



# ASSESSMENT AND TAXATION

## ABSTRACT

A brief synopsis of the assessment, appeal and taxation process as implemented by the Code of Iowa and Administrative Rules.

[Iowa State Association of Assessors](#)

General Information

Establishing Value

Protest

Equalization

Taxation

Value & Rates



## Assessor - General Information

The assessor is charged with several administrative and statutory duties. The primary duty and responsibility is to make certain all real property within the jurisdiction is assessed at market value except where the law provides otherwise. This includes residential, multi-residential, commercial, industrial and agricultural classes of property.

Real property is revalued in odd numbered years per the Code of Iowa and is subject to an equalization order issued by the Department of Revenue if the assessments are not in compliance with established guidelines. The effective date of the assessment is January 1st of the current year. The assessor determines either a full or partial value for new construction and improvements depending upon their state of completion on January 1st.

County assessors in Iowa are appointed to their position by a Conference Board consisting of the members of the Board of Supervisors, the Mayors of all incorporated cities, and a member from each school district within the jurisdiction. A city with a population of ten thousand or more may elect to have their own assessor and Conference Board.

Assessors are required by statute to pass a state examination and complete a Continuing Education Program consisting of 150 hours of formal classroom instruction with 90 hours tested and a passing grade of 70% attained. The latter requirement must be met in order for the assessor to be re-appointed to the position every six years.

The Deputy Assessor also must pass a state examination as well as successfully complete 90 hours of classroom instruction of which at least 60 hours are tested.

The Conference Board approves the assessor's budget and after a public hearing acts on adoption of same. The assessor is constrained by statute to a levy limitation of \$0.675 per \$1,000 for the Assessor Operating, Board of Review and Examining Board budgets.

Appeals of assessment and classification are heard by the local Board of Review which consists of three to five members appointed by the Conference Board. The board is independent from the Assessor's Office and establishes rules of procedure for hearing the protests filed. The Board of Review has the power to deny an appeal or cause the value to increase or decrease. The decision of the Board of Review may be appealed to either the Property Assessment Appeal Board or to District Court.

### **Misconceptions regarding the Assessor's Office**

The assessor does not:

Determine tax rate

Calculate taxes

Collect taxes

Set policy for the Board of Review

The assessor is concerned with value and equity, not taxes.

Taxing jurisdictions such as schools, cities and townships, adopt budgets after public hearings indicating the planned expenditures and anticipated non-tax revenue. The amount of revenue to be raised from property taxes is then calculated.

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## Assessor - General Information

The tax rate to be applied to the taxable value of the individual properties is determined by totaling the expenditures for all taxing entities, subtracting all non-tax revenue and dividing by the total taxable value of each taxing district. **(Expenditures - Non-tax revenue)/Taxable Value = Tax Rate**

The taxes you pay are proportional to the value of your property compared to the total value of property in your taxing district.

## Basis for Establishing Value

Most residential, commercial, multiresidential and industrial real estate is assessed at 100% of market value. The assessor must determine the fair market value of the property. To do this, the assessor generally uses three approaches to value as indicated below.

**Iowa Code Chapter 441.21 b.(1)** The actual value of all property subject to assessment and taxation shall be the fair and reasonable market value of such property except as otherwise provided in this section. "Market value" is defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property.

**Iowa Code Chapter 441.21 (2)** In the event market value of the property being assessed cannot be readily established in the foregoing manner, then the assessor may determine the value of the property using the other uniform and recognized appraisal methods including its productive and earning capacity, if any, industrial conditions, its cost, physical and functional depreciation and obsolescence and replacement cost, and all other factors which would assist in determining the fair and reasonable market value of the property but the actual value shall not be determined by use of only one such factor

### **Market Approach:**

The first approach is to find properties that are comparable to the subject property and that have recently sold. Local conditions peculiar to the subject property are then considered in the determination of the property value. In order to adjust for local conditions, the assessor utilizes sales ratio studies to determine the general level of assessment in a community. This method is generally referred to as the MARKET APPROACH and is usually considered the most important in determining the value of residential property.

### **Cost Approach:**

The second approach to value is the COST APPROACH, which is an estimate of how many dollars at current labor and material prices it would take to replace a property with one similar to it. In the event the improvement is not new, appropriate amounts of depreciation and obsolescence are deducted from replacement value. The market value of the land is added to arrive at an estimate of total property value.

### **Income Approach:**

The INCOME APPROACH is the third method used if the property produces income. If the property is an income producing property, it could be valued according to its ability to produce income under prudent management; in other words, what another investor would give for a property in order to gain its income. The income approach is the most complex of the three approaches because of the research, information and analysis necessary for an accurate estimate of value. This method requires thorough knowledge of local and national financial conditions, as well as any developmental trends in the area of the subject property being appraised since errors or inaccurate information can seriously affect the final estimate of value.

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## Basis for Establishing Value

### Non-Market Value Properties

#### **Agricultural:**

The basis for the assessment of agricultural real estate is a five year average of productivity and net earning capacity capitalized at 7%. The assessor considers the productivity and net earning capacity of the property. Agricultural income as reflected by production, prices, expenses, and various local conditions is taken into account. The Department of Revenue has developed a formula in addition to the valuation formula to adjust non-crop land that has a CSR rating above 50% of the county average CSR of crop land.

#### **Section 42 Properties:**

However, in assessing property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, as amended, and which section limits the amount that the individual or family pays for the rental or lease of units in the property, the assessor shall, unless the owner elects to withdraw the property from the assessment procedures for section 42 property, use the productive and earning capacity from the actual rents received as a method of appraisal and shall take into account the extent to which that use and limitation reduces the market value of the property.

## Protest Process

If you believe the assessed value of your property exceeds the anticipated market value, depending on the date, you have three local options to address the issue of the valuation of the property in question. Two additional options are available to the property owner if they have filed an appeal with the local Board of Review. An appeal of the Board of Review decision may be filed with the Property Assessment Appeal Board or District Court.

Prior to April 1, the property owner/agent may contact the Assessors Office to discuss the assessment. The assessor is able to make changes to the assessment up to the April 1 of the current assessment year.

Any property owner or aggrieved taxpayer who is dissatisfied with the owner's or taxpayer's assessment may contact the assessor by telephone or in writing by paper or electronic medium on or after April 2, to and including April 25, of the year of the assessment to inquire about the specifics and accuracy of the assessment. Such an inquiry may also include a request for an **informal review** of the assessment by the assessor under one or more of the grounds for protest authorized under section 441.37 for the same assessment year.

Any property owner or aggrieved taxpayer who is dissatisfied with the owner's or taxpayer's assessment may file an **appeal** to the local Board of Review on or after April 2, to and including April 30, under one or more of the grounds for protest authorized under section 441.37 for the same assessment year.

Protest Grounds - <https://www.legis.iowa.gov/docs/ico/code/441.37.pdf>

Administrative Rules - <https://www.legis.iowa.gov/docs/aco/rule/701.71.20.pdf>

### **Appeal of Board of Review Decision**

#### **Property Assessment Appeal Board**

<http://paab.iowa.gov/>

Written notice must be filed with the secretary of the Property Assessment Appeal Board within 20 days after the date of adjournment of the local board of review or May 31, whichever is later. The Code of Iowa and the Administrative Rules pertaining to the appeal process are available at the sites referenced.

Appeal to Property Assessment Appeal Board <https://www.legis.iowa.gov/docs/ico/code/441.37A.pdf>

Property Assessment Appeal Board - Admin Rules <https://www.legis.iowa.gov/docs/aco/rule/701.71.21.pdf>

Notice of Appeal & Petition <http://paab.iowa.gov/images/NoticeAppealPetitionf.pdf>

#### **District Court**

Appeals may be taken from the action of the local board of review with reference to protests of assessment, to the district court of the county in which the board holds its sessions within twenty days after its adjournment or May 31, whichever date is later. The Code of Iowa and the Administrative Rules pertaining to the appeal process are available at the sites referenced.

<https://www.legis.iowa.gov/docs/ico/code/441.38.pdf>

## Equalization Process

Section 441.47 of the Code of Iowa details the adjustment of valuation or equalization process.

**The Iowa Department of Revenue is responsible for "equalizing" assessments every two years. A general explanation of the process and purpose of equalization follows:**

The Department of Revenue compares the assessors' abstract of values, which indicates the change in value due to new construction and revaluation of existing properties, to a "sales assessment ratio study" completed independently of the assessors by Department of Revenue staff. After taking into consideration the revaluation implemented by the assessor for the current assessment year the Department of Revenue determines whether the assessment level (by property class) is 5% or more **above or below** the median ratio indicated by the sales ratio study.

If the assessment level of an individual class of property is not within the allowable range, the Department of Revenue will issue an order to the Auditor to increase or decrease the aggregate assessment of the class of property to arrive at the required 100% of actual value. The assessor will then apply the equalization order to the current assessments of the individual properties to arrive at the equalized valuation.

Due to the assessment process for agricultural properties and the lack of industrial sales, a sales ratio study is not completed for agricultural and industrial property.

Equalization occurs on an entire class of property within an assessment jurisdiction and is achieved by one of two methods.

The first method involves the application of a flat percentage increase or decrease to the value of all parcels within the classification to comply with the order from the Department of Revenue. In this case the percentage change ordered by the Department of Revenue would be applied to the value of the individual parcels consistently throughout the jurisdiction.

The second method requires the assessor to apply to the Department of Revenue for permission to apply the equalization order utilizing an alternative method. In the application the assessor must explain the procedure utilized to arrive at the valuation required to bring the valuation of the class of property into compliance with the order issued by the Department of Revenue. An example would be where the assessor applies a larger percentage increase or decrease to the individual cities in the jurisdiction based on the local real estate market for those cities.

The purpose of the equalization process is to maintain equitable assessments among classes of property and among assessing jurisdictions. This contributes to more equitable distribution of state aid, including aid to schools. It also helps to equally distribute the total tax burden within the jurisdiction.

The application of the equalization order increasing the valuation may cause some individual properties value to exceed the market value of the property. For this reason there is an appeal process available to the property owner to appeal the change in value resulting from the equalization order.

## Property Taxation

**Assessed/Appraised Value** - Value determined by the assessor based upon the requirements of the Code of Iowa. Generally fair market value.

**Market Value** - Iowa Code Chapter 441.21 b.(1) The actual value of all property subject to assessment and taxation shall be the fair and reasonable market value of such property except as otherwise provided in this section. "Market value" is defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts

**Taxable Value** - value after exemptions, credits and rollback is applied to the assessed/appraised value.

**Roll Back Factor** - the percentage of actual value to be used to calculate property taxes as determined by the Director of Revenue and Finance where the total value increase **STATEWIDE** exceeds the percentage specified in the Code of Iowa for each class of property. The percentage determined by the Director of Revenue and Finance is certified to and applied by the local county auditor to all parcels in each class of property affected. Percentages determined by the Director of Revenue and Finance are the same for all the assessing jurisdictions

**Assessment Date** - Date the assessor determines the valuation of the individual properties. The assessment date is specified in the Code of Iowa as January 1 of the assessment year.

**Levy Rate** - rate calculated by the Auditor based upon the budgetary requirements of the taxing jurisdictions within \_\_\_\_\_ County. The rate is expressed as dollars per thousand in Iowa.

Increases in assessed value of individual parcels of property, as determined by the Assessor, may exceed the statewide limitation of three percent utilized to calculate the roll back factor as specified in the Code of Iowa.

The date of assessment is January 1 of each year. The property taxes for the assessment year become due and payable in September and March of the following year, (18 months after the assessment date).

Questions concerning **PROPERTY VALUES** or other information relating to the functions of the Assessor's Office should be addressed to the \_\_\_\_\_ **County Assessor** and **not** the Board of Supervisors or Treasurer.

Questions relating to **TAXES** should be addressed to the \_\_\_\_\_ **County Treasurer**

See Tax Calculation on back

## Property Taxation

Property Tax Calculation Example FY 2015-2016	
Assessed Valuation (Residential)	\$250,000.00
X Rollback Factor	0.555259
= Taxable value after rollback	\$138,814.75
- Military Exemption	\$1,852.00
= Net taxable value	\$136,962.75
X Levy Rate (\$40.84594/1000)	\$0.04084594
= Gross Property Taxes	\$5,594.37
- Homestead Credit (\$4,850 x Levy Rate)	\$198.10
Net Property Tax (rounded)	\$5,396

Property Tax Calculation Example FY 2016-2017	
Assessed Valuation (Residential)	\$250,000.00
X Rollback Factor	0.556259
= Taxable value after rollback	\$139,064.75
- Military Exemption	\$1,852.00
= Net taxable value	\$137,212.75
X Levy Rate (\$40.65482/1000)	\$0.04065482
= Gross Property Taxes	\$5,578.36
- Homestead Credit (\$4,850 x Levy Rate)	\$197.18
Net Property Tax (rounded)	\$5,381

Notes:
1. The amount of the Homestead Credit may be prorated based upon funding by the Iowa Legislature.
2. Levy rates are expressed in Dollars per thousand and vary based upon the individual tax district.
3. Property taxes may be reduced further if the property qualifies for other credits and exemptions available through the state, county or city.

## Valuation Increases and Property Tax Rates

$$\text{(Estimated Expenditures - Non-property Tax Revenue)} \div \text{Taxable Value} = \text{Tax Rate}$$

Example:

Tax District A has taxable value, after rollback, credits and exemptions of \$850,898,000 and expenditures equalling \$34,593,105 after subtracting non-tax revenue. The current tax rate required to generate the required \$34,593,105 calculates to be \$40.065482 per thousand of taxable value. The sales ratio analysis indicates the assessed value of the properties must be increased by 10% to be within the guidelines of the Code of Iowa for the following year. Column D below indicates the effect on the tax rate that would be applied to the individual property values if the budgeted expenditures do not increase while the valuation increases 10%. Column E indicates the amount of revenue that would be available to the taxing bodies if the tax rate remains unchanged at \$40.065482 per thousand of taxable value with the same 10% increase in valuation.

		Column D	Column E	
	Assesment Year XXX1	Budgeted Expenditures remain constant - 10% increase in valuation effective Assessment Year XXX2	Tax Rate Remains Constant - 10% increase in valuation effective Assessment Year XXX2	Additional Revenue if tax rate does not change effective Assessment Year XXX2
Taxable Values	\$ 850,898,000	\$ 935,987,800	\$ 935,987,800	
Expenditures	\$ 34,593,105	\$ 34,593,105	\$ 38,052,416	\$ 3,459,310
Tax Rate	\$ 0.04065482	\$ 0.03695893	\$ 0.04065482	

In the example above when the tax rate was not lowered, there have been instances where the taxing bodies have stated they did not raise the taxes of individual properties because they did not raise the tax rate per thousand dollars of taxable value. Yet in reality they did raise the property taxes because the tax rate was not lowered to compensate for the increase in taxable value. The revenue available for expenditures in this example increased by \$3,459,310. This increase in revenue is collected from the individual taxpayers .