



Iowa League of Cities  
**Special Report**  
*City Property Tax Levies*

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Property tax levies in Iowa are part of a formula that determines how much taxpayers pay to fund local services, operations, maintenance and capital projects. While individual levy rates can be relatively straightforward, the property tax system as a whole is complex.

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Property tax levies in Iowa are part of a formula that determines how much taxpayers pay to fund local services, operations, maintenance and capital projects. While individual levy rates can be relatively straightforward, the property tax system as a whole is complex.

### Property Tax Mechanics in Brief

Properties subject to tax in Iowa may include land, buildings, structures and other improvements in one of the following classes of real property: agricultural, commercial, industrial, multi-residential, residential, and utilities/railroad. There are also many types of property that receive exemption from property tax by the state. Partial exemptions and credits are also available to qualified taxpayers.

Local assessors calculate assessed property values every other year, with the exception of centrally assessed properties. Centrally assessed properties include railroads and some utility property, which are assessed each year by the state. The State of Iowa is charged with equalizing assessments, so every-other-year the Iowa Department of Revenue conducts a study to help equalize for differences found in assessing jurisdictions. This is done by property class and applied across an entire jurisdiction. This is a systematic check to ensure state aid and tax burdens are equitably distributed. The state also applies “rollbacks,” which are adjustments to the percentage of assessed values that may be taxed. The original purpose of “rollbacks” was to prevent property taxpayers from experiencing sharply rising property tax bills. Each class of property has its own rollback.

A notable additional variable relates to residential and agricultural property. The two classes of property are “coupled” together, with a limit to the calculated increases applied to the entire property classes of 3 percent statewide (this limitation has decreased over time due to legislation). If either class of property (residential or agricultural) has less than 3 percent property valuation increase, both classes will be limited to the lesser increase.

Generally, the total taxable value of property in a taxing entity, the individual budgets of taxing authorities and the sources of non-property tax revenue together impact total property taxes levied across the state. Changes in these three factors directly impact whether individual taxes increase or decrease. The levy rates and individual city breakdowns of how they are using levies also impacts local totals.

There are many taxing authorities, though schools, cities and counties receive the largest share, due to the level of services they provide. The Chart 1 shows the distribution of tax funds by taxing authorities. Note that cities on an average receive approximately 29 percent of the total property tax revenues, including tax increment finance (TIF) revenues.

■ *The remainder of this Special Report focuses on the city-specific property tax revenues and levies.*

**Share of Property Tax Revenues by Tax Authorities (Including TIF)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

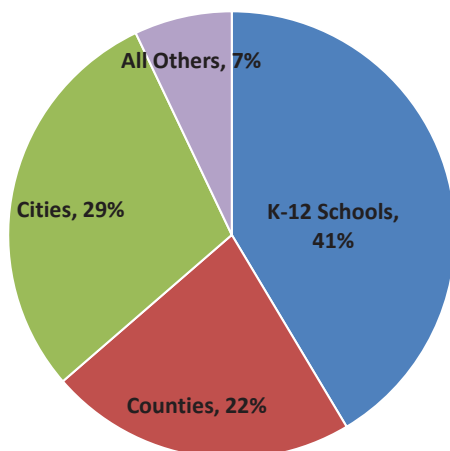


Chart 1

More information related to property taxes in Iowa is available on the League, Iowa Department of Revenue and Iowa Department of Management websites. The League also makes available a variety of other property tax resources, including a Special Report on Property Tax, a Property Tax Data Modeling Tool, a Property Tax Tracking Project, and an Iowa Fiscal Conditions Report.

The League also collaborates with Iowa State University (ISU) Extension and Outreach’s Office of Community and Economic Development. ISU’s Iowa Government Finance Initiative program produces data and reports of interest to local governments in this area.

## ***Brief History on Levies in Iowa***

Iowa's Home Rule authority was passed via amendment to the Iowa Constitution in 1968. In brief, Home Rule allows cities to exercise powers subject only to limitation expressly imposed by a state or federal law; an exercise of city power is not inconsistent with a state law unless irreconcilable with state law; and a city may not set standards and requirements lower/less stringent than those imposed by state law but may set them higher or more stringent unless state law provides otherwise. However, the Home Rule amendment has two express limitations, one of which relates to taxation and local levies.

Cities can tax citizens only as “expressly authorized” by the Iowa Legislature. Under the *Code of Iowa*, cities are allowed to tax real property, but with limits on how much of the property value is subject to taxation and the levy rates which may be used and applied. Cities are also given limited ability to tax sales and use transactions, but again with limitations set by state law. Levies must be used only for the specified, eligible purposes set in the *Code*.

## ***Levy Use***

There are fewer than 30 authorized levies in state law; however, only a small number of these levies are commonly used. This is because cities may not have characteristics that match the levies, which must be used for the exact purposes expressed in state law. For example, any city interested in using the Mississippi or Missouri River Bridge Construction levy must fall under the parameters stated in the *Code of Iowa* to aid in the construction of a highway or combination bridge across navigable boundary rivers of Iowa, commencing or terminating in the city, and subject to other restrictions.

Generally, four property tax levies are the most commonly used across cities in Iowa. These are the regular \$8.10 general levy, the emergency levy, the employee benefit levies (four sub-categories) and the debt service levy, respectively. Outside of these levies, the vast majority of levies are not widely used or not used at all.

In Chart 2 on the following page, the number of cities using each of the levies is shown. Note that only the top eight levy categories have greater than 3 percent of cities currently using that levy as of Fiscal Year 2018 data; only three levy categories have greater than half of cities currently using that levy. Six levies are not used at all. For general fund levies, the right column indicates if they are voted (V) or non-voted (NV) levies.

#### 4 | City Property Tax Levies

Levy FY18	Count	Voted (V) or Non-voted (NV), if general levy
Regular General	942	NV
Liability, Property & Self Insurance Costs	648	NV
Employee Benefits	639	
Emergency Levy	426	NV
Debt Service Levy	415	
Support of Local Emergency Mgmt Commision	140	NV
Opr & Maint Of City-Owned Civic Center	138	NV
Support Public Library	95	V
Opr & Maint Publicly Owned Transit	28	NV
Rent, Ins, & Maint. of Non-Owned Civic Center	22	NV
Unified Law Enforcement	22	V
Capital Projects Levy	20	
Aviation Authority (Under Sec.330A.15)	16	NV
Planning a Sanitary Disposal Project	9	NV
Memorial Building	9	V
Instrumental/Vocal Music Groups	7	V
Cultural & Scientific Facilities	3	V
Levee Impr. Fund in Special Charter City	2	NV
Symphony Orchestra	1	V
Maintain Institution Received By Gift/Devise	1	V
Contract For Use of Bridge	0	NV
Joint City-County Building Lease	0	
County Bridge	0	V
Missi Or Missouri River Bridge Const.	0	V
Aid to a Transit Company	0	V
City Emergency Medical District	0	V

Chart 2

### Reference to Code of Iowa

Because this research takes a deep dive into property tax levies in Iowa, it may be helpful to reference the areas in the *Code* where the authority for such taxation is detailed. This report especially examines the more commonly used levies, but the *Code* gives further specifics and talks about individual levies or special cases, like self-supported municipal improvement districts (SSMIDs), that go into total levies for sub-jurisdictions within a community.

