

Iowa Fiscal Partnership *news release*

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Grounds for Confusion

New Report Shows Iowa Distorts Farm Property Assessments

IOWA CITY, Iowa (July 17, 2008) — Farm buildings and farmland need to be assessed and taxed separately as a first step toward a more understandable and fair system of assessing Iowa farm property.

“The current system is outdated and doesn’t reflect the productivity of modern agricultural operations,” said Peter S. Fisher, research director of the nonpartisan Iowa Policy Project and co-author of a new report on farm property assessment.

“This matters because agriculture has become increasingly specialized, and when farm property is assessed and taxed, a one-size-fits-all approach doesn’t work,” Fisher said. “Row-crop farming and confined animal feeding operations are fundamentally different operations, and it makes no sense to tax both on the basis of land productivity and crop prices.

“And if you’re a farmer raising corn and soybeans, the taxes on an acre of your cropland should depend on the value of that land in raising crops, not on how many livestock confinement buildings there happen to be in your county. But that’s what happens under the current system.”

The report by Fisher and IPP Research Associate Beth Pearson for the Iowa Fiscal Partnership (IFP) also suggests ways to improve the productivity formula for agland assessment. The report, “Grounds for Confusion,” is available at <http://www.iowafiscal.org>.

Among their recommendations: removing ag buildings from the productivity formula and taxing them based on their market value.

“The productivity formula for ag property assessment is based on the idea that the land market alone doesn’t provide an accurate guide to the income capacity of a piece of ag property. And for land, that can make sense,” Pearson said. “But when highly specialized livestock buildings are assessed and taxed as if they were cropland, the results can be way out of whack.”

The productivity formula sets each county’s total assessed value of ag property based on land alone, and this value is then apportioned between land and buildings. As a result, farm structures such as hog confinement buildings may add considerable value to a property, but this is not reflected in the overall county assessment. Instead, the increased building value simply means less of the total county value is assigned to land.

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One result is that similar pieces of land can have widely varying taxable value depending on which county they are located in — one with lots of building value, or one with very little. When combined with the autonomy that is given county assessors, the system creates substantial disparities across counties in the way similar farm operations are treated.

“The Iowa system should be set up to encourage more uniform treatment of all farmers statewide,” Fisher said. “The Department of Revenue has taken some important steps in moving us in that direction, but statewide rules can only go so far as long as building and land values are tied together the way they are. Large disparities will remain even when the new rules are fully implemented.”

The Iowa Fiscal Partnership (IFP) is a tax and budget policy analysis initiative of two nonpartisan, Iowa-based organizations — the IPP in Iowa City/Mount Vernon and the Child & Family Policy Center in Des Moines. IFP reports are available at <<http://www.iowafiscal.org>>.

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