

Iowa Property Tax: Differential Taxation of Property Classifications

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Introduction

During the 2011 legislative session the Governor and leaders of both the House of Representatives and the Senate offered proposals for reducing property taxes imposed on commercial and industrial property. However, as so many times in the past none of the proposals were enacted. Although legislative staff and others completed analysis of the various proposals, many important issues were not addressed.

This is the first of several papers intended to address issues not thoroughly considered during last year's legislative session. The issues addressed by this paper include:

- To what extent have the shares of property taxes paid by owners of the different classifications of real property changed over time?
- What have been the major reasons for the changes in relative tax burdens?
- What would be the impact if property within all of the classifications were taxed at market value?

The first section presents how the relative shares of taxes imposed on the different classes of real property have changed since the State's current property tax system was created during the late 1970's. The second section describes major features of the Iowa property tax system. Section three investigates four major features of the property tax system that cause a departure from the taxation of certain property at market value. The final section presents how the tax burdens of the different classifications would change if all real property were taxed at market value.

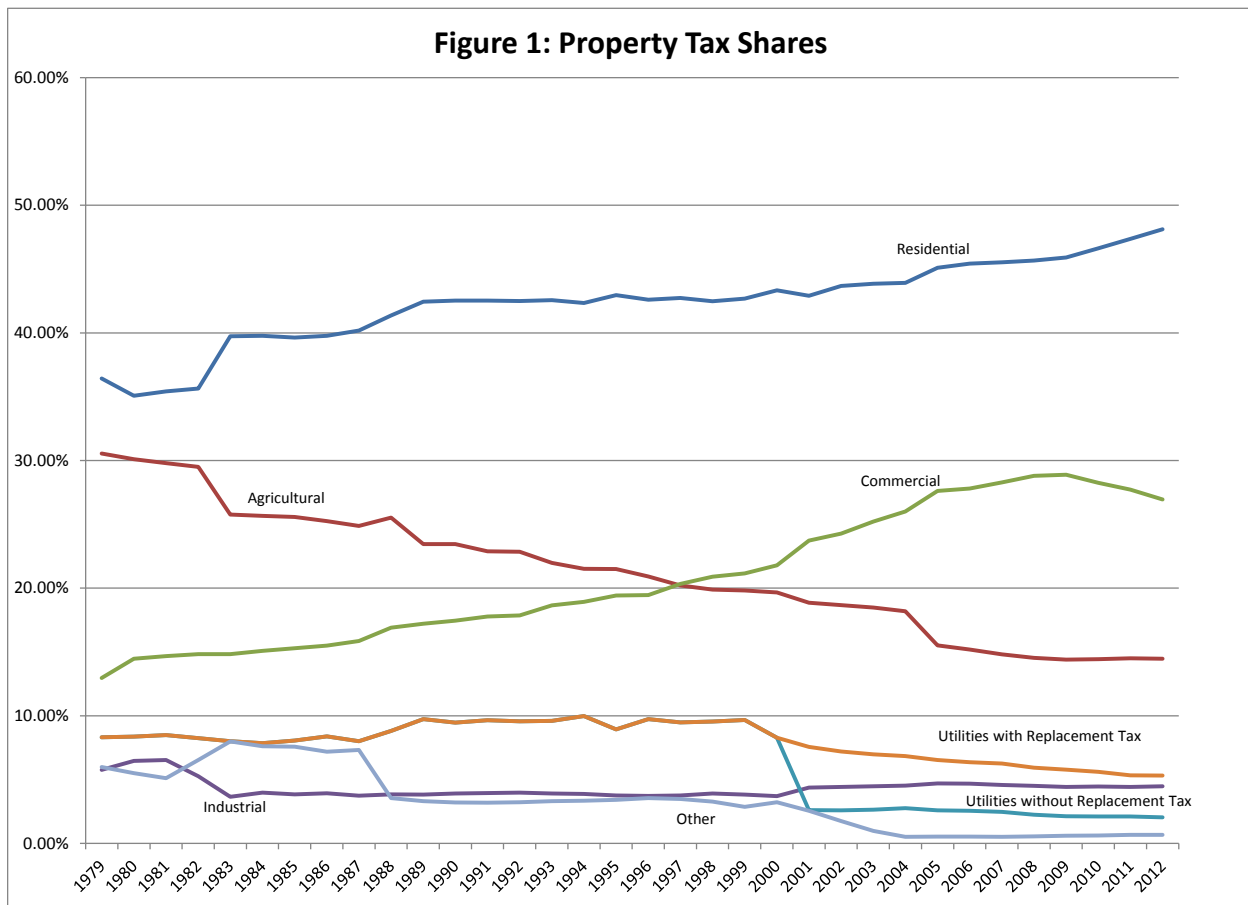
Summary of Findings

- The share of property tax born by commercial property has increased from 13.1 percent in fiscal year 1978 to 27.0 percent in fiscal year 2012. Similarly the residential property tax burden has increased from 35.8 percent to 48.1 percent.
- The share of all property taxes levied on agricultural property has decreased from 30.1 percent in fiscal year 1978 to 14.5 percent in fiscal year 2012. Similarly, the share of property taxes born by utilities has decreased from 8.6 percent to 5.3 percent (with replacement taxes) or to 2.1 percent (without replacement taxes).
- Not taxing all property at market value has on average over the past eleven years increased taxes levied on residential, commercial, industrial, railroad, and utility property by 8.0 percent, 142.4 percent, 125.2 percent, 91.1 percent, and 95.7 percent, respectively.
- The rollback, productivity formula, and agricultural credits have resulted in agricultural property being taxed by about 60 percent below the level that would result if such property were taxed at market value. The recent increase in agricultural land values has increased this impact.
- Because agricultural property is not evenly distributed across taxing districts, taxing all property at market value would not solve all problems with the current property tax system in Iowa.

Section 1: Statewide Property Tax Trends

For fiscal year 2012 property taxes levied in the State of Iowa totaled \$4,641.5 million. In addition, power utilities paid \$157.2 million in replacement taxes. The amount of property taxes levied against commercial property for FY 2012 equaled \$1,296.3 million, or 27.0 percent of the total taxes levied.

The share of property taxes levied against commercial property has over doubled since the State's existing property tax system was established in 1978. That year property taxes levied against commercial property accounted for only 13.1 percent of the total. Figure 1 shows how the distribution of the property tax burden has changed over the past 33 years.



Source: Iowa Department of Management/ Strategic Economic Group

In addition, Figure 1 shows that the share of property taxes levied against residential property also increased over the past three plus decades from 35.8 percent to 48.1 percent, while the share of taxes imposed on agricultural property decreased from 30.1 percent to 14.5 percent and the share of property taxes levied on utilities dropped from 8.6 percent to 2.1 percent. However, the decrease in property tax paid by utilities has been partially off-set by a new excise tax imposed on power utility sales to Iowa consumers. Including replacement taxes the utilities share for fiscal year 2012 equals 5.3 percent.

Table 1 presents the amounts of property taxes levied by property classification from FY 1979 – FY 2012.

Table 1: Property Tax Levies by Property Classification

Fiscal Year	Residential	Agricultural	Commercial	Industrial	Utilities	Other	Gross Tax	Military Credit	Net	
									Residential	Net Tax
1979	414,085,083	347,326,036	147,405,368	65,409,743	94,561,586	68,051,301	1,136,839,117	13,827,558	400,257,525	1,123,011,559
1980	431,026,123	369,942,957	177,917,108	79,414,010	102,928,910	67,697,125	1,228,926,233	13,802,146	417,223,977	1,215,124,087
1981	480,486,075	404,145,947	199,070,430	88,572,534	115,019,688	69,241,828	1,356,536,502	13,978,644	466,507,431	1,342,557,858
1982	520,297,331	430,900,941	216,419,027	76,777,249	120,409,993	95,330,989	1,460,135,530	14,026,244	506,271,087	1,446,109,286
1983	615,110,254	398,870,678	229,672,274	56,638,260	124,082,726	123,796,120	1,548,170,312	13,784,629	601,325,625	1,534,385,683
1984	643,976,827	415,557,673	244,304,418	64,532,415	127,242,154	123,337,496	1,618,950,983	13,711,942	630,264,885	1,605,239,041
1985	673,685,157	434,767,529	259,937,632	65,228,223	137,075,165	128,737,928	1,699,431,634	13,695,968	659,989,189	1,685,735,666
1986	703,985,266	446,947,618	274,270,743	69,521,242	148,288,031	127,064,672	1,770,077,572	13,569,640	690,415,626	1,756,507,932
1987	740,574,108	458,460,152	292,312,135	68,842,996	147,628,234	134,832,736	1,842,650,361	13,375,464	727,198,644	1,829,274,897
1988	747,178,334	461,086,240	305,208,228	69,370,153	159,239,889	64,144,968	1,806,227,812	13,149,811	734,028,523	1,793,078,001
1989	768,551,433	424,628,499	311,780,032	69,362,597	176,279,369	60,005,140	1,810,607,070	13,207,287	755,344,146	1,797,399,783
1990	793,416,741	437,483,365	325,706,890	72,787,377	176,433,107	59,808,230	1,865,635,710	13,256,473	780,160,268	1,852,379,237
1991	835,609,891	449,598,248	349,285,105	77,568,904	189,501,703	62,822,036	1,964,385,887	13,561,366	822,048,525	1,950,824,521
1992	881,455,173	473,990,765	370,530,673	82,530,486	198,569,112	66,918,337	2,073,994,546	13,914,530	867,540,643	2,060,080,016
1993	934,912,935	482,660,485	409,672,529	85,810,442	210,787,955	72,742,878	2,196,587,224	14,224,132	920,688,803	2,182,363,092
1994	958,887,222	487,120,283	428,370,435	87,866,160	226,027,924	75,794,963	2,264,066,987	14,272,244	944,614,978	2,249,794,743
1995	1,006,072,687	503,401,061	454,618,510	88,111,667	209,227,658	80,019,811	2,341,451,394	14,103,111	991,969,576	2,327,348,283
1996	1,013,903,248	497,897,669	463,235,642	88,512,868	231,713,369	84,365,730	2,379,628,526	13,754,094	1,000,149,154	2,365,874,432
1997	1,001,733,399	473,995,873	476,514,712	87,975,738	222,411,652	81,619,332	2,344,250,706	13,188,337	988,545,062	2,331,062,369
1998	1,027,613,388	480,861,357	505,414,074	94,651,875	231,206,897	79,114,405	2,418,861,996	13,064,145	1,014,549,243	2,405,797,851
1999	1,084,104,555	503,157,539	537,050,583	96,970,189	245,450,529	72,821,443	2,539,554,838	12,809,471	1,071,295,084	2,526,745,367
2000	1,130,209,904	512,823,634	568,264,746	96,574,489	216,180,543	84,225,611	2,608,278,927	12,414,061	1,117,795,843	2,595,864,866
2001	1,232,989,804	541,962,846	682,042,690	125,894,719	74,747,463	73,606,526	2,731,244,048	12,356,165	1,220,633,639	2,718,887,883
2002	1,324,649,741	565,977,848	736,215,333	134,128,510	78,746,720	53,069,647	2,892,787,798	12,326,524	1,312,323,217	2,880,461,275
2003	1,416,707,532	597,361,562	814,977,982	144,787,103	85,549,173	31,449,180	3,090,832,531	12,566,766	1,404,140,766	3,078,265,765
2004	1,467,371,339	608,022,897	868,983,940	151,275,035	92,400,544	17,089,204	3,205,142,958	12,652,788	1,454,718,551	3,192,490,170
2005	1,558,365,901	535,785,969	954,201,759	162,476,415	89,438,969	18,126,904	3,318,395,916	12,799,604	1,545,566,296	3,305,596,312
2006	1,625,646,125	543,562,771	994,954,800	167,428,131	91,630,996	19,108,652	3,442,331,474	12,834,447	1,612,811,678	3,429,497,028
2007	1,733,558,689	563,655,531	1,076,792,462	174,472,971	94,286,382	19,789,375	3,662,555,411	12,666,728	1,720,891,961	3,649,888,683
2008	1,804,494,324	574,495,148	1,137,983,650	178,219,976	88,928,552	21,720,569	3,805,842,219	12,694,285	1,791,800,039	3,793,147,934
2009	1,927,518,032	604,495,766	1,213,183,388	185,452,027	89,095,625	25,471,570	4,045,216,409	12,532,419	1,914,985,613	4,032,683,990
2010	2,052,806,376	635,428,292	1,243,894,804	195,946,623	92,792,845	27,293,001	4,248,161,941	12,329,120	2,040,477,256	4,235,832,821
2011	2,201,874,849	674,038,042	1,288,697,028	206,058,796	97,959,071	30,791,366	4,499,419,152	12,278,093	2,189,596,756	4,487,141,059
2012	2,314,966,934	696,058,638	1,296,348,280	215,284,448	98,445,702	32,423,846	4,653,527,848	11,989,617	2,302,977,317	4,641,538,231

Source: Iowa Department of Management/ Strategic Economics Group
 The utilities column excludes replacement taxes.

Over the 33 years since Iowa’s existing property tax system was implemented taxes levied against commercial property have increased by 779.4 percent, while net residential, agricultural, industrial, and utility property tax levies have increased by 459.1 percent, 100.4 percent, 229.1 percent, and 4.1 percent, respectively. Overall property taxes statewide increased by 313.3 percent. The consumer price index increased by 270.5 percent over this period. A discussion of the impact of new construction and property reclassification on growth rates for the different property classifications is presented later in the paper.

Section 2: Major Features of the Iowa Property Tax System

Taxes imposed on real property in Iowa depend on three major factors. They are:

- The assessed value of the property,
- The share of the assessed value of the property subject to tax, which depends on the property’s usage classification, and
- Tax rates established by taxing authorities.

Ninety-nine county and eight city assessors determine the valuations for agricultural, commercial, industrial, and residential property. The Iowa Department of Revenue centrally assesses utility, pipeline, and railroad property.

County and city assessors are responsible for determining the classification of each parcel of real property. Each parcel may be assigned to only one classification. So, for mixed use property assessors must determine the predominant use and establish the property's classification based on that use.

The classification attached to each property determines both the methods used to determine a property's assessed value and the share of the property's assessed value that is subject to tax. The valuation for residential properties is generally based on sales price information for comparable properties in the same vicinity. Comparable property sales may also be used to determine assessed values for commercial and industrial properties, but often other methods are used when the number of comparable sales is inadequate. The other methods used to determine valuations for commercial and industrial properties are the replacement cost approach and the income approach, which takes into consideration the net income generated by businesses occupying the property or the lease income generated by the property. Agricultural property valuations are determined based on a productivity formula averaged over five years.

The share of a property's value subject to tax reflects statutory limitations placed on year-to-year growth rates. For agricultural and residential property annual valuation changes are limited to 4 percent, and in addition, the annual valuation growth rate for these two property classifications is restricted to the lower of the two growth rates. A 4 percent value growth limitation is also applies to commercial and industrial property, but these limitations are not constrained by the growth rates for other property classifications. The valuation growth rate limit for utility property is 8.0 percent. These valuation growth rate limitations are commonly referred to as the "rollback." Table 2 presents the rollback percentages and annual growth rate limits for each property classification since 1978. The rollback percentages presented in the table reflect the share of each classification's total assessed value that may be subject to property tax.

The third factor that determines the amount of tax paid on real property is the levy rate. Within the limits established by State law taxing authorities each year through their budget-making processes establish the levy rates that are applied to the taxable value of each parcel of real property within their jurisdiction. The aggregation of the levy rates of all the taxing authorities for the location where a parcel of real estate is located comprises the consolidated tax rate, which when multiplied by the taxable value of the parcel determined the amount of tax due.

Finally, the taxes that are actually owed on a parcel of property may be adjusted downward or even eliminated as the results of various credits allowed under State law or abated by decision of the taxing authorities. In addition, a variety of types of property, such as churches, non-profit educational institutions, charitable organizations, museums, libraries, etc., are exempt from property taxes. During 2010 the value of exempt property totaled \$9,570.8 million. In comparison, the total amount of taxable property for 2010 equaled \$134.8 billion. No statewide statistics exist for the amount of property taxes abated by local governments.

Table 2: Iowa Property Tax Rollback Percentages and Valuation Growth Rate Limits

Assessment Year	Agricultural		Residential		Commercial		Industrial		Utilities		Railroads *	
	Rollback Percentage	Maximum Growth %	Rollback Percentage	Maximum Growth %	Rollback Percentage	Maximum Growth %	Rollback Percentage	Maximum Growth %	Rollback Percentage	Maximum Growth %	Rollback Percentage	Maximum Growth %
1978	96.2480%	6.00%	78.2516%	6.00%	-----	-----	-----	-----	-----	-----	-----	-----
1979	94.6706%	6.00%	64.3801%	6.00%	88.9872%	6.00%	100.0000%	6.00%	100.0000%	10.00%	88.9872%	-----
1980	99.0951%	4.00%	66.7355%	4.00%	93.1854%	4.00%	100.0000%	4.00%	100.0000%	8.00%	93.1854%	-----
1981	95.7039%	4.00%	64.7793%	4.00%	87.8423%	4.00%	96.9619%	4.00%	100.0000%	8.00%	87.8423%	-----
1982	99.5711%	4.00%	67.2223%	4.00%	91.6331%	4.00%	100.0000%	4.00%	100.0000%	8.00%	91.6331%	-----
1983	86.5024%	4.00%	69.8754%	4.00%	91.7230%	4.00%	97.4567%	4.00%	98.3345%	8.00%	91.7230%	-----
1984	90.0058%	4.00%	72.4832%	4.00%	95.4242%	4.00%	100.0000%	4.00%	97.8637%	8.00%	95.4242%	-----
1985	93.5922%	4.00%	75.6481%	4.00%	98.7948%	4.00%	100.0000%	4.00%	100.0000%	8.00%	98.7948%	-----
1986	100.0000%	4.00%	77.3604%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1987	100.0000%	4.00%	80.5966%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1988	100.0000%	4.00%	80.6384%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1989	100.0000%	4.00%	79.8471%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1990	100.0000%	4.00%	79.4636%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1991	100.0000%	4.00%	73.0608%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1992	100.0000%	4.00%	72.6985%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1993	100.0000%	4.00%	68.0404%	3.13%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1994	100.0000%	4.00%	67.5074%	0.00%	100.0000%	4.00%	100.0000%	4.00%	97.2090%	8.00%	97.2090%	-----
1995	100.0000%	4.00%	59.3180%	0.00%	97.2824%	4.00%	100.0000%	4.00%	100.0000%	8.00%	97.2824%	-----
1996	100.0000%	4.00%	58.8284%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1997	96.4206%	4.00%	54.9090%	4.00%	97.3606%	4.00%	100.0000%	4.00%	100.0000%	8.00%	97.3606%	-----
1998	100.0000%	4.00%	56.4789%	3.54%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
1999	96.3381%	4.00%	54.8525%	4.00%	98.7732%	4.00%	100.0000%	4.00%	100.0000%	8.00%	98.7732%	-----
2000	100.0000%	4.00%	56.2651%	3.60%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2001	100.0000%	4.00%	51.6676%	1.46%	97.7701%	4.00%	100.0000%	4.00%	100.0000%	8.00%	97.7701%	-----
2002	100.0000%	4.00%	51.3874%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2003	100.0000%	4.00%	48.4558%	0.00%	99.2570%	4.00%	100.0000%	4.00%	100.0000%	8.00%	99.2570%	-----
2004	100.0000%	4.00%	47.9642%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2005	100.0000%	4.00%	45.9960%	3.03%	99.1509%	4.00%	100.0000%	4.00%	100.0000%	8.00%	99.1509%	-----
2006	100.0000%	4.00%	45.5596%	0.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2007	90.1023%	4.00%	44.0803%	4.00%	99.7312%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2008	93.8568%	4.00%	45.5893%	4.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2009	66.2715%	4.00%	46.9094%	4.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2010	69.0152%	4.00%	48.5299%	4.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----
2011	57.5411%	4.00%	50.7518%	4.00%	100.0000%	4.00%	100.0000%	4.00%	100.0000%	8.00%	100.0000%	-----

Notes:

- (1) By statute, the percentage increase for railroad property must equal the lowest of the percentages for commercial, industrial, and utility property.
- (2) Residential taxable valuation growth is limited to the same rate as agricultural growth when the growth is less than 4.0 percent.
- (3) The rollback percentage for agricultural property represents the share of property valuation determined under the productivity formula subject to tax rather than the share of market value.

Source: Iowa Department of Revenue, Property Tax Division

Section 3: Causes of Changes in Property Tax Shares

The major causes of the shift in property tax shares since the late 1970s include:

- The rollback, particular as it relates to agricultural and residential property,
- The agricultural productivity based assessment formula,
- The elimination of property tax for industrial and commercial machinery, equipment, and computers, and
- Replacement of the property value based tax for power utilities with one based on power generation units.

