from being used for additional government spending or temporary tax “relief.”

PROTECT IOWA TAXPAYERS

Strengthen the 99 Percent Spending Limitation

Iowa's budget should reflect the taxpayers' ability to pay.

Fiscal conservatism has been a priority for both Governor Kim Reynolds and the legislature. Iowa's historic income tax reforms were a direct result of conservative budgeting and restrained spending. Governor Reynolds and the legislature have demonstrated that the priorities of the government can be funded while allowing taxpayers to keep more of their income.

That said, under current law, Iowa has a weak spending limitation in code. The legislature can spend up to 99 percent of estimated revenue. The fiscal year 2025 budget spends 95 percent of estimated revenue, which has been the highest spending in a few years. A future legislature could go further and spend 99 percent of revenue or even create a deficit situation.

Creating a stronger spending limitation would encourage fiscal conservatism. A future spending limit should be placed within Iowa's constitution to make it more difficult for the legislature to undermine.

The best approach is the example of Texas. The Texas legislature recently codified its spending limit, which holds state spending to the growth of population plus inflation. This metric is the most effective. Texas's spending limit caps all general revenue spending and requires a three-fifths vote threshold in each chamber to exceed the cap. Colorado's TABOR, or Taxpayer's Bill of Rights, is another example of a state spending limitation.

Other key principles to include in a strong spending limit include:

- Based on the sum of inflation plus population growth
- Constrains spending rather than revenue
- Requires a supermajority, rather than a majority, of lawmakers to be overridden
- Immediately refunds revenue collected in excess of the limit
- Written in the state constitution, rather than in statute

ITR Foundation research found that limiting spending to the growth of population plus inflation from 2013 to 2024 would have saved taxpayers an estimated \$3,500 for a family of four. It would also have returned \$2.8 billion back to the economy.



Conservative Budgeting and Government Reform

Conservative budgeting is central to public policy in Iowa, helping create a strong fiscal foundation. Fiscal conservatism has allowed Iowa to make historic income tax cuts and improve government efficiency. However, controlling spending is challenging, as many voices demand additional or new funding. Special interests often overshadow the taxpayers, who are rarely asked if they can afford higher taxes and frequently criticized for wanting to keep more of their income.

It's essential to remember taxpayer dollars fund the budget. Governor Reynolds and the legislature have shown spending can be kept low while responsibly cutting taxes and prioritizing key government functions. Part of this conservative approach includes Governor Reynolds's commitment to reforming state government.

In recent years, the legislature has passed two major reform measures consolidating executive cabinet agencies, reducing and merging state boards and commissions, and implementing additional efficiencies. These reforms represent the first significant restructuring of state government in nearly 40 years, reducing government's size, increasing accountability, and making it more responsive to taxpayers.

Future reform opportunities include:

- Enhancing legislative oversight
- Increasing accountability in public assistance programs
- Considering larger reforms to the state's primary budget areas: education and Medicaid.

Critics may argue Governor Reynolds and the legislature are cutting vital services, but government spending continues to rise. Only in government is slowing the growth of spending seen by some as a "cut."

Only in government is slowing the growth of spending seen by some as a "cut."

Examples from states like Minnesota, Illinois, and California show a "tax and spend" approach doesn't lead to prosperity. Many residents are leaving these states as a result, with Iowa among those welcoming people moving away from high-tax environments.

This is why prioritizing fiscal conservatism, conservative budgeting, and government reform is essential for Iowa's continued growth and financial health.

While ITR takes no position on Supplemental State Aid (SSA), we remind lawmakers that SSA impacts not only the state General Fund, but also property taxes.

PROTECT IOWA TAXPAYERS

Regulatory Reform

Creating opportunities and making Iowa's economy more competitive are key priorities for Governor Kim Reynolds and the legislature and requires reducing Iowa's regulatory burden. Regulations can act as hidden taxes: often costly and growth-limiting, they can hinder individuals' right to work or start businesses and raise costs for both small and large businesses, affecting their ability to hire.

Governor Reynolds and the legislature have made significant progress in regulatory reform.

From occupational licensing changes to the Governor's executive order mandating a review of state regulations, these efforts are reducing Iowa's regulatory burden. This past session, the legislature passed a new reform requiring oversight and a cost-benefit analysis of new regulations, another positive step toward reducing unnecessary red tape.

End wrongful judicial bias favoring government agencies.

For decades, Iowa's judicial system has fallen short of the promise of impartial justice, particularly in cases involving state regulatory agencies. Judges in Iowa have adopted a practice of deferring to agencies' interpretations of statutes, regulations, and factual determinations. This deference undermines the foundational principle of an unbiased judiciary and tilts the scales in favor of the government, often at the expense of Iowa's citizens and businesses. Instead of independently

interpreting laws, Iowa courts have allowed agencies to act as both the rule-makers and the interpreters, eroding public trust in checks and balances and the judiciary's role as an impartial arbiter.

The legislature should require Iowa courts to interpret statutes and regulations de novo — without deference to agency interpretations — and restore judicial independence.

Repeal certificate of need laws to improve healthcare access.

Outdated certificate of need (CON) laws limit healthcare competition and accessibility. In 2023, states like West Virginia and South Carolina repealed their CON laws. These laws give established healthcare providers monopoly power by requiring new providers

to get approval from existing ones, restricting healthcare options and driving up costs. Repealing Iowa's CON laws would improve access to healthcare, especially in rural areas, reduce costs, and promote fair competition.



Encourage innovation through regulatory sandboxes.

Reducing regulatory burdens can foster a more-competitive economy and encourage innovation. A promising idea is the introduction of a “regulatory sandbox” — a controlled environment in which businesses can innovate free from certain regulations. Sandboxes allow businesses to work with regulators to find the balance between fostering innovation and managing potential risks. This concept could help Iowa determine which regulations are necessary and which may be overly restrictive or redundant.

Many Iowa industries stand to benefit from regulatory sandboxes. Iowa is a national leader in finance and insurance, with 7,000 companies

employing 95,000 people. Since 2015, the state has supported the Global Insurance Accelerator, promoting innovation in insurance technology. Iowa is also a leader in agriculture, biosciences, and manufacturing, which contributes 18.2% of the state’s GDP. A regulatory sandbox could enable these industries to innovate, spurring economic growth and creating jobs.



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