

Iowa property assessments increasing for 2023

This really should not be a surprise to anyone based on the real estate market the last couple of years. Everyone should be aware of higher sales prices of property during this time due to low interest rates and reduced sales inventory, making it a seller's market. This is the first time that multiple properties have sold for more than what they were originally listed. What this means is that most in Keokuk County will see an increase in their property assessments this year. This is not happening only in our County; it is a statewide occurrence.

The assessor does not create value or assure taxing bodies have sufficient tax base for their needs. The assessor and staff interpret the market as it is, not what it could be or should be. The assessor does not actually calculate, bill, or collect taxes, they set values in accordance with Iowa law.

All property is subject to revaluation based on market activity that has occurred since the prior reassessment date. For the January 1, 2023 assessment, the assessor and staff analyze and interpret market data, or sales of real property that have occurred in the prior year or years, for all classes of property, excluding agricultural. The law requires assessors to maintain a 5% margin in the total valuation per classification (from 95% - 105% median assessment level). The median is determined by ordering the individual sales ratio for only normal arms-length sales. Sales by estates, bankruptcy sales, or family sales are not considered arms-length and are not used in the sales ratio analysis. The individual sales ratio is determined by dividing the assessed value, at the time of sale, by the sale price.

This analysis is applied by urban or rural, by towns, and even into neighborhoods. The appraisal software used by the office provides us the ