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commercial property taxes for most Iowa businesses via an annual state tax credit.

Feb. 15, 2013

Iowa state senators have offered a revised \$250 million, five-year plan to reduce commercial property taxes for most Iowa businesses via an annual state tax credit.

If approved, Sen. Matt McCoy, D-Des Moines, said a \$50 million yearly state appropriation would be placed into a new Business Property Tax Relief Fund beginning July 1, 2014. The permanent, ongoing appropriation would grow by \$50 million each year that the state's revenue increases by at least 4 percent until the fund reaches a maximum \$250 million at the end of the fifth year, he said.

The Democratic property tax relief plan is targeted to help to small and Main Street businesses, McCoy told a Statehouse news conference. When fully phased in, four out of five Iowa commercial properties — those valued at \$324,000 or less — would be taxed at the same rate as residential properties, a tax cut of 43 percent.

The remaining businesses also would be taxed at the residential rate on the first \$324,000 of value, and then at the existing commercial rate for the remaining value.

The proposed tax relief will be fully funded with state dollars, McCoy said. There is no shift to Iowa's residential property taxpayers or negative effect on local schools and governments, he said.

"This is a tax cut that makes sense for all Iowans," McCoy said. "The Main Street tax cut does not increase taxes on residential property owners or harm local schools and public services. State dollars will replace every property tax dollar that used to go to schools, local governments and community colleges."

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“I think we’ve got a vastly improved, much different bill than we did last year,” Branstad said of the plan he outlined in his Jan. 15 Condition of the State speech. “I’m very hopeful that we can get that approved in the end.”

Branstad has proposed to permanently reduce commercial and industrial property tax values by 20 percent over a four-year period. He also called for fully funding local property tax credits and cutting by half the current 4 percent cap on property tax growth for residential and agricultural classes.

Senate Majority Leader Mike Gronstal, D-Council Bluffs, said Democrats have raised their proposal by \$50 million to get closer to the governor’s \$320 million in relief, and they targeted their plan to favor small businesses rather than sending a share of the relief to large, out-of-state corporations.

House Speaker Kraig Paulsen, R-Hiawatha, withheld judgment until he had an opportunity to review details of the commercial property tax relief plan unveiled Thursday by Senate Democrats. However, he did note that “the Legislature has a terrible history” of not fully funding local property tax credit commitments.

“I appreciate that they’re putting that on the table,” Paulsen told reporters. “I don’t want to throw anything overboard.”

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