The Rollback

Most years commercial, industrial, railroad, and utility property are taxed at their full assessed values. This is because rarely do the market values for these property classifications grow by more than the 4 percent or 8 percent limits established by statute. On the other hand, since 1978 the share of market value at which residential property is taxed has decreased from 78.25 percent to as low as 44.08 percent for 2007. Also, for 2011 agricultural property will only be taxed at 57.54 percent of its productivity value. However, because the productivity formula used to value agricultural land is based on a five-year

Table 3: Property Tax Assessment Rollback Impact

Actual Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,117,795,843	459,101,080	53,722,554	568,264,746	96,574,489	15,128,153	216,180,543	69,097,458	2,595,864,866
2001	1,220,633,639	484,323,096	57,639,750	682,042,690	125,894,719	15,679,283	74,747,463	57,927,243	2,718,887,883
2002	1,312,323,217	504,357,783	61,620,065	736,215,333	134,128,510	16,275,951	78,746,720	36,793,695	2,880,461,275
2003	1,404,140,766	531,979,435	65,382,127	814,977,982	144,787,103	15,851,071	85,549,173	15,598,109	3,078,265,765
2004	1,454,718,551	539,707,303	68,315,594	868,983,940	151,275,035	16,666,201	92,400,544	423,002	3,192,490,170
2005	1,545,566,296	469,096,159	66,689,810	954,201,759	162,476,415	17,862,438	89,438,969	264,466	3,305,596,312
2006	1,612,811,678	474,909,340	68,653,431	994,954,800	167,428,131	18,859,812	91,630,996	248,841	3,429,497,028
2007	1,720,891,961	492,911,006	70,744,525	1,076,792,462	174,472,971	19,519,283	94,286,382	270,092	3,649,888,683
2008	1,791,800,039	500,120,124	74,375,024	1,137,983,650	178,219,976	21,479,137	88,928,552	241,432	3,793,147,934
2009	1,914,985,613	535,440,377	69,055,389	1,213,183,388	185,452,027	25,219,220	89,095,625	252,350	4,032,683,990
2010	2,040,477,256	559,326,038	76,102,255	1,243,894,804	195,946,623	27,065,702	92,792,845	227,299	4,235,832,821
2011	2,189,596,756	620,804,411	53,233,631	1,288,697,028	206,058,796	30,557,998	97,959,071	233,368	4,487,141,059
2012	2,302,977,317	640,707,400	55,351,238	1,296,348,280	215,284,448	32,195,496	98,445,702	228,350	4,641,538,231

Estimated Property Tax Levies without Rollback									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,394,379,769	440,751,233	51,765,092	396,585,892	79,192,277	12,530,085	166,461,906	54,198,612	2,595,864,866
2001	1,539,456,601	481,742,411	56,985,261	439,157,959	85,505,430	13,286,731	63,195,995	39,557,495	2,718,887,883
2002	1,646,585,697	495,334,267	60,159,254	476,852,033	92,926,031	13,938,137	69,014,830	25,651,026	2,880,461,275
2003	1,821,649,564	492,466,716	60,404,532	513,450,770	95,903,876	13,124,363	70,954,727	10,311,216	3,078,265,764
2004	1,903,212,934	498,441,366	62,904,806	536,974,730	100,575,092	13,436,161	76,674,553	270,528	3,192,490,170
2005	2,078,051,761	402,591,358	57,169,275	579,309,478	104,089,950	13,621,136	70,589,971	173,383	3,305,596,312
2006	2,176,908,006	404,978,589	58,558,160	596,489,473	106,634,110	14,176,450	71,591,344	160,895	3,429,497,027
2007	2,354,586,236	410,946,761	58,970,271	630,892,853	108,053,088	14,492,460	71,776,575	170,440	3,649,888,684
2008	2,465,442,231	413,392,662	61,414,679	659,237,376	110,388,287	15,678,458	67,442,557	151,683	3,793,147,933
2009	2,626,688,138	472,035,519	60,875,275	678,768,886	111,418,595	17,864,119	64,881,252	152,206	4,032,683,990
2010	2,766,576,263	482,624,145	65,676,360	710,885,382	121,022,032	19,617,377	69,291,652	139,610	4,235,832,821
2011	2,769,919,616	730,777,066	63,221,496	708,766,407	122,777,777	21,279,448	70,262,933	136,316	4,487,141,059
2012	2,875,828,198	744,839,590	64,907,979	727,992,828	132,605,206	23,034,898	72,190,806	138,726	4,641,538,231

Rollback Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	-276,583,926	18,349,847	1,957,462	171,678,854	17,382,212	2,598,068	49,718,637	14,898,846	0
2001	-318,822,962	2,580,685	654,489	242,884,731	40,389,289	2,392,552	11,551,468	18,369,748	0
2002	-334,262,480	9,023,516	1,460,811	259,363,300	41,202,479	2,337,814	9,731,890	11,142,669	0
2003	-417,508,798	39,512,719	4,977,595	301,527,212	48,883,227	2,726,708	14,594,446	5,286,893	0
2004	-448,494,383	41,265,937	5,410,788	332,009,210	50,699,943	3,230,040	15,725,991	152,474	0
2005	-532,485,465	66,504,801	9,520,535	374,892,281	58,386,465	4,241,302	18,848,998	91,083	0
2006	-564,096,328	69,930,751	10,095,271	398,465,327	60,794,021	4,683,362	20,039,652	87,946	0
2007	-633,694,275	81,964,245	11,774,254	445,899,609	66,419,883	5,026,823	22,509,807	99,652	0
2008	-673,642,192	86,727,462	12,960,345	478,746,274	67,831,689	5,800,679	21,485,995	89,749	0
2009	-711,702,525	63,404,858	8,180,114	534,414,502	74,033,432	7,355,101	24,214,373	100,144	0
2010	-726,099,007	76,701,893	10,425,895	533,009,422	74,924,591	7,448,325	23,501,193	87,689	0
2011	-580,322,860	-109,972,655	-9,987,865	579,930,621	83,281,019	9,278,550	27,696,138	97,052	0
2012	-572,850,881	-104,132,190	-9,556,741	568,355,452	82,679,242	9,160,598	26,254,896	89,624	0

Percentage Rollback Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	-19.84%	4.16%	3.78%	43.29%	21.95%	20.73%	29.87%	27.49%	0.00%
2001	-20.71%	0.54%	1.15%	55.31%	47.24%	18.01%	18.28%	46.44%	0.00%
2002	-20.30%	1.82%	2.43%	54.39%	44.34%	16.77%	14.10%	43.44%	0.00%
2003	-22.92%	8.02%	8.24%	58.73%	50.97%	20.78%	20.57%	51.27%	0.00%
2004	-23.57%	8.28%	8.60%	61.83%	50.41%	24.04%	20.51%	56.36%	0.00%
2005	-25.62%	16.52%	16.65%	64.71%	56.09%	31.14%	26.70%	52.53%	0.00%
2006	-25.91%	17.27%	17.24%	66.80%	57.01%	33.04%	27.99%	54.66%	0.00%
2007	-26.91%	19.95%	19.97%	70.68%	61.47%	34.69%	31.36%	58.47%	0.00%
2008	-27.32%	20.98%	21.10%	72.62%	61.45%	37.00%	31.86%	59.17%	0.00%
2009	-27.10%	13.43%	13.44%	78.73%	66.45%	41.17%	37.32%	65.79%	0.00%
2010	-26.25%	15.89%	15.87%	74.98%	61.91%	37.97%	33.92%	62.81%	0.00%
2011	-20.95%	-15.05%	-15.80%	81.82%	67.83%	43.60%	39.42%	71.20%	0.00%
2012	-19.92%	-13.98%	-14.72%	78.07%	62.35%	39.77%	36.37%	64.60%	0.00%
Average	-23.89%	5.28%	7.39%	68.20%	55.93%	32.16%	28.46%	38.56%	0.00%

Source: Strategic Economics Group

moving average the rollback percentage for this classification significantly overstated the share of market value subject to tax.

Focusing first on the impact of the rollback, Table 3 shows what the property tax amounts would have been for the fiscal years 2000 through 2012 if all classifications of property had been taxed at their full assessed values. In addition, the final section of the table presents the percentage by which tax levies would have changed for the different property classifications if the rollback did not exist. This analysis assumes that the total amounts of property tax levied remains the same as the actual amounts levied for the years presented in the table.

The major beneficiary of the rollback has been residential property. Averaging over the thirteen years property taxes levied on residential property have been 23.89 percent below what they otherwise would have been. At the other extreme, taxes levied on commercial property have been on average 68.20 percent more than they would have been without the rollback.

For the past couple of years agricultural property has experienced lower taxes due to the rollback. Rapidly rising agricultural land prices will likely result in growth of the magnitude of the benefit of the rollback for agricultural property. Alternatively, as has been seen since fiscal year 2010 the benefit to residential property has decreased.

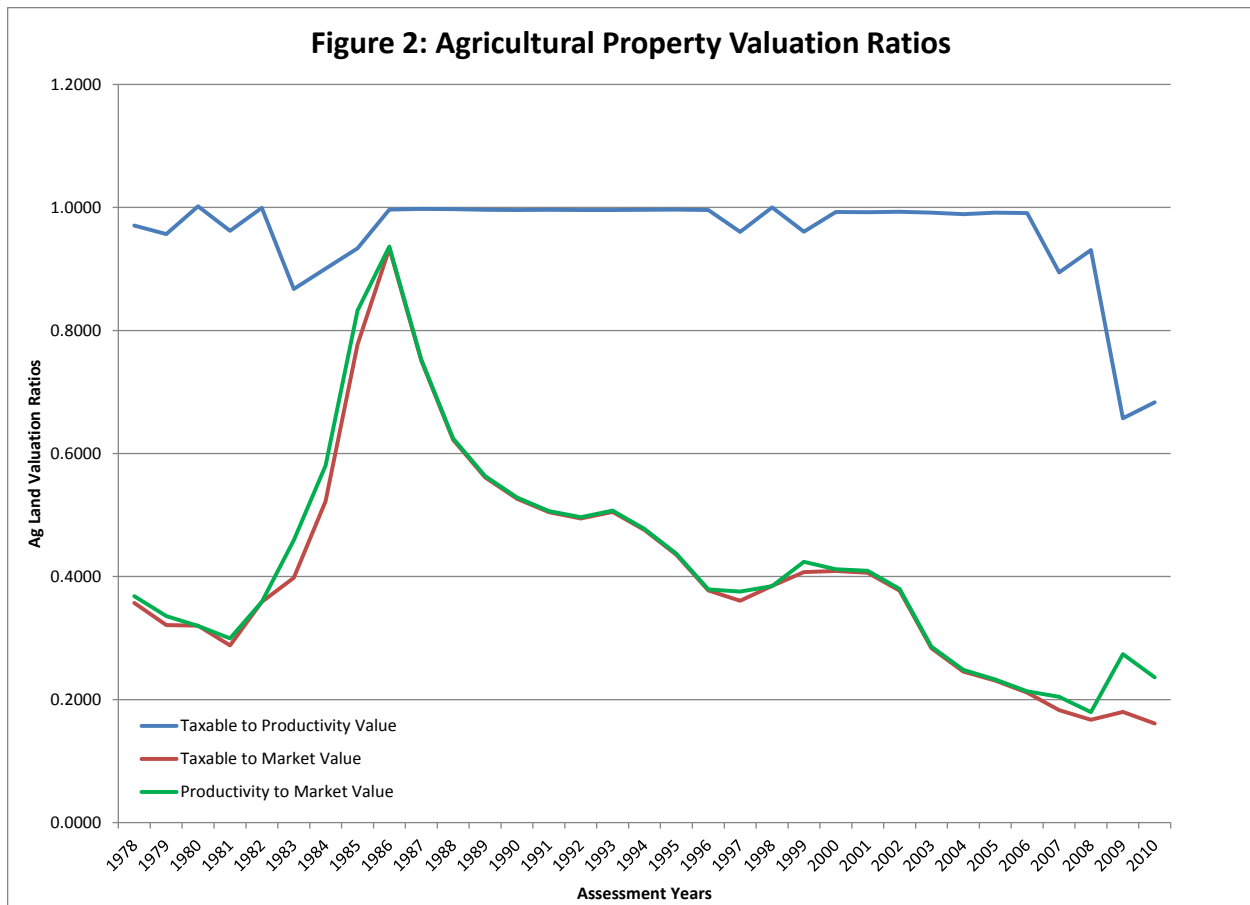
Agricultural Productivity Formula

Unlike other types of property, agricultural property is assessed based on productivity rather than market value. The productivity formula is a 5-year moving average, which reduces the impact of large year-to-year fluctuations in agricultural crop production levels and prices. The productivity formula applies to both agricultural land and buildings. However, only calculations based on the crop producing capacity of land determines the overall assessed value for agricultural property. The value of agricultural buildings is adjusted by the ratio of land productivity to market value. Then the total productivity value based on the land assessment is allocated between land and buildings.

As shown in Figure 2, until assessment year 2007 the rollback had very little impact of the share of productivity formula based assessed value for agricultural property that was subject to tax (blue line). However, since 2006 the share of the assessed value of agricultural property subject to tax decreased from 99.1 percent to 68.3 percent for assessment year 2010. This decrease can be attributed to the large increase in crop prices that have occurred over the past several years, which has resulted in the productivity based valuations for agricultural property increasing by over 4 percent each of the past four years.

The lines representing the ratios of taxable value to market value (red) and productivity value to market value (green) tell a different story. Since 1986 when the ratio of taxable value to market value for agricultural property equaled 0.9332 the share of the market value of agricultural property subject to tax has experienced a steady decline. As a consequence for the 2010 assessment year only 16.1 percent of the market value of agricultural property statewide is subject to property tax. This has resulted in a large shift of tax burden from agricultural property to other property classifications.

Table 4 shows the impact of the productivity based assessment formula for agricultural property on the tax burdens of the different property tax classifications from fiscal year 2000 through fiscal year 2012.



Source: Strategic Economics Group

If agricultural property were taxed based on market value instead of using the productivity formula, but with the rollback limitations remaining in place, property taxes paid on agricultural land and buildings would have been 58.1 percent higher on average for the past thirteen years. On the hand, property taxes paid on residential, commercial, industrial, railroad, and utility property were on average 36.8 percent, 47.3 percent, 36.2 percent, 15.5 percent, and 13.2 percent, respectively, higher than they would have been without agricultural property being assessed using the productivity formula.

As shown in Table 5, the combined impact of the agricultural productivity formula and the rollback over the past thirteen fiscal years is about a 59 percent reduction in taxes compared to what would have been the case if agricultural property were taxed at market value. The impact of these two provisions of current law on property taxes imposed on the other classifications of property over the same thirteen fiscal years were 7.8 percent more for residential property, 137.5 percent more for commercial property, 199.4 percent more for industrial property, 86.8 percent more for railroads, and 77.8 percent more for utilities. However, the average impacts over the period hide a significant trend toward a growth in the shift of property tax burden from agricultural property to the other property classifications. For example, for fiscal year 2000 residential property paid only 4.5 percent more, but by fiscal year 2012 the tax burden shift had increased to 25.9 percent. Similarly, for commercial property the tax burden shift from fiscal year 2000 to fiscal year 2012 increased from 86.8 percent to 179.9 percent.

Table 4: Property Tax Agricultural Productivity Formula Impact

Actual Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,117,795,843	459,101,080	53,722,554	568,264,746	96,574,489	15,128,153	216,180,543	69,097,458	2,595,864,866
2001	1,220,633,639	484,323,096	57,639,750	682,042,690	125,894,719	15,679,283	74,747,463	57,927,243	2,718,887,883
2002	1,312,323,217	504,357,783	61,620,065	736,215,333	134,128,510	16,275,951	78,746,720	36,793,695	2,880,461,275
2003	1,404,140,766	531,979,435	65,382,127	814,977,982	144,787,103	15,851,071	85,549,173	15,598,109	3,078,265,765
2004	1,454,718,551	539,707,303	68,315,594	868,983,940	151,275,035	16,666,201	92,400,544	423,002	3,192,490,170
2005	1,545,566,296	469,096,159	66,689,810	954,201,759	162,476,415	17,862,438	89,438,969	264,466	3,305,596,312
2006	1,612,811,678	474,909,340	68,653,431	994,954,800	167,428,131	18,859,812	91,630,996	248,841	3,429,497,028
2007	1,720,891,961	492,911,006	70,744,525	1,076,792,462	174,472,971	19,519,283	94,286,382	270,092	3,649,888,683
2008	1,791,800,039	500,120,124	74,375,024	1,137,983,650	178,219,976	21,479,137	88,928,552	241,432	3,793,147,934
2009	1,914,985,613	535,440,377	69,055,389	1,213,183,388	185,452,027	25,219,220	89,095,625	252,350	4,032,683,990
2010	2,040,477,256	559,326,038	76,102,255	1,243,894,804	195,946,623	27,065,702	92,792,845	227,299	4,235,832,821
2011	2,189,596,756	620,804,411	53,233,631	1,288,697,028	206,058,796	30,557,998	97,959,071	233,368	4,487,141,059
2012	2,302,977,317	640,707,400	55,351,238	1,296,348,280	215,284,448	32,195,496	98,445,702	228,350	4,641,538,231

Estimated Property Tax Levies without Agricultural Productivity Formula									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	840,270,403	890,927,039	104,538,360	424,723,760	84,672,809	13,578,831	179,066,804	58,086,860	2,595,864,866
2001	930,938,932	969,945,891	114,622,869	480,133,555	94,483,628	14,541,806	70,473,309	43,747,893	2,718,887,883
2002	1,000,479,130	1,020,492,056	123,940,683	517,036,138	100,757,051	15,112,725	74,830,816	27,812,675	2,880,461,274
2003	1,066,263,123	1,090,909,105	133,807,732	571,122,472	109,109,204	14,598,543	80,724,721	11,730,865	3,078,265,765
2004	1,095,051,349	1,135,692,908	143,327,874	603,740,914	113,080,364	15,106,782	86,185,813	304,165	3,192,490,169
2005	1,120,838,769	1,165,908,643	165,560,539	642,719,511	116,360,189	15,112,085	78,902,905	193,671	3,305,596,312
2006	1,157,540,812	1,217,580,413	176,056,866	663,961,954	118,708,388	15,780,033	79,689,468	179,095	3,429,497,029
2007	1,240,026,567	1,283,274,068	184,147,989	719,012,657	124,212,338	16,516,691	82,502,463	195,909	3,649,888,682
2008	1,281,189,565	1,336,845,475	198,605,208	754,779,694	126,386,701	17,950,715	77,216,909	173,667	3,793,147,934
2009	1,378,412,526	1,429,078,326	184,298,578	808,789,717	133,119,075	21,286,047	77,517,870	181,850	4,032,683,989
2010	1,470,499,553	1,485,925,510	202,207,417	831,490,247	141,553,958	22,945,552	81,047,289	163,295	4,235,832,821
2011	1,576,404,463	1,645,067,781	142,319,337	862,405,373	149,392,259	25,892,184	85,493,797	165,865	4,487,141,059
2012	1,653,714,280	1,703,642,635	148,461,859	864,882,933	157,539,985	27,366,327	85,765,400	164,811	4,641,538,230

Agricultural Productivity Formula Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	277,525,440	-431,825,959	-50,815,806	143,540,986	11,901,680	1,549,322	37,113,739	11,010,598	0
2001	289,694,707	-485,622,795	-56,983,119	201,909,135	31,411,091	1,137,477	4,274,154	14,179,350	0
2002	311,844,087	-516,134,273	-62,320,618	219,179,195	33,371,459	1,163,226	3,915,904	8,981,020	0
2003	337,877,643	-558,929,670	-68,425,605	243,855,510	35,677,899	1,252,528	4,824,452	3,867,244	0
2004	359,667,202	-595,985,605	-75,012,280	265,243,026	38,194,671	1,559,419	6,214,731	118,837	0
2005	424,727,527	-696,812,484	-98,870,729	311,482,248	46,116,226	2,750,353	10,536,064	70,795	0
2006	455,270,866	-742,671,073	-107,403,435	330,992,846	48,719,743	3,079,779	11,941,528	69,746	0
2007	480,865,394	-790,363,062	-113,403,464	357,779,805	50,260,633	3,002,592	11,783,919	74,183	0
2008	510,610,474	-836,725,351	-124,230,184	383,203,956	51,833,275	3,528,422	11,711,643	67,765	0
2009	536,573,087	-893,637,949	-115,243,189	404,393,671	52,332,952	3,933,173	11,577,755	70,500	0
2010	569,977,703	-926,599,472	-126,105,162	412,404,557	54,392,665	4,120,150	11,745,556	64,004	0
2011	613,192,293	-1,024,263,370	-89,085,706	426,291,655	56,666,537	4,665,814	12,465,274	67,503	0
2012	649,263,037	-1,062,935,235	-93,110,621	431,465,347	57,744,463	4,829,169	12,680,302	63,539	0

Percentage Agricultural Productivity Formula Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	33.03%	-48.47%	-48.61%	33.80%	14.06%	11.41%	20.73%	18.96%	0.00%
2001	31.12%	-50.07%	-49.71%	42.05%	33.25%	7.82%	6.06%	32.41%	0.00%
2002	31.17%	-50.58%	-50.28%	42.39%	33.12%	7.70%	5.23%	32.29%	0.00%
2003	31.69%	-51.24%	-51.14%	42.70%	32.70%	8.58%	5.98%	32.97%	0.00%
2004	32.84%	-52.48%	-52.34%	43.93%	33.78%	10.32%	7.21%	39.07%	0.00%
2005	37.89%	-59.77%	-59.72%	48.46%	39.63%	18.20%	13.35%	36.55%	0.00%
2006	39.33%	-61.00%	-61.00%	49.85%	41.04%	19.52%	14.99%	38.94%	0.00%
2007	38.78%	-61.59%	-61.58%	49.76%	40.46%	18.18%	14.28%	37.87%	0.00%
2008	39.85%	-62.59%	-62.55%	50.77%	41.01%	19.66%	15.17%	39.02%	0.00%
2009	38.93%	-62.53%	-62.53%	50.00%	39.31%	18.48%	14.94%	38.77%	0.00%
2010	38.76%	-62.36%	-62.36%	49.60%	38.43%	17.96%	14.49%	39.20%	0.00%
2011	38.90%	-62.26%	-62.60%	49.43%	37.93%	18.02%	14.58%	40.70%	0.00%
2012	39.26%	-62.39%	-62.72%	49.89%	36.65%	17.65%	14.78%	38.55%	0.00%
Average	36.79%	-58.40%	-58.41%	47.25%	36.23%	15.51%	13.23%	27.05%	0.00%

Source: Strategic Economics Group

Table 5: Property Tax Ag Formula and Rollback Impact

Actual Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,117,795,843	459,101,080	53,722,554	568,264,746	96,574,489	15,128,153	216,180,543	69,097,458	2,595,864,866
2001	1,220,633,639	484,323,096	57,639,750	682,042,690	125,894,719	15,679,283	74,747,463	57,927,243	2,718,887,883
2002	1,312,323,217	504,357,783	61,620,065	736,215,333	134,128,510	16,275,951	78,746,720	36,793,695	2,880,461,275
2003	1,404,140,766	531,979,435	65,382,127	814,977,982	144,787,103	15,851,071	85,549,173	15,598,109	3,078,265,765
2004	1,454,718,551	539,707,303	68,315,594	868,983,940	151,275,035	16,666,201	92,400,544	423,002	3,192,490,170
2005	1,545,566,296	469,096,159	66,689,810	954,201,759	162,476,415	17,862,438	89,438,969	264,466	3,305,596,312
2006	1,612,811,678	474,909,340	68,653,431	994,954,800	167,428,131	18,859,812	91,630,996	248,841	3,429,497,028
2007	1,720,891,961	492,911,006	70,744,525	1,076,792,462	174,472,971	19,519,283	94,286,382	270,092	3,649,888,683
2008	1,791,800,039	500,120,124	74,375,024	1,137,983,650	178,219,976	21,479,137	88,928,552	241,432	3,793,147,934
2009	1,914,985,613	535,440,377	69,055,389	1,213,183,388	185,452,027	25,219,220	89,095,625	252,350	4,032,683,990
2010	2,040,477,256	559,326,038	76,102,255	1,243,894,804	195,946,623	27,065,702	92,792,845	227,299	4,235,832,821
2011	2,189,596,756	620,804,411	53,233,631	1,288,697,028	206,058,796	30,557,998	97,959,071	233,368	4,487,141,059
2012	2,302,977,317	640,707,400	55,351,238	1,296,348,280	215,284,448	32,195,496	98,445,702	228,350	4,641,538,231

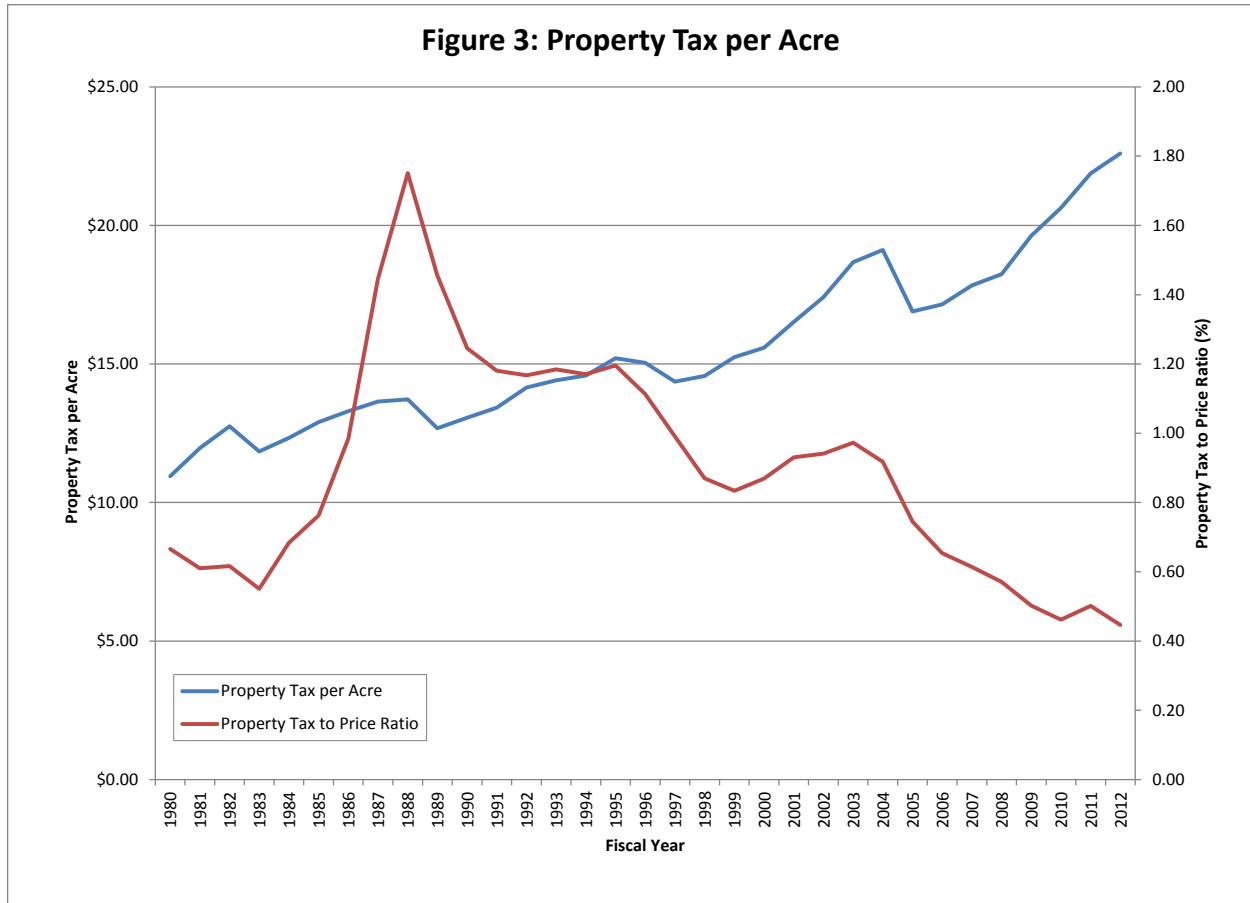
Estimated Property Tax Levies without Ag Peroductivity Formula or Rollback									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,069,788,152	879,006,108	103,139,599	304,266,383	60,757,450	9,613,261	127,711,961	41,581,952	2,595,864,866
2001	1,211,541,307	897,102,761	106,014,668	345,614,164	67,292,160	10,456,562	49,734,795	31,131,465	2,718,887,882
2002	1,287,646,532	947,265,937	115,047,233	372,903,073	72,669,089	10,899,763	53,970,289	20,059,359	2,880,461,275
2003	1,442,929,016	960,133,091	117,767,127	406,704,467	75,965,481	10,395,811	56,203,254	8,167,517	3,078,265,764
2004	1,474,841,170	1,024,290,770	129,268,588	416,113,418	77,937,830	10,411,974	59,416,781	209,638	3,192,490,169
2005	1,537,629,604	1,050,659,191	149,194,968	428,653,136	77,020,116	10,078,797	52,232,207	128,292	3,305,596,311
2006	1,538,117,883	1,165,359,749	168,505,984	421,456,085	75,343,483	10,016,524	50,583,638	113,682	3,429,497,028
2007	1,647,396,334	1,246,182,509	178,825,403	441,406,884	75,599,805	10,139,711	50,218,788	119,249	3,649,888,683
2008	1,680,457,915	1,333,275,353	198,074,821	449,339,536	75,241,216	10,686,517	45,969,188	103,388	3,793,147,934
2009	1,729,346,983	1,531,067,773	197,451,468	446,884,770	73,355,268	11,761,297	42,716,223	100,209	4,032,683,991
2010	1,732,129,229	1,696,269,629	230,831,423	445,079,127	75,770,837	12,282,268	43,382,898	87,408	4,235,832,819
2011	1,878,274,769	1,824,949,987	157,881,441	480,612,524	83,255,269	14,429,534	47,645,099	92,435	4,487,141,058
2012	1,829,452,022	2,027,287,238	176,665,474	463,111,097	84,356,521	14,653,602	45,924,028	88,250	4,641,538,232

Ag Productivity Formula and Rollback Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	48,007,691	-419,905,028	-49,417,045	263,998,363	35,817,039	5,514,892	88,468,582	27,515,506	0
2001	9,092,332	-412,779,665	-48,374,918	336,428,526	58,602,559	5,222,721	25,012,668	26,795,778	0
2002	24,676,685	-442,908,154	-53,427,168	363,312,260	61,459,421	5,376,188	24,776,431	16,734,336	0
2003	-38,788,250	-428,153,656	-52,385,000	408,273,515	68,821,622	5,455,260	29,345,919	7,430,592	0
2004	-20,122,619	-484,583,467	-60,952,994	452,870,522	73,337,205	6,254,227	32,983,763	213,364	0
2005	7,936,692	-581,563,032	-82,505,158	525,548,623	85,456,299	7,783,641	37,206,762	136,174	0
2006	74,693,795	-690,450,409	-99,852,553	573,498,715	92,084,648	8,843,288	41,047,358	135,159	0
2007	73,495,627	-753,271,503	-108,080,878	635,385,578	98,873,166	9,379,572	44,067,594	150,843	0
2008	111,342,124	-833,155,229	-123,699,797	688,644,114	102,978,760	10,792,620	42,959,364	138,044	0
2009	185,638,630	-995,627,396	-128,396,079	766,298,618	112,096,759	13,457,923	46,379,402	152,141	0
2010	308,348,027	-1,136,943,591	-154,729,168	798,815,677	120,175,786	14,783,434	49,409,947	139,891	0
2011	311,321,987	-1,204,145,576	-104,647,810	808,084,504	122,803,527	16,128,464	50,313,972	140,933	0
2012	473,525,295	-1,386,579,838	-121,314,236	833,237,183	130,927,927	17,541,894	52,521,674	140,100	0

Percentage Ag Productivity Formula and Rollback Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	4.49%	-47.77%	-47.91%	86.77%	58.95%	57.37%	69.27%	66.17%	0.00%
2001	0.75%	-46.01%	-45.63%	97.34%	87.09%	49.95%	50.29%	86.07%	0.00%
2002	1.92%	-46.76%	-46.44%	97.43%	84.57%	49.32%	45.91%	83.42%	0.00%
2003	-2.69%	-44.59%	-44.48%	100.39%	90.60%	52.48%	52.21%	90.98%	0.00%
2004	-1.36%	-47.31%	-47.15%	108.83%	94.10%	60.07%	55.51%	101.78%	0.00%
2005	0.52%	-55.35%	-55.30%	122.60%	110.95%	77.23%	71.23%	106.14%	0.00%
2006	4.86%	-59.25%	-59.26%	136.08%	122.22%	88.29%	81.15%	118.89%	0.00%
2007	4.46%	-60.45%	-60.44%	143.95%	130.78%	92.50%	87.75%	126.49%	0.00%
2008	6.63%	-62.49%	-62.45%	153.26%	136.86%	100.99%	93.45%	133.52%	0.00%
2009	10.73%	-65.03%	-65.03%	171.48%	152.81%	114.43%	108.58%	151.82%	0.00%
2010	17.80%	-67.03%	-67.03%	179.48%	158.60%	120.36%	113.89%	160.04%	0.00%
2011	16.57%	-65.98%	-66.28%	168.14%	147.50%	111.77%	105.60%	152.47%	0.00%
2012	25.88%	-68.40%	-68.67%	179.92%	155.21%	119.71%	114.37%	158.75%	0.00%
Average	7.82%	-58.92%	-58.55%	137.48%	119.38%	86.77%	77.79%	78.27%	0.00%

Source: Strategic Economics Group

One additional way of showing the change in the property tax burden for agricultural property is presented in Figure 3. Here the statewide average property tax paid per acre of agricultural land is shown both in actual dollars (blue - left axis) and as a percentage of the statewide average market value of an acre of farm land (red – right axis).



Source: Strategic Economic Group

From fiscal year 1980 to fiscal year 2012 the property tax levied per acre of farm land increased from a statewide average of \$10.95 to \$22.60, which is a 106.4 percent increase. However, when the tax levied per acre is compared to the market price per acre a truer picture of the property tax burden born by agricultural property is revealed. This comparison shows that since peaking in fiscal year 1988 at 1.75 percent the ratio of property tax to price has decreased by all three-quarters to 0.45 percent for fiscal year 2012.

Elimination of Property Tax on Computers and on Industrial Machinery and Equipment

Prior to 1981 industrial machinery and equipment were subject to property tax based on 100 percent of their net acquisition costs. Industrial machinery and equipment placed in service between January 1, 1981 and December 31, 1993 was taxed at 30 percent of net acquisition cost. Industrial machinery and equipment and computers acquired on or after January 1, 1995 were made totally exempt from property tax. In addition, the property tax on previously acquired computers and industrial machinery

and equipment was phase-out over four years beginning January 1, 1999. The phase-out schedule was as follows:

- For the assessment year beginning January 1, 1999, 22 percent of the acquisition cost of qualifying property was subject to tax,
- For the assessment year beginning January 1, 2000, 14 percent of the acquisition cost of qualifying property was subject to tax,
- For the assessment year beginning January 1, 2001, 6 percent of the acquisition cost of qualifying property was subject to tax, and
- For subsequent assessment years qualifying computers and industrial machinery and equipment were totally exempt from property tax.

The State reimbursed local governments for the loss of property tax revenue on 70 percent of the value of industrial machinery and equipment due to the 1981 law change through the end of fiscal year 1992. The reimbursements were repealed beginning with fiscal year 1993. Again the State promised to reimburse local governments for the remaining 30 percent of the value of computers and industrial machinery and equipment exempted from property tax by 1995 legislation, but due to budget problems the State end reimbursements after the 2004 fiscal year.

Overall the impact of the 1995 legislation was not large relative to the overall magnitude of property taxes levied statewide. As shown in Table 6, for fiscal year 2012 the estimated amount of property tax foregone due to the 1995 legislation equals just under \$150 million, which amounts to only 3.2 percent of total property tax revenues. However, the impact varied across the State of because industrial companies are concentrated in only about a third of the State's counties.

Power Utilities Replacement Tax

The last of the four major changes made to the State's property tax system over the past three decades involved the replacement of property tax for power utilities with an excise tax based on the generation, transmission, and delivery of electricity and natural gas in the State. This change was enacted during the 1998 legislative session.

For electricity the tax equals the sum of the number of kilowatt-hours of electricity delivered to consumers multiplied by the electric replacement delivery tax rate and, where applicable, the number of kilowatt-hours of electricity delivered to consumers multiplied by the municipal electric transfer replacement tax rate. For natural gas the tax equals the sum of the number of therms (100 thousand BTUs) of natural gas delivered to consumers multiplied by the natural gas replacement delivery tax rate and, where applicable, the number of therms of natural gas delivered to consumers multiplied by the municipal gas transfer replacement tax rate. The Director of the Iowa Department of Revenue is responsible for annually determining the electric replacement delivery tax rate and the natural gas replacement delivery tax rates. Individual municipalities annually establish the electric and natural gas replacement transfer tax rates.

As shown in Table 7, property and replacement taxes paid by utilities over the past eleven years for which data are available have averaged about 7.8 percent less than they would have in the absence of the 1998 law change. For fiscal year 2012 this amounts to about \$18.4 million less in taxes being paid by electric and natural gas utilities. As a result property taxes imposed on other property classifications

Table 6: Industrial Machinery and Equipment Property Tax Exemption Impact

Actual Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,117,795,843	459,101,080	53,722,554	568,264,746	96,574,489	15,128,153	216,180,543	69,097,458	2,595,864,866
2001	1,220,633,639	484,323,096	57,639,750	682,042,690	125,894,719	15,679,283	74,747,463	57,927,243	2,718,887,883
2002	1,312,323,217	504,357,783	61,620,065	736,215,333	134,128,510	16,275,951	78,746,720	36,793,695	2,880,461,275
2003	1,404,140,766	531,979,435	65,382,127	814,977,982	144,787,103	15,851,071	85,549,173	15,598,109	3,078,265,765
2004	1,454,718,551	539,707,303	68,315,594	868,983,940	151,275,035	16,666,201	92,400,544	423,002	3,192,490,170
2005	1,545,566,296	469,096,159	66,689,810	954,201,750	162,476,415	17,862,438	89,438,969	264,466	3,305,596,312
2006	1,612,811,678	474,909,340	68,653,431	994,954,800	167,428,131	18,859,812	91,630,996	248,841	3,429,497,028
2007	1,720,891,961	492,911,006	70,744,525	1,076,792,462	174,472,971	19,519,283	94,286,382	270,092	3,649,888,683
2008	1,791,800,039	500,120,124	74,375,024	1,137,983,650	178,219,976	21,479,137	88,928,552	241,432	3,793,147,934
2009	1,914,985,613	535,440,377	69,055,389	1,213,183,388	185,452,027	25,219,220	89,095,625	252,350	4,032,683,990
2010	2,040,477,256	559,326,038	76,102,255	1,243,894,804	195,946,623	27,065,702	92,792,845	227,299	4,235,832,821
2011	2,189,596,756	620,804,411	53,233,631	1,288,697,028	206,058,796	30,557,998	97,959,071	233,368	4,487,141,059
2012	2,302,977,317	640,707,400	55,351,238	1,296,348,280	215,284,448	32,195,496	98,445,702	228,350	4,641,538,231

Estimated Property Tax Levies with Industrial Machinery and Equipment Taxable									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,112,036,623	456,735,653	53,445,759	565,336,875	96,076,908	15,050,208	215,066,716	82,116,122	2,595,864,864
2001	1,205,760,097	478,421,571	56,937,404	673,731,932	124,360,679	15,488,230	73,836,658	90,351,311	2,718,887,882
2002	1,285,597,224	494,086,333	60,365,148	721,222,010	131,396,928	15,944,485	77,143,012	94,706,136	2,880,461,276
2003	1,364,760,339	517,059,580	63,548,424	792,121,170	140,726,415	15,406,513	83,149,867	101,493,457	3,078,265,765
2004	1,406,929,637	521,977,396	66,071,360	840,436,976	146,305,503	16,118,700	89,365,096	105,285,501	3,192,490,169
2005	1,492,418,148	452,965,118	64,396,515	921,389,154	156,889,259	17,248,194	86,363,387	113,926,537	3,305,596,312
2006	1,557,779,617	458,704,571	66,310,852	961,005,137	161,715,179	18,216,281	88,504,380	117,261,011	3,429,497,028
2007	1,663,592,562	476,498,875	68,388,992	1,040,939,217	168,663,660	18,869,362	91,146,991	121,789,023	3,649,888,682
2008	1,732,900,454	483,680,306	71,930,187	1,100,576,147	172,361,575	20,773,081	86,005,316	124,920,868	3,793,147,934
2009	1,853,323,783	518,199,394	66,831,831	1,174,119,331	179,480,540	24,407,170	86,226,779	130,095,162	4,032,683,990
2010	1,974,674,497	541,288,495	73,648,055	1,203,780,801	189,627,597	26,192,868	89,800,395	136,820,113	4,235,832,821
2011	2,119,698,447	600,986,525	51,534,258	1,247,558,064	199,480,799	29,582,498	94,831,932	143,468,536	4,487,141,059
2012	2,228,627,388	620,022,633	53,564,264	1,254,496,630	208,334,148	31,156,088	95,267,455	150,069,625	4,641,538,231

Industrial Machinery and Equipment Exemption Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	5,759,220	2,365,427	276,795	2,927,871	497,581	77,945	1,113,827	-13,018,664	0
2001	14,873,542	5,901,525	702,346	8,310,758	1,534,040	191,053	910,805	-32,424,068	0
2002	26,725,993	10,271,450	1,254,917	14,993,323	2,731,582	331,466	1,603,708	-57,912,441	0
2003	39,380,427	14,919,855	1,833,703	22,856,812	4,060,688	444,558	2,399,306	-85,895,348	0
2004	47,788,914	17,729,907	2,244,234	28,546,964	4,969,532	547,501	3,035,448	-104,862,499	0
2005	53,148,148	16,131,041	2,293,295	32,812,605	5,587,156	614,244	3,075,582	-113,662,071	0
2006	55,032,061	16,204,769	2,342,579	33,949,663	5,712,952	643,531	3,126,616	-117,012,170	0
2007	57,299,399	16,412,131	2,355,533	35,853,245	5,809,311	649,921	3,139,391	-121,518,931	0
2008	58,899,585	16,439,818	2,444,837	37,407,503	5,858,401	706,056	2,923,236	-124,679,436	0
2009	61,661,830	17,240,983	2,223,558	39,064,057	5,971,487	812,050	2,868,846	-129,842,812	0
2010	65,802,759	18,037,543	2,454,200	40,114,003	6,319,026	872,834	2,992,450	-136,592,814	0
2011	69,898,309	19,817,886	1,699,373	41,138,964	6,577,997	975,500	3,127,139	-143,235,168	0
2012	74,349,929	20,684,767	1,786,974	41,851,650	6,950,300	1,039,408	3,178,247	-149,841,275	0

Percentage Industrial Machinery and Equipment Taxable Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	-15.85%	0.00%
2001	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	-35.89%	0.00%
2002	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	-61.15%	0.00%
2003	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	-84.63%	0.00%
2004	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	-99.60%	0.00%
2005	3.56%	3.56%	3.56%	3.56%	3.56%	3.56%	3.56%	-99.77%	0.00%
2006	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%	-99.79%	0.00%
2007	3.44%	3.44%	3.44%	3.44%	3.44%	3.44%	3.44%	-99.78%	0.00%
2008	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	-99.81%	0.00%
2009	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%	-99.81%	0.00%
2010	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%	-99.83%	0.00%
2011	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	-99.84%	0.00%
2012	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%	-99.85%	0.00%
Average	3.00%	2.90%	2.93%	3.04%	3.02%	2.99%	2.67%	-87.98%	0.00%

Source: Strategic Economics Group

Table 7: Utility Replacement Tax Impact

Actual Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,117,795,843	459,101,080	53,722,554	568,264,746	96,574,489	15,128,153	216,180,543	69,097,458	2,595,864,866
2001	1,220,633,639	484,323,096	57,639,750	682,042,690	125,894,719	15,679,283	NA	57,927,243	2,718,887,883
2002	1,312,323,217	504,357,783	61,620,065	736,215,333	134,128,510	16,275,951	218,341,431	36,793,695	3,020,055,985
2003	1,404,140,766	531,979,435	65,382,127	814,977,982	144,787,103	15,851,071	225,626,835	15,598,109	3,218,343,427
2004	1,454,718,551	539,707,303	68,315,594	868,983,940	151,275,035	16,666,201	228,554,806	423,002	3,328,644,433
2005	1,545,566,296	469,096,159	66,689,810	954,201,759	162,476,415	17,862,438	225,934,379	264,466	3,442,091,722
2006	1,612,811,678	474,909,340	68,653,431	994,954,800	167,428,131	18,859,812	227,874,685	248,841	3,565,740,717
2007	1,720,891,961	492,911,006	70,744,525	1,076,792,462	174,472,971	19,519,283	238,499,260	270,092	3,794,101,561
2008	1,791,800,039	500,120,124	74,375,024	1,137,983,650	178,219,976	21,479,137	234,729,540	241,432	3,938,948,922
2009	1,914,985,613	535,440,377	69,055,389	1,213,183,388	185,452,027	25,219,220	242,456,965	252,350	4,186,045,330
2010	2,040,477,256	559,326,038	76,102,255	1,243,894,804	195,946,623	27,065,702	246,794,877	227,299	4,389,834,853
2011	2,189,596,756	620,804,411	53,233,631	1,288,697,028	206,058,796	30,557,998	247,670,113	233,368	4,636,852,101
2012	2,302,977,317	640,707,400	55,351,238	1,296,348,280	215,284,448	32,195,496	255,599,303	228,350	4,798,691,832

Estimated Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,116,750,306	458,671,657	53,672,304	567,733,216	96,484,157	15,114,003	218,406,395	69,032,827	2,595,864,865
2001	1,157,204,606	459,155,721	54,644,557	646,601,009	119,352,723	14,864,525	212,147,632	54,917,110	2,718,887,883
2002	1,306,357,391	502,064,971	61,339,940	732,868,495	133,518,761	16,201,961	231,078,034	36,626,431	3,020,055,984
2003	1,395,448,096	528,686,089	64,977,363	809,932,665	143,890,764	15,752,941	244,153,963	15,501,545	3,218,343,426
2004	1,441,047,106	534,635,134	67,673,564	860,817,229	149,853,352	16,509,572	257,689,448	419,027	3,328,644,432
2005	1,533,593,050	465,462,148	66,173,175	946,809,716	161,217,737	17,724,061	250,849,418	262,417	3,442,091,722
2006	1,602,662,687	471,920,863	68,221,414	988,693,816	166,374,550	18,741,132	248,878,981	247,275	3,565,740,718
2007	1,712,110,523	490,395,759	70,383,527	1,071,297,762	173,582,663	19,419,679	256,642,933	268,714	3,794,101,560
2008	1,782,332,148	497,477,484	73,982,025	1,131,970,532	177,278,260	21,365,641	254,302,676	240,156	3,938,948,922
2009	1,906,232,935	532,993,080	68,739,763	1,207,638,384	184,604,396	25,103,952	260,481,624	251,197	4,186,045,331
2010	2,030,850,329	556,687,150	75,743,206	1,238,026,136	195,022,151	26,938,006	266,341,649	226,227	4,389,834,854
2011	2,180,344,569	618,181,189	53,008,691	1,283,251,612	205,188,090	30,428,875	266,216,694	232,382	4,636,852,102
2012	2,293,667,310	638,117,279	55,127,475	1,291,107,668	214,414,140	32,065,343	273,965,191	227,426	4,798,691,832

Replacement Tax Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,045,537	429,423	50,250	531,530	90,332	14,150	-2,225,852	64,631	0
2001	63,429,033	25,167,375	2,995,193	35,441,681	6,541,996	814,758	NA	3,010,133	0
2002	5,965,826	2,292,812	280,125	3,346,838	609,749	73,990	-12,736,603	167,264	0
2003	8,692,670	3,293,346	404,764	5,045,317	896,339	98,130	-18,527,128	96,564	0
2004	13,671,445	5,072,169	642,030	8,166,711	1,421,683	156,629	-29,134,642	3,975	0
2005	11,973,246	3,634,011	516,635	7,392,043	1,258,678	138,377	-24,915,039	2,049	0
2006	10,148,991	2,988,477	432,017	6,260,984	1,053,581	118,680	-21,004,296	1,566	0
2007	8,781,438	2,515,247	360,998	5,494,700	890,308	99,604	-18,143,673	1,378	0
2008	9,467,891	2,642,640	392,999	6,013,118	941,716	113,496	-19,573,136	1,276	0
2009	8,752,678	2,447,297	315,626	5,545,004	847,631	115,268	-18,024,659	1,153	0
2010	9,626,927	2,638,888	359,049	5,868,668	924,472	127,696	-19,546,772	1,072	0
2011	9,252,187	2,623,222	224,940	5,445,416	870,706	129,123	-18,546,581	986	0
2012	9,310,007	2,590,121	223,763	5,240,612	870,308	130,153	-18,365,888	924	0

Percentage Replacement Tax Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	0.09%	0.09%	0.09%	0.09%	0.09%	0.09%	-1.02%	0.09%	0.00%
2001	5.48%	5.48%	5.48%	5.48%	5.48%	5.48%	NA	5.48%	0.00%
2002	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	-5.51%	0.46%	0.00%
2003	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	-7.59%	0.62%	0.00%
2004	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	-11.31%	0.95%	0.00%
2005	0.78%	0.78%	0.78%	0.78%	0.78%	0.78%	-9.93%	0.78%	0.00%
2006	0.63%	0.63%	0.63%	0.63%	0.63%	0.63%	-8.44%	0.63%	0.00%
2007	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	-7.07%	0.51%	0.00%
2008	0.53%	0.53%	0.53%	0.53%	0.53%	0.53%	-7.70%	0.53%	0.00%
2009	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	-6.92%	0.46%	0.00%
2010	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	-7.34%	0.47%	0.00%
2011	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	-6.97%	0.42%	0.00%
2012	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	-6.70%	0.41%	0.00%
Average	0.55%	0.56%	0.57%	0.55%	0.56%	0.54%	-7.77%	0.51%	0.00%

Source: Strategic Economics Group

over the past five years have averaged between 0.4 percent and 0.5 percent more than they otherwise would have been.

Section 4: Overall Impact of Not Taxing All Property at Market Value

Of the major changes to the Iowa property tax system made over the past three decades, the special treatment provided for agricultural property through the productivity formula and the rollback have caused the greatest shifts in tax burdens among the various property classifications. Over the past eleven years property taxes levied on agricultural property have averaged about 60 percent below what they would have been if all property types were taxed at market value. For fiscal year 2012 this shifting in the tax burden has resulted in a \$1.4 billion savings in taxes levied on agricultural land and another \$122.5 million is savings from taxes levied on agricultural buildings. The savings realized by owners of agricultural land have almost doubled over the past six years as the average price of such land has increased from \$2,629 per acre during assessment year 2005 to \$5,064 per acre during assessment year 2010, a 92.6 percent increase.

Table 8 shows the annual impacts on all property classifications from fiscal year 2000 through fiscal year 2012. At the bottom of the last part of the table, which shows percentage impacts, the average impacts from the fiscal years 2002 through 2012 are provided. The averages exclude fiscal years 2000 and 2001 due to the absence of utility replacement tax data for those years.