*Code of Iowa* Chapter 384 also defines levies authorized in Iowa (<https://www.legis.iowa.gov/docs/ico/chapter/384.pdf>). Chapter 386 governs the use of SSMIDs in Iowa (<https://www.legis.iowa.gov/docs/ico/chapter/386.pdf>).

### Breakdown of Total City Property Tax Levies

It may be helpful to visualize the use of property tax levies in Iowa, both in aggregate and by population ranges. Chart 3 illustrates the breakdown of levies used in aggregate (all cities in Iowa combined), and the significant use of the commonly used levies discussed above. It is followed by breakdowns of such levy use by cities that fall under various population ranges (Charts 4-8). All levies that had greater than 1 percent of the city breakdown are shown individually on these graphs; the remainder fall under the “other” category collectively. It seems logical that cities with smaller populations tended to have a higher percentage of the total tax breakdown related to the general fund levy, and larger cities tended to have larger categories related to employee benefits, debt service, etc.

To add context, the following number of cities fall into each population range: 489 cities had fewer than 500 in population, 340 cities had between 500 and 2,999 in population, 78 had between 3,000 and 9,999 in population, 28 cities had between 10,000 and 49,999, and 10 cities had more than 50,000 in population, according to the 2010 U.S. Census.

**Breakdown of Total City Property Tax Levy (All Cities)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

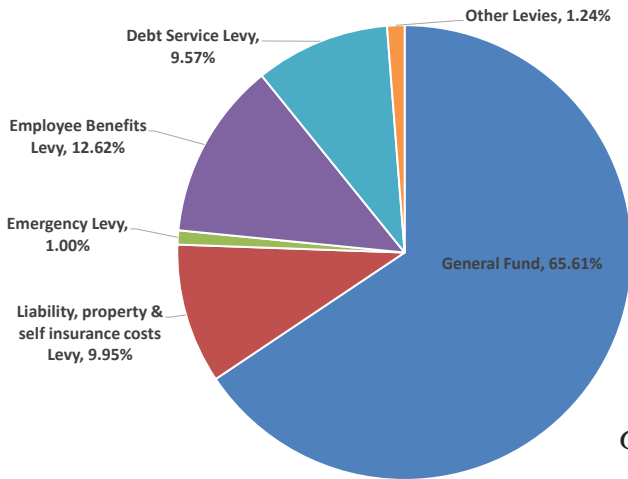


Chart 3

**Breakdown of Total City Property Tax Levy (Cities 500 or less in Population)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

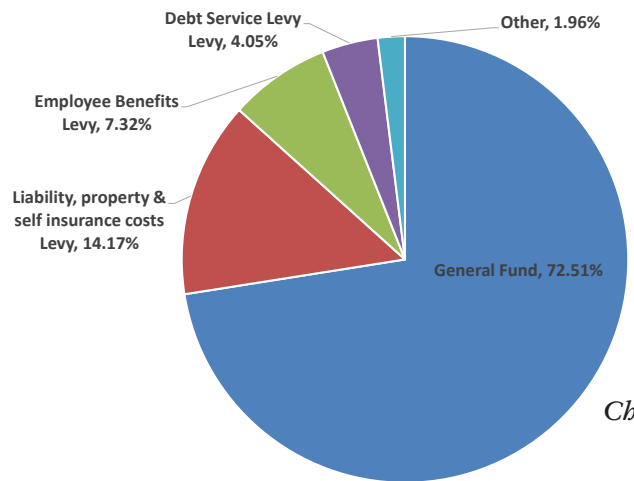


Chart 4

**Breakdown of Total City Property Tax Levy (Cities 500 to 2,999 in Population)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

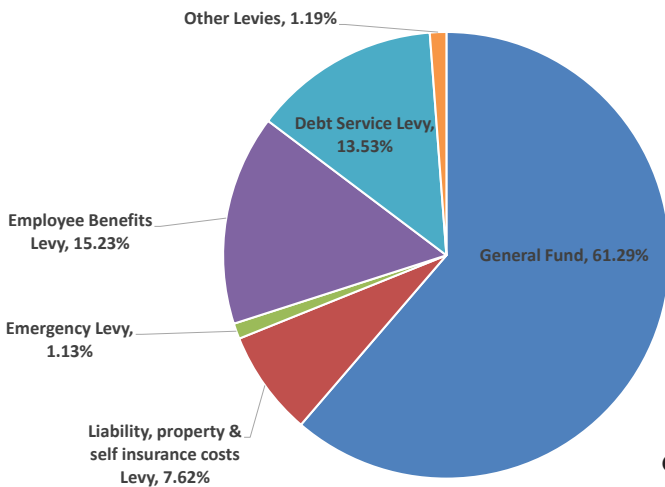


Chart 5

**Breakdown of Total City Property Tax Levy (Cities 3,000 to 9,999 in Population)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

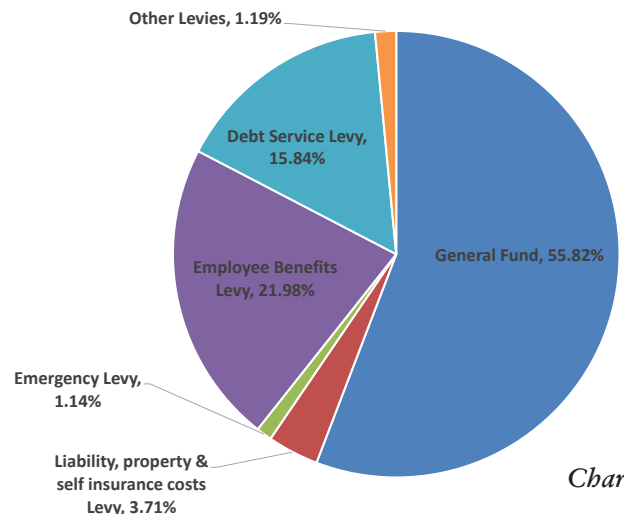


Chart 6

**Breakdown of Total City Property Tax Levy  
(Cities 10,000 to 49,999 in Population)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

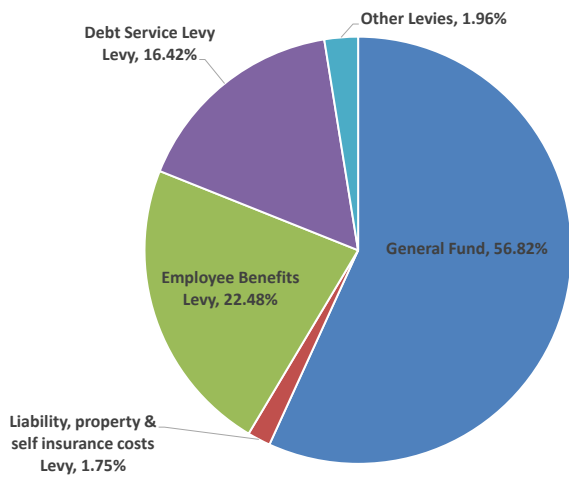


Chart 7

**Breakdown of Total City Property Tax Levy  
(Cities 50,000 or more in Population)**

*Iowa League of Cities 7/2018 (Data: IA DOM)*

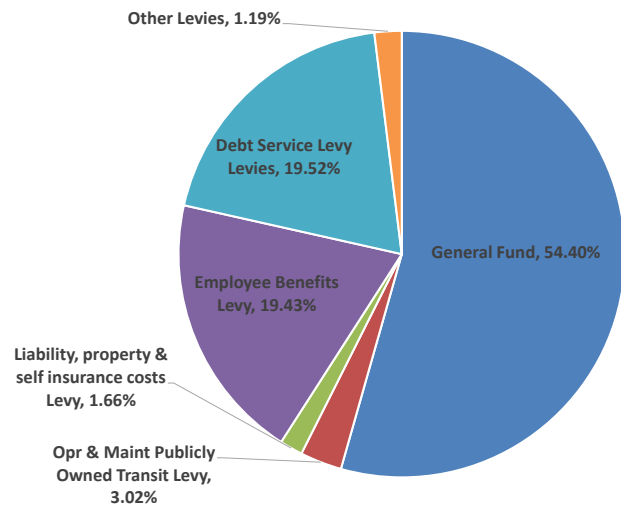


Chart 8

### Commonly Used Levies

This research covers how some of the most commonly used levies are used in Iowa. Due to the volume of charts in this research, information related to less commonly used levies (used by fewer than half of the cities in Iowa, but greater than 3 percent of communities) can be found in the Appendix. The *Code* also provides additional detail about the specific authorities for all levies.

### Regular General Levy (\$8.10 Levy)

The regular general levy in Iowa is commonly thought of as the daily and annual operating levy. It is often referred to as the “general fund levy” or “\$8.10 levy.” Note: there are other subcategories of levies that fall under the general fund for accounting purposes (less often used due to their scope of use). The regular general levy is calculated based upon local property valuations (as assessed by the state, county and/or local assessor; and subject to rollback limitations), the budget, and the funds needed to pay for city services. This general fund levy has a statutory limit of \$8.10 tax per \$1,000 of taxable property valuation. This limit was set in 1975 per *Code* Section 384.1 and has not changed. Keep in mind that while it has remained static, the general cost of services has increased and inflation has been positive..

Currently, all cities use the general fund levy to some degree to pay for local services. There are 942 cities in Iowa. **Of these, 812 cities, or 86 percent, are at the \$8.10 levy limit.** Chart 9 on the following page shows the count of cities in Iowa at the maximum \$8.10 general fund levy from FY 2002 to 2018. It also shows the number of cities using the emergency levy as well as those at the emergency levy max, with more discussion later in this report on that particular levy.

**812 of 942 cities in Iowa, or 86 percent, are at the \$8.10 levy limit.**

## 7 | City Property Tax Levies

Charts 10 and 11 shows the city \$8.10 regular general fund rate over the last decade using two different methods: the simple average of regular general fund rates in all 942 cities over time, and by average regular general fund rates in all cities based on property valuation density (weighted by valuation across the state). The latter method takes into consideration that urban communities may generally apply their general fund rate across a much larger span of properties, or valuation. Averaging analyzed in this way takes into consideration these densities. Note: data is rounded to the nearest cent.

Charts 12 break this down in a slightly different way, taking into consideration city population ranges, showing the percentage of cities at the \$8.10 general fund maximum in each population range. Keep in mind the number of cities in each of the population ranges, stated earlier in the report. This is important to remember, as relatively few cities make up the larger population groups. If one or only a few cities in that population group have higher or lower levy rates, they may have a significant influence on the average for that group.

**History of Cities at the Max General Fund & Emergency Levies (of 942 cities)**  
Iowa League of Cities 7/2018 (Data: IA DOM)

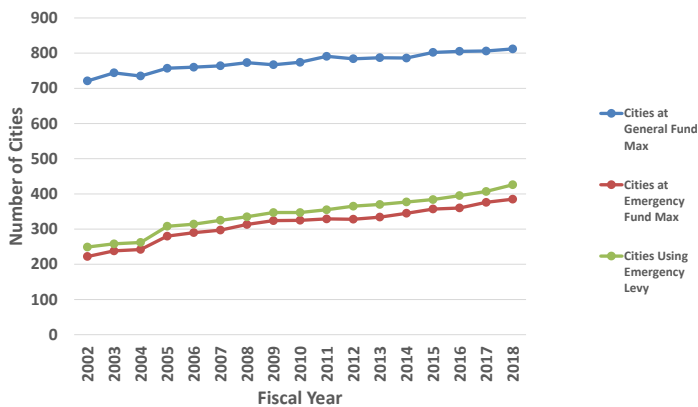


Chart 9

**City Property Tax Average General Fund Levy Rates (All Cities by Simple Average) FY2002-2018**  
Iowa League of Cities 7/2018 (Data: IA DOM)

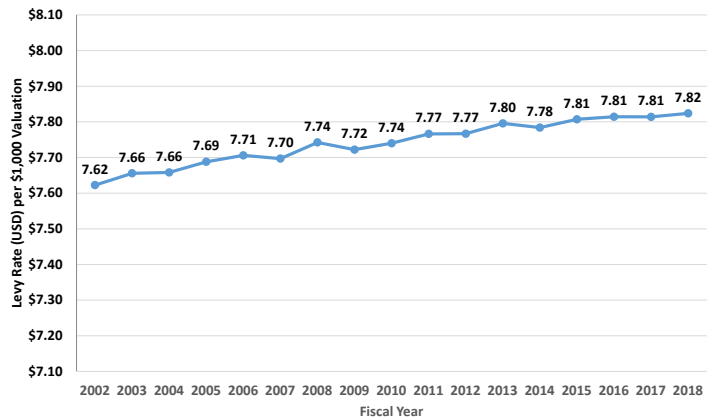


Chart 10

**City Property Tax Average General Fund Levy Rates (All Cities Combined by Valuation) FY2002-2018**  
Iowa League of Cities 7/2018 (Data: IA DOM)

