

Iowa Assessment Limitations

Section 441.21 of the Code of Iowa provides for the reduction of property tax valuations according to assessment limitations to cushion the impact of inflation. The Iowa Department of Revenue computes assessment limitation percentages, and county auditors multiply the assessed valuations by them to determine taxable valuations.

The assessment limitations are applied according to class of property as follows:

- For the agricultural, residential, commercial, and industrial classes of real estate, the taxable valuation for each class is limited to 4 percent annual statewide growth from revaluation.
- The taxable valuation for utility property is limited to 8 percent annual statewide growth from revaluation.
- The assessed valuation for railroad property is adjusted by the lowest of the assessment limitation percentages for commercial, industrial, and utility property to determine the taxable valuation.

In addition, the percent of growth from revaluation is to be the same for agricultural and residential property; therefore, if one of these classes has less than 4 percent growth for a year, the other class is limited to the same percent of growth. A balance is maintained between the two classes by ensuring that they increase from revaluation at the same rate.

An assessment limitation percentage is the percent that the taxable value after the allowed growth should be of the assessed value. It is computed for a class of property by taking the prior year's taxable value and adding the allowed percent of growth, then dividing the result by the total of the prior year's assessed value plus the current year's change from revaluation.

With the assessment limitation computation, the taxable value will continue to grow each year by the allowed percent, even after inflation stops, until it reaches 100 percent of the assessed value. It results in a moderating of taxable value increases during periods of increasing assessed valuations and a spreading of taxable value increases into years with little or no growth in assessed valuations.

An assessment limitation percentage is applied uniformly to each and every assessed value in the state for a class of property. Even though the state's total taxable value will increase by only the allowed percent of growth, the resultant taxable values for individual properties will change by different percents. This is because their assessed valuations do not change at the same rate as the state total. Taxpayers whose assessed values have increased by more than the statewide average will experience net increases in the taxable values that are in excess of the allowed percent of growth.