The elimination of property tax for computers and for industrial machinery and equipment has also resulted in a property tax savings of \$62.0 million for industrial and some commercial enterprises for fiscal year 2012. The impact of replacing property tax for electric and natural gas utilities with an excise tax based on the delivery volumes has been small. Furthermore the amount of taxes paid on utility property remains above what it would be if all property classifications are taxed based on market value.

As the result of the features of the State's property tax system that favor agricultural land and buildings and industrial and commercial computers, machinery, and equipment the tax burdens of other types of property have increased. The impact on residential property has been relatively small averaging only about 8.0 percent more over the past eleven years. This is because residential property benefits from a rollback that restricts the growth in the statewide taxable valuation to the lower of 4 percent per year or to the growth rate in taxable value for agricultural property. However, the size of the tax burden shift for residential property has increased dramatically the past few years as the increase in agricultural land values has accelerated. For fiscal year 2012 the residential property tax shift is estimated to equal 25.0 percent, or \$461.2 million.

The average eleven year shift in tax burden for commercial structures and land equals 142.4 percent, and for fiscal year 2012 the magnitude of the tax shift equals \$830.1 million. For industrial structures and land the eleven year average percentage shift in tax burden equals 125.2 percent, and for fiscal year 2012 the magnitude of the tax shift equals \$130.4 million. For railroad property the average tax shift equals 91.1 percent, and for fiscal year 2012 the estimated impact of the tax shift equals \$17.4 million. Finally, for utility property the tax shift (which includes both property tax and replacement tax) averages 95.7 percent, and for fiscal year 2012 the magnitude of the tax shift equals an estimated \$145.7 million.

Table 8: Overall Property Tax Impact

Actual Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,117,795,843	459,101,080	53,722,554	568,264,746	96,574,489	15,128,153	216,180,543	69,097,458	2,595,864,866
2001	1,220,633,639	484,323,096	57,639,750	682,042,690	125,894,719	15,679,283	NA	57,927,243	2,718,887,883
2002	1,312,323,217	504,357,783	61,620,065	736,215,333	134,128,510	16,275,951	218,341,431	36,793,695	3,020,055,985
2003	1,404,140,766	531,979,435	65,382,127	814,977,982	144,787,103	15,851,071	225,626,835	15,598,109	3,218,343,427
2004	1,454,718,551	539,707,303	68,315,594	868,983,940	151,275,035	16,666,201	228,554,806	423,002	3,328,644,433
2005	1,545,566,296	469,096,159	66,689,810	954,201,759	162,476,415	17,862,438	225,934,379	264,466	3,442,091,722
2006	1,612,811,678	474,909,340	68,653,431	994,954,800	167,428,131	18,859,812	227,874,685	248,841	3,565,740,717
2007	1,720,891,961	492,911,006	70,744,525	1,076,792,462	174,472,971	19,519,283	238,499,260	270,092	3,794,101,561
2008	1,791,800,039	500,120,124	74,375,024	1,137,983,650	178,219,976	21,479,137	234,729,540	241,432	3,938,948,922
2009	1,914,985,613	535,440,377	69,055,389	1,213,183,388	185,452,027	25,219,220	242,456,965	252,350	4,186,045,330
2010	2,040,477,256	559,326,038	76,102,255	1,243,894,804	195,946,623	27,065,720	246,794,877	227,299	4,389,834,853
2011	2,189,596,756	620,804,411	53,233,631	1,288,697,028	206,058,796	30,557,998	247,670,113	233,368	4,636,852,101
2012	2,302,977,317	640,707,400	55,351,238	1,296,348,280	215,284,448	32,195,496	255,599,303	228,350	4,798,691,832

Estimated Property Tax Levies									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	1,066,804,356	876,554,431	102,851,927	303,417,740	60,587,989	9,586,448	127,797,480	48,264,496	2,595,864,867
2001	1,168,295,989	865,081,159	102,230,532	333,277,652	64,890,202	10,083,321	124,025,817	51,003,210	2,718,887,882
2002	1,296,970,778	954,125,382	115,880,325	375,603,379	73,195,308	10,978,692	136,239,334	57,062,787	3,020,055,985
2003	1,446,759,482	962,681,905	118,079,757	407,784,123	76,167,143	10,423,408	137,639,242	58,808,366	3,218,343,426
2004	1,472,097,091	1,022,384,982	129,028,072	415,339,201	77,792,819	10,392,601	141,916,430	59,693,235	3,328,644,431
2005	1,539,736,530	1,052,098,849	149,399,401	429,240,495	77,125,653	10,092,608	125,531,606	58,866,580	3,442,091,722
2006	1,543,248,785	1,169,247,192	169,068,091	422,861,992	75,594,817	10,049,938	118,137,956	57,531,946	3,565,740,717
2007	1,656,459,302	1,253,038,243	179,809,191	443,835,235	76,015,709	10,195,494	117,230,531	57,517,855	3,794,101,560
2008	1,690,395,948	1,341,160,188	199,246,213	451,996,877	75,686,183	10,749,715	112,588,371	57,125,426	3,938,948,921
2009	1,743,758,738	1,543,827,141	199,096,958	450,608,947	73,966,584	11,859,311	107,492,820	55,434,830	4,186,045,329
2010	1,746,093,333	1,709,944,640	232,692,343	448,667,272	76,381,688	12,381,286	106,949,335	56,724,957	4,389,834,854
2011	1,888,660,394	1,835,040,761	158,754,422	483,269,996	83,715,615	14,509,320	111,085,092	61,816,501	4,636,852,101
2012	1,841,811,939	2,040,983,746	177,859,039	466,239,911	84,926,440	14,752,602	109,919,826	62,198,329	4,798,691,832

Overall Law Change Tax Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	50,991,487	-417,453,351	-49,129,373	264,847,006	35,986,500	5,541,705	88,383,063	20,832,962	0
2001	52,337,650	-380,758,063	-44,590,782	348,765,038	61,004,517	5,595,962	NA	6,924,033	0
2002	15,352,439	-449,767,599	-54,260,260	360,611,954	60,933,202	5,297,259	82,102,097	-20,269,092	0
2003	-42,618,716	-430,702,470	-52,697,630	407,193,859	68,619,960	5,427,663	87,987,593	-43,210,257	0
2004	-17,378,540	-482,677,679	-60,712,478	453,644,739	73,482,216	6,273,600	86,638,376	-59,270,233	0
2005	5,829,766	-583,002,690	-82,709,591	524,961,264	85,350,762	7,769,830	100,402,773	-58,602,114	0
2006	69,562,893	-694,337,852	-100,414,660	572,092,808	91,833,314	8,809,874	109,736,729	-57,283,105	0
2007	64,432,659	-760,127,237	-109,064,666	632,957,227	98,457,262	9,323,789	121,268,729	-57,247,763	0
2008	101,404,091	-841,040,064	-124,871,189	685,986,773	102,533,793	10,729,422	122,141,169	-56,883,994	0
2009	171,226,875	-1,008,386,764	-130,041,569	762,574,441	111,485,443	13,359,909	134,964,145	-55,182,480	0
2010	294,383,923	-1,150,618,602	-156,590,088	795,227,532	119,564,935	14,684,416	139,845,542	-56,497,658	0
2011	300,936,362	-1,214,236,350	-105,520,791	805,427,032	122,343,181	16,048,678	136,585,021	-61,583,133	0
2012	461,165,378	-1,400,276,346	-122,507,801	830,108,369	130,358,008	17,442,894	145,679,477	-61,969,979	0

Percentage Overall Law Change Tax Impact Estimate									
Fiscal Year	Net Residential	Agricultural Land	Agricultural Buildings	Commercial	Industrial	Railroads	Utilities	Other	Total
2000	4.78%	-47.62%	-47.77%	87.29%	59.40%	57.81%	69.16%	43.16%	0.00%
2001	4.48%	-44.01%	-43.62%	104.65%	94.01%	55.50%	NA	13.58%	0.00%
2002	1.18%	-47.14%	-46.82%	96.01%	83.25%	48.25%	60.26%	-35.52%	0.00%
2003	-2.95%	-44.74%	-44.63%	99.86%	90.09%	52.07%	63.93%	-73.48%	0.00%
2004	-1.18%	-47.21%	-47.05%	109.22%	94.46%	60.37%	61.05%	-99.29%	0.00%
2005	0.38%	-55.41%	-55.36%	122.30%	110.66%	76.99%	79.98%	-99.55%	0.00%
2006	4.51%	-59.38%	-59.39%	135.29%	121.48%	87.66%	92.89%	-99.57%	0.00%
2007	3.89%	-60.66%	-60.66%	142.61%	129.52%	91.45%	103.44%	-99.53%	0.00%
2008	6.00%	-62.71%	-62.67%	151.77%	135.47%	99.81%	108.48%	-99.58%	0.00%
2009	9.82%	-65.32%	-65.32%	169.23%	150.72%	112.65%	125.56%	-99.54%	0.00%
2010	16.86%	-67.29%	-67.29%	177.24%	156.54%	118.60%	130.76%	-99.60%	0.00%
2011	15.93%	-66.17%	-66.47%	166.66%	146.14%	110.61%	122.96%	-99.62%	0.00%
2012	25.04%	-68.61%	-68.88%	178.04%	153.50%	118.24%	132.53%	-99.63%	0.00%
Average	7.97%	-60.57%	-60.11%	142.44%	125.21%	91.12%	95.67%	-91.48%	0.00%

Source: Strategic Economics Group

Conclusions

This analysis indicates there has been a major shift in property tax burden from agricultural property to the other property classifications. However, since property taxes are imposed by various types of jurisdictions (i.e., cities, counties, school districts, hospitals, etc.), some of which contain little agricultural property, basing taxes on agricultural property on market value rather than productivity value will not likely result in an elimination of the tax burden shifts that have occurred over the past several decades.

To gain a better understanding of how various proposals to lessen or eliminate the shifting of the property tax burden among the different property classifications it is necessary to first gain a better understanding of how property tax levies have varied by type of jurisdiction and by location in the State. To avoid unintended adverse consequences that may result from the different proposals to reduce taxes imposed on commercial and industrial property policy-makers should address the following issues:

- How would the different proposals impact those areas of the State responsible for most of the State's economic growth?
- How may the different proposals result in shifts to other property classifications?
- If local units of government are not permitted to raise property tax rates to offset the revenue losses resulting from reducing the shares of commercial and industrial property subject to tax by how much would different services have to be reduced?
- Are there alternative revenue sources that could replace the lost property taxes if the taxable shares of commercial and industrial property are reduced and how reliable would be these other potential revenue sources?
- Could reducing property tax revenues for local governments force some jurisdictions to default on debt obligations?