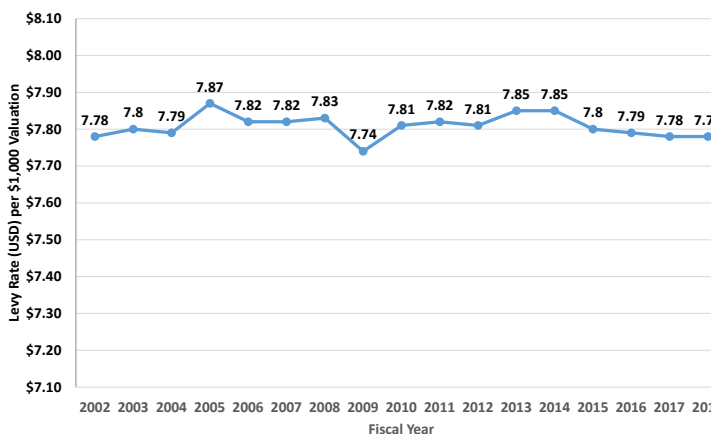


Chart 11

**Percent of Cities at General Fund Max by Population**  
Iowa League of Cities 7/2018 (Data: IA DOM)

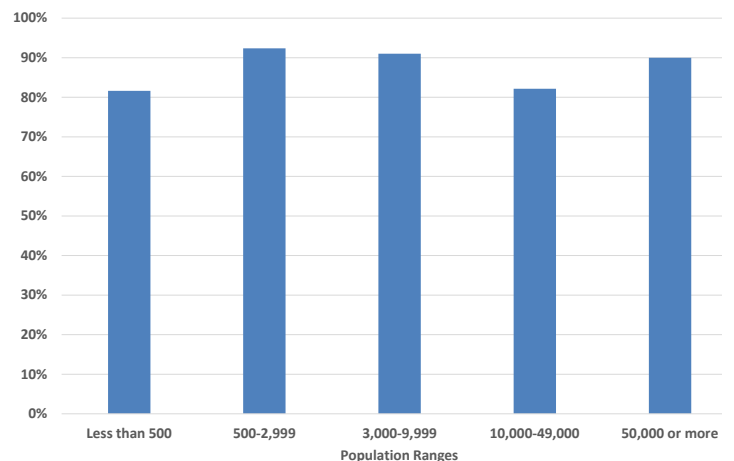


Chart 12

## 8 | City Property Tax Levies

The other, very commonly used general fund regular levy (not to be confused with the regular general levy, or \$8.10 Levy) is the Liability, Property & Self-Insurance Costs levy, which is allowable up to the amount necessary as detailed in the *Code*. It is a non-voted levy. The number of cities using this fund has increased over time, as shown in the Chart 13. Generally, rates for these services have likewise increased over time.

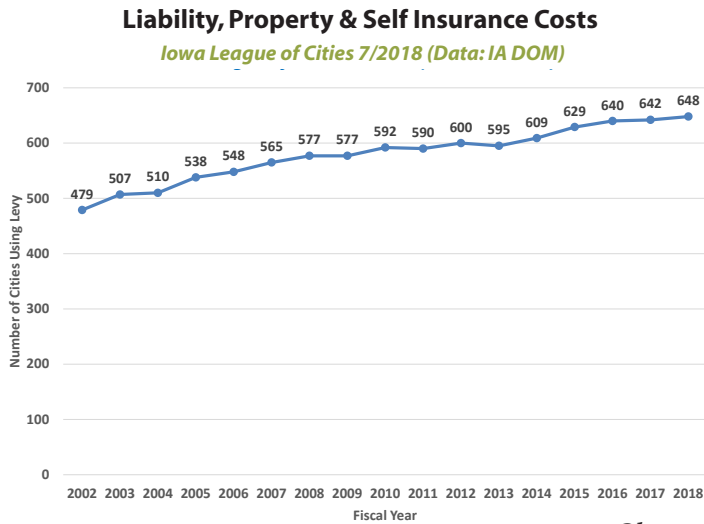


Chart 13



### Special Revenue Levies/Employee Benefits Levies

The special revenue levies are commonly considered the Emergency Levy, and the Trust and Agency Levies (namely the Police and Fire Retirement Levy, the Federal Insurance Contributions Act (FICA) and Iowa Public Employees’ Retirement System (IPERS) levy, and the Other Employee Benefits levies). Together, these are commonly referred to as “Employee Benefits Levies.” Due to the nature of recent rising costs of insurance, health care, etc. and that Trust and Agency Levies allow councils to set a rate up to the amount necessary to meet fund obligations, these levies have trended upward recently. The emergency levy and the FICA and IPERS levy can only be used if the general fund is at its limit of \$8.10 per \$1,000 taxable value.

Chart 14 shows the use of the collective Employee Benefits Levies over time, from FY 2002 to 2018. The trend has steadily increased.

Chart 15 shows the employee benefits levies rates from FY 2008 to 2018 (all levies in this category combined together). The blue line shows the aggregate average for all cities, including those who do not use any of the employee benefits levies (at \$0). The red line shows the aggregate average for cities using at least one of the employee benefit subcategories (excluding cities not using these levies).

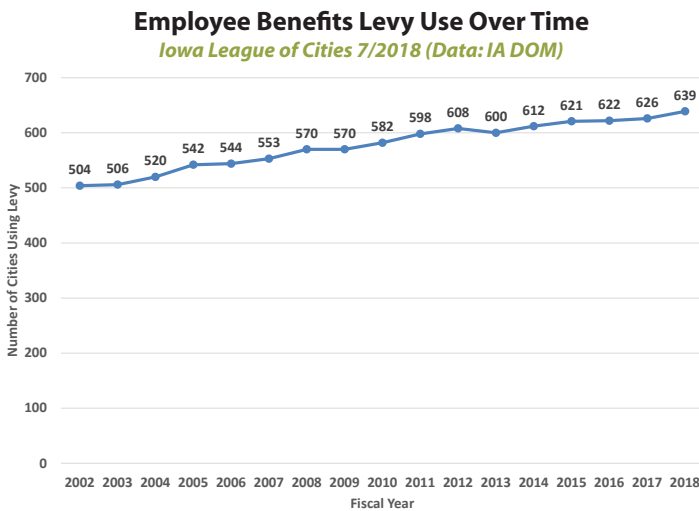


Chart 14

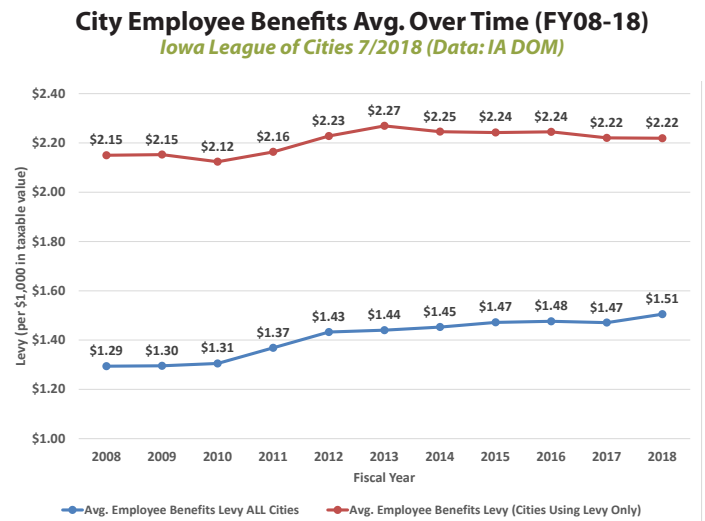


Chart 15

### The Emergency Levy

The Emergency Levy in Iowa is a levy that can be established up to a maximum of 27 cents per \$1,000 of taxable property valuation, only if the regular general \$8.10 levy is already at its maximum. Funds can be transferred to the general fund according to specified rules. Of the 942 in Iowa, 426 cities, or 45 percent, currently use the emergency levy to some extent, and 385 cities, or 41 percent, are currently at the 27-cent limit. Chart 9 on page 7 shows the number of cities using the emergency levy, and the charts below show its rate over time, and breakdowns by population ranges.

Chart 16 shows the emergency levy rate over time for FY 2008 to 2018. The blue line shows the simple average for all cities (including those not using the emergency levy, or, whose levy is zero). The red line considers the average only for cities using the emergency levy over the same time period. That line illustrates that the emergency levy history for those using it has been near the maximum (27-cents per \$1,000 in taxable valuation) for the last decade.

Chart 17 shows the percentage of cities using the emergency levy for FY 2018. The blue bars show those using the levy at its 27-cent per \$1,000 in taxable valuation maximum. The red portion indicates cities who are using the levy, but not at its maximum.

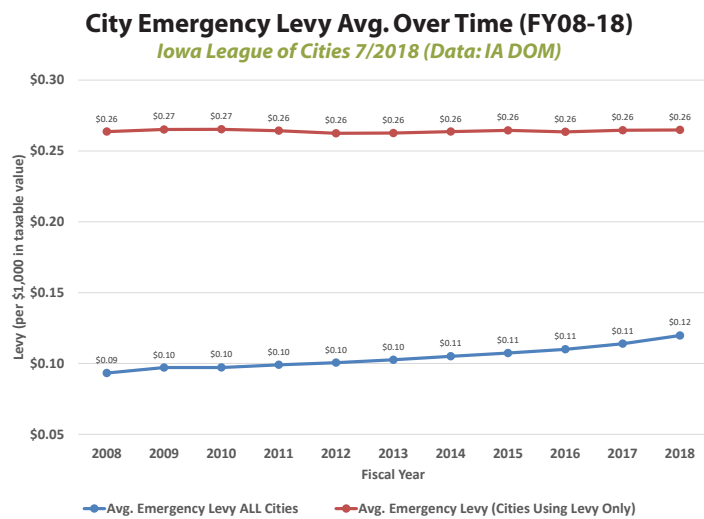


Chart 16

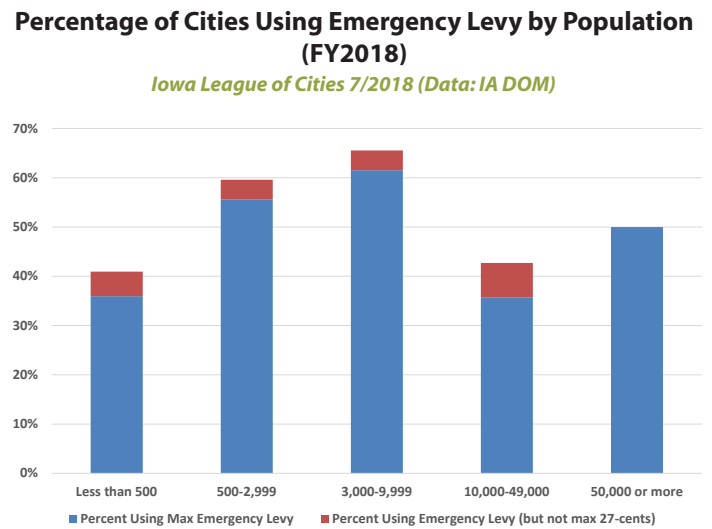


Chart 17

## The Debt Service Levy

A city may levy taxes in amount necessary to pay for judgments against the city not authorized by the state to be paid from other funds: debt related to principal and/or interest related to general obligation bonds issued by the city, payments required from the debt service fund under a lease or lease-purchase agreement, payments under a loan agreement, or payments authorized to be paid to fund a flood project fund under Section 418.14, subsection 4. State law outlines several other restrictions and uses of this fund.

*Note that debt service levies fluctuate as cities incur and pay off long-term investments, such as capital improvements.*

Chart 18 shows the count of cities using the debt service levy in any amount over time, from FY 2002 to 2018.

Chart 19 shows the average debt service levy rate over time, from FY 2002 to 2018. The blue line shows the aggregate average for all cities, including those not using the debt service levy (or levy at \$0). The red line shows the debt service levy average over time, for only cities using the debt service levy. This trend may also incorporate other economic factors than simply outstanding debt, such as interest rates, etc. For example, many cities have been able to refinance local debt at lower interest rates in recent years.

Chart 20 shows average debt services levies by population ranges for FY 2018. The green bar shows the debt service levy average for all cities (including those at \$0), and the green plus blue bars show the debt levy average for cities using the levy only.

## Less Commonly Used Levies

Again, levies may only be used for specific, eligible purposes allowed under state law. Cities not using these levies either do not have characteristics that require that levy, or do not have current projects for which these levies would be necessary. The Appendix to this report highlights the count of cities using the levies over time. The Code also provides restrictions and particulars related to these levies.

**Debt Services Levy (any amount), (FY02-18)**  
Iowa League of Cities 7/2018 (Data: IA DOM)

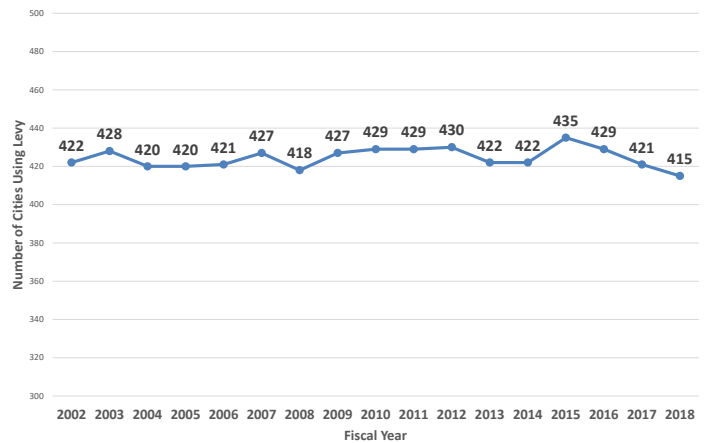


Chart 18

**City Debt Services Avg. Levy Over Time (FY02-18)**  
Iowa League of Cities 7/2018 (Data: IA DOM)

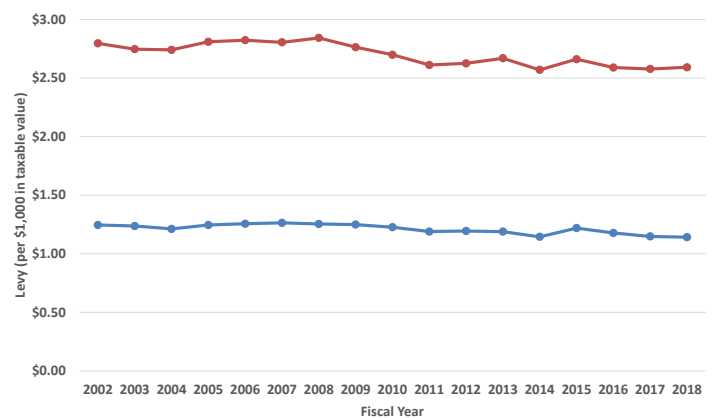


Chart 19

**Avg. Debt Services Levy by Population Range (FY18)**  
Iowa League of Cities 7/2018 (Data: IA DOM)

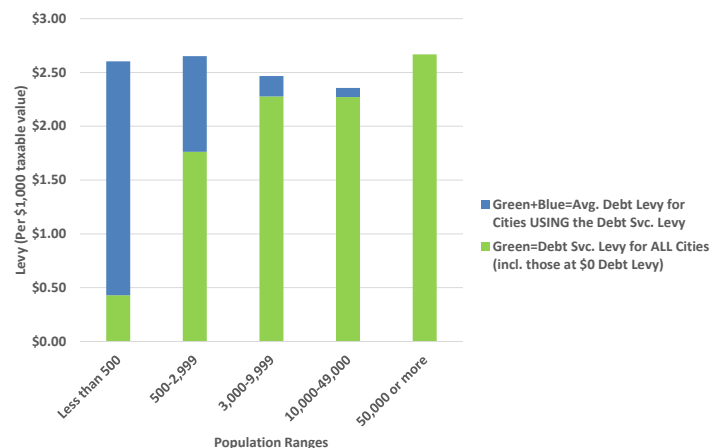


Chart 20

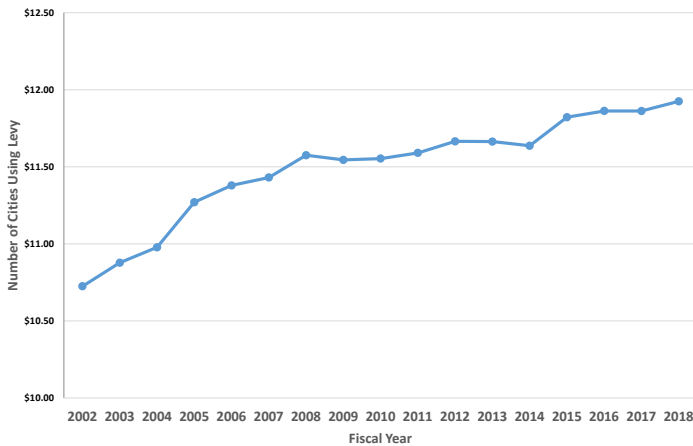
### Total City Levy Rates

Total city levy rates can be analyzed with different methods, including the simple average of total city levy rates, and a look at average total city levy rates based on property valuation densities, or weighted by valuation across the state. The latter method takes into consideration that urban communities may generally apply their total city tax rate across a much larger span of properties, or total valuation. The averaging done this way takes into consideration these densities.

Charts 21-22 show the total city levy rates by both methods over time.

Note: Total consolidated tax rates can vary greatly, depending upon individual tax jurisdictions and levy rates of other tax authorities (schools, counties, etc.).

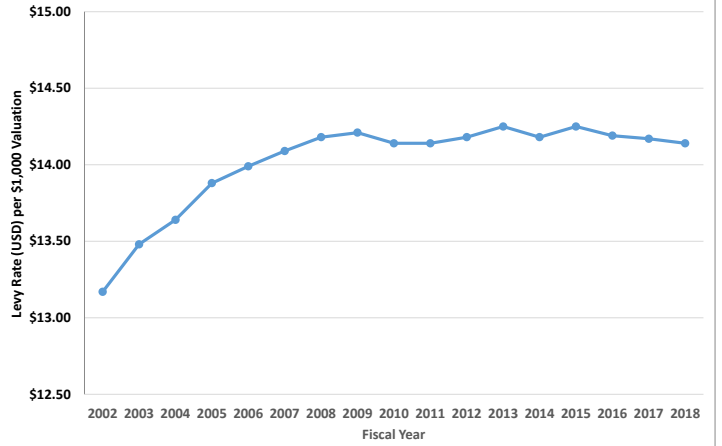
**Total City Property Tax Levy Rate**  
Iowa League of Cities 7/2018 (Data: IA DOM)



\*Version with simple average

Chart 21

**Total City Property Tax Levy Rate**  
Iowa League of Cities 7/2018 (Data: IA DOM)



\*Version with valuation-weighted average

Chart 22

## ***Valuations Trends***

When talking about levies, it is important to note trends in local property valuations. Property taxes are determined based on the value of property, equalization and rollbacks (statewide), local budgets, levy rates, and property tax credits. Valuation and levy rates are part of what drive overall property tax obligations. Trends in these factors, as well as changes to the property tax formulas, have a significant impact on total local revenues and budgets.

Among other factors to consider when thinking about the increase in valuation are local valuation trends by property class (new construction growth, or decline and revaluation growth, or decline), city service levels, demand for services, new technologies, changes to state law related to property classes and rollbacks, and rising cost drivers outside of cities' control (such as benefits and insurance premiums; health care costs; costs of fuel, supplies and equipment; cost of maintenance and repairs; cost of new infrastructure; etc.).

Historically, inflation accounts for the majority of increases on property taxable valuation. Cities' percentage change in property tax valuation by years is decreasing trend.

## Mapping Tax Levy Rates

To begin to look at any urban/rural trends or levy rate clusters, the heat maps below show local total city tax levy rates across the state. In addition to a statewide city levy rate map, there are maps broken down by population ranges, which may highlight areas of rate clusters. These maps were generated by the Iowa State University Extension and Outreach Geospatial Technology Program, and printed here with permission. The data was provided by the League, based on raw data from the Iowa Department of Management and the US Census Bureau.

**Cities 500-2,999 in Population 2019**

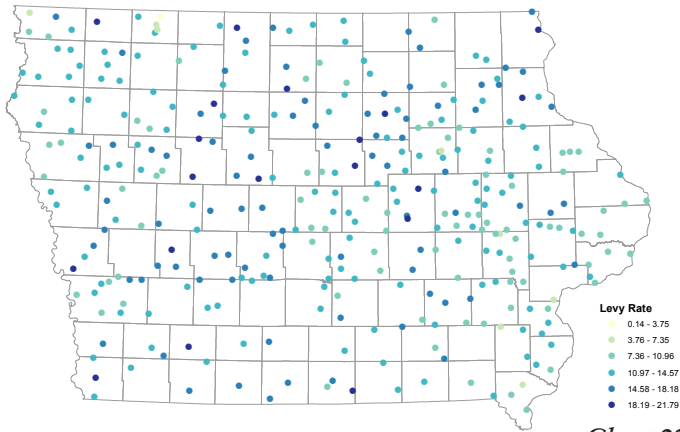


Chart 23

**Cities 3,000-9,999 in Population 2019**

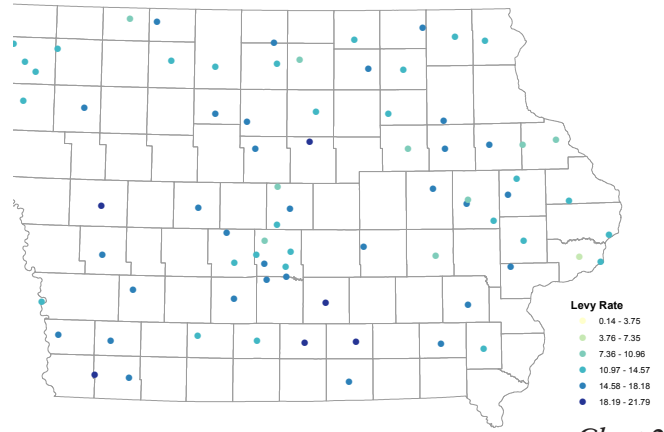


Chart 24

**Cities 10,000-49,999 in Population 2019**

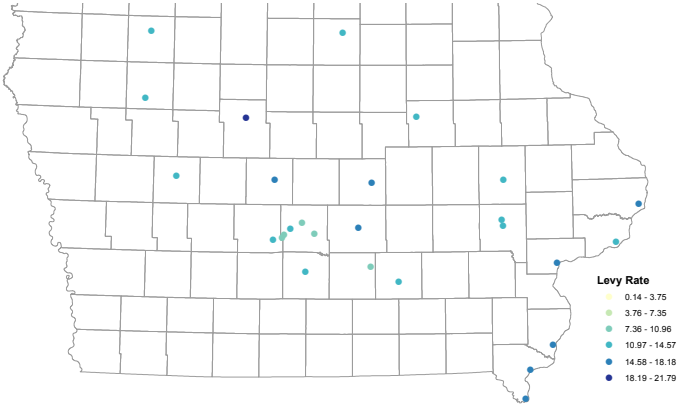


Chart 25

**Cities 5,000 or Greater in Population 2019**

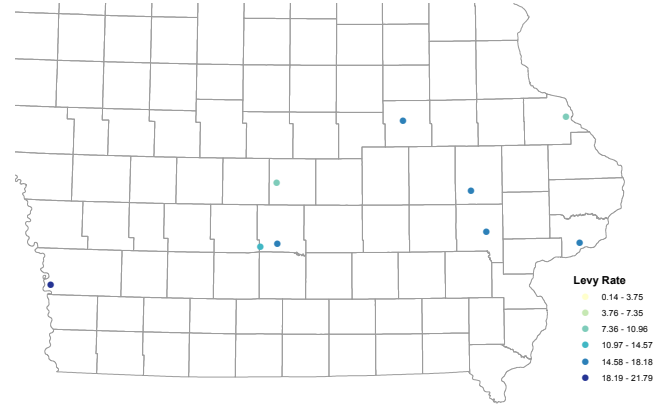


Chart 26

**Cities less than 500 in Population 2019**

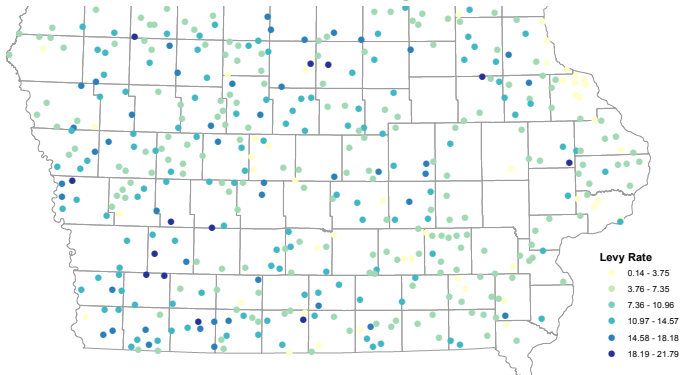


Chart 27

**Statewide City Levy Rate**

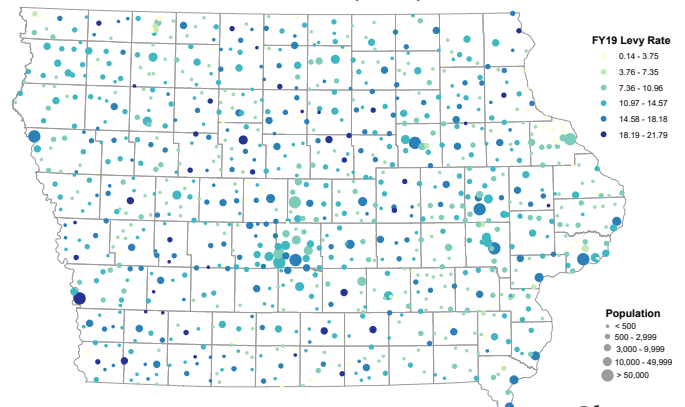


Chart 28

## ***Other Influencing Factors***

Among others, political and economic factors play a role in how tax levies are used. Changes at the state and federal level, as well as local changes can make significant differences on levies. At the city level local officials tend to be very aware of the limited resources they have, and they strive to be careful stewards of local tax dollars. There are many examples of cities lowering the local property tax levy when they are able to. It is often unpopular to propose a raise in the local levy. However, there are conditions under which increases in levy rates may be necessary. One example is local infrastructure. A long-term look is critical to ensure our communities have factored in the cost of road, utility and other infrastructures. Decisions made now may well impact future city residents or future generations. At times, political and economic pressures can be influential. On a macro level, economic factors also play a role. The regional and national economic environment can influence the local tax base over time. For example, mobility of the workforce can contribute to local demographic trends that impact taxes.

The economy plays an influential role. It is difficult to project economic growth rates with any accuracy, and especially out further than a handful of years. Still, making projections can create a starting place for thinking about other influential roles on tax levies. Based on some initial data from the state, and noting it is in no way official, we might reasonably guess that residential, commercial and industrial properties may be anticipated to experience some small increases in both revaluation and new construction growth. This may not be much different than the historic trend. Agricultural property growth, however, may not follow the same trend. While agricultural land has generally been more volatile in terms of its growth and decline over its history, it has still averaged significant growth over time. The economic outlook for agricultural growth, however, can be extremely difficult to project. However, it might reasonably be expected to decline over future years, and perhaps significantly. If it does, it may also have an impact on tax levies and other classes of property, especially residential.

Charts 29-32 shows historical and projected growth of revaluation and new construction for each class of property.

*\* Note for commercial property in Assessment Year 2015, there is a very significant “outlier” due to the creation of the multi-residential class of property. For the purposes of this graph, the property class must be “reset” after this year in order to reflect the more realistic trend and projection.*

**Residential Growth - Revaluation and New Construction**

LSA 11/2017 \*used w/permission as draft calculation/unofficial purposes only

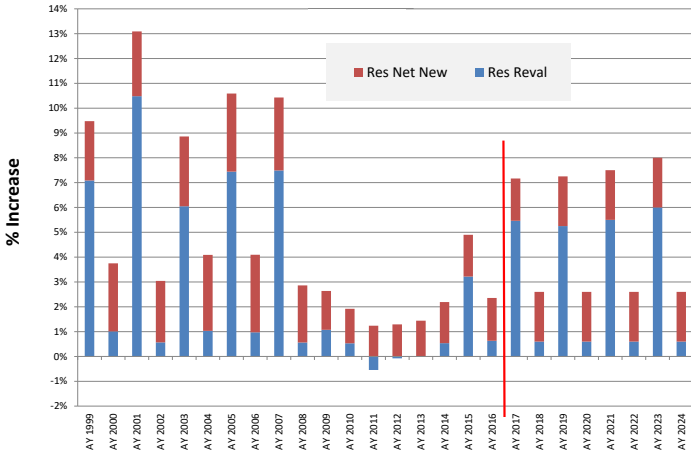


Chart 29

**Commercial Growth - Revaluation and New Construction**

LSA 11/2017 \*used w/permission as draft calculation/unofficial purposes only

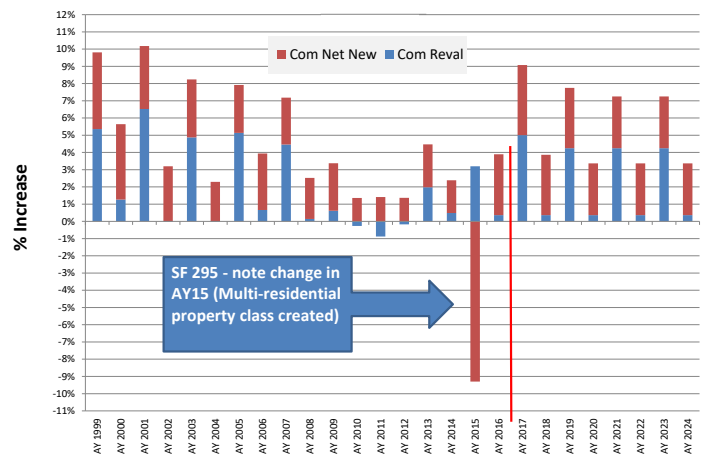


Chart 30

**Industrial Growth - Revaluation and New Construction**

LSA 11/2017 \*used w/permission as draft calculation/unofficial purposes only

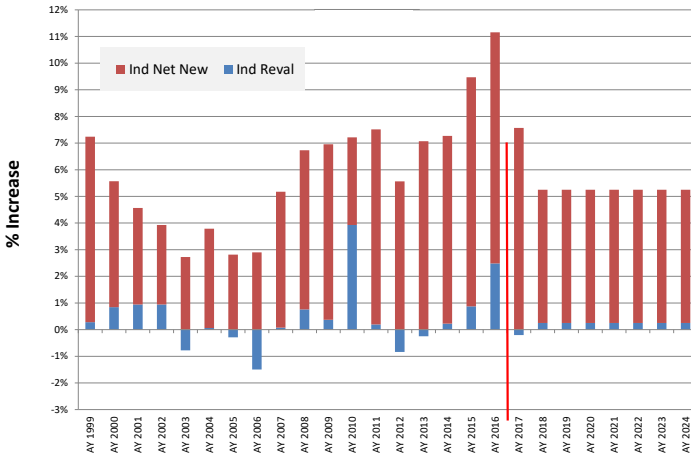


Chart 31

**Ag Growth - Revaluation and New Construction**

LSA 11/2017 \*used w/permission as draft calculation/unofficial purposes only

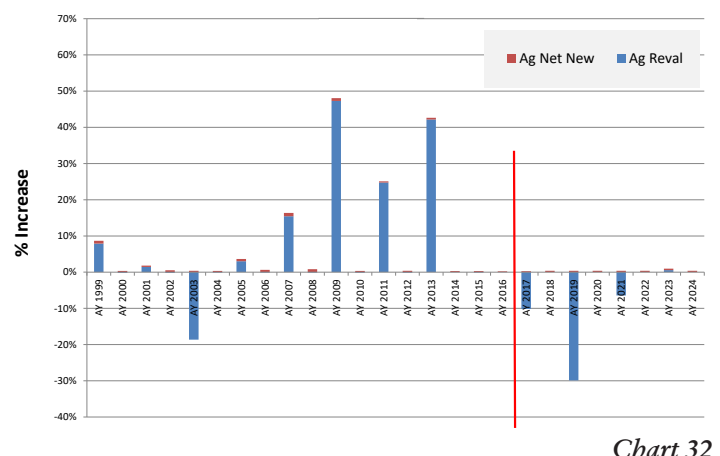


Chart 32



## ***Resources***

In addition to this Special Report on Local Levies, the League will publish an update to its Fiscal Conditions Report in the coming months. The Fiscal Conditions Report will take a deep dive into economic trends and conditions that underlie some of the levy trends here. It will cover in detail the revenue sources and expenditures of cities across Iowa, and it will break these down by population groups. In addition, the Fiscal Conditions Report will cover legislative changes and other outside factors that play a significant role in local community finance.

The League also has a wealth of property tax information on its website, including a Property Tax Special Report the Property Tax Tracking Project and the Property Tax Model tool, which is refreshed periodically since property tax reform legislation passed in 2013.



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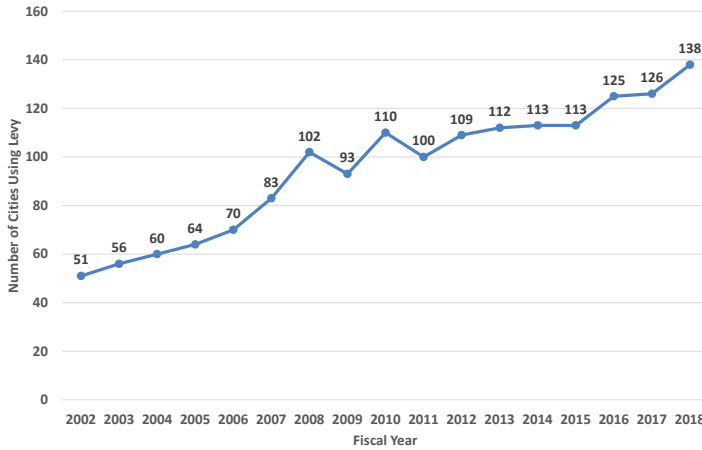


**\*Appendix**

Charts of other levies by count (fewer than 50 percent of cities using, but greater than 3 percent)

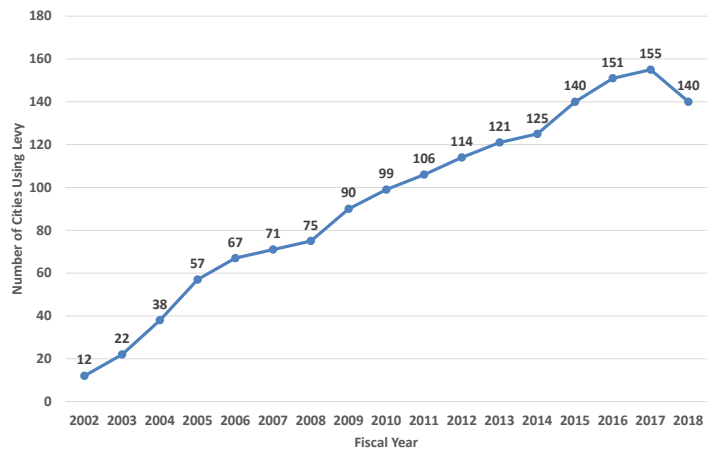
**Operation & Maintenance of City-owned Civic Center**

*Iowa League of Cities, 7/2018 (Data: IA DOM)*



**Support of Local Emergency Mgmt Commission Levy**

*Iowa League of Cities, 7/2018 (Data: IA DOM)*



**Public Library Levy**

*Iowa League of Cities, 7/2018 (Data: IA DOM)*

