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# Iowa Fiscal Partnership

[www.iowafiscal.org](http://www.iowafiscal.org)

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## In Floods' Wake: Making Sense of Tax Ideas Property Tax Changes Not Likely Efficient or Effective Response

IOWA CITY, Iowa (Aug. 13, 2008) — Tax policy is likely to fail as an efficient or effective response to Iowa's flooding disaster and moves to rebuild.

An Iowa Fiscal Partnership (IFP) report released Wednesday noted the importance of assuring emergency services can be provided to flood victims and general services maintained adequately.

"Clearly, many families and businesses in Iowa have been devastated by flooding," said David Osterberg, executive director of the nonpartisan Iowa Policy Project, part of the IFP. "The question is not whether people need help — but how best to get it to them. Tax cuts aren't the best option.

"When some lawmakers and others are raising ideas about cutting property taxes, they're avoiding critical issues of how best to target assistance to those most in need, and how we can pay for the services needed."

The three-page IFP report noted that local governments have set budgets depending on property-tax revenues, and the state will be expected to provide matching funds for many millions of dollars in federal aid.

IFP's report also pointed out that property is periodically reassessed to reflect actual value of property, so property dramatically losing value by flooding will have that value adjusted for future taxes. In addition, the report notes that property tax changes would have problems distinguishing who really needs assistance to cope and rebuild.

Victor Elias of the Child & Family Policy Center, the other IFP partner organization, noted IFP's principles for disaster relief — timely, targeted and transitional responses — and that property-tax responses don't meet those principles well, if at all.

"As this report shows, property tax cuts may seem to be an easy choice, but their help to individual property owners will be marginal in many cases, and they will be poorly targeted and waste resources that can be better used in other ways," Elias said.

Elias said property-tax changes are not timely because they don't get resources quickly into the hands of flood victims most in need of help, and not targeted well, noting renters in particular probably would receive no help.

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“Tax policy should not be the first choice for policy responses, and there are serious questions of whether it should wind up as part of the mix at all,” Osterberg added.

“This is not a time for business-as-usual in our policy options. Iowa too often has turned to tax cuts as a silver bullet for economic issues, and the only sure thing about that approach is that it winds up limiting options.”

The Iowa Fiscal Partnership is a joint budget and tax policy analysis initiative of two nonpartisan, nonprofit organizations, the Iowa Policy Project in Mount Vernon/Iowa City and the Child & Family Policy Center in Des Moines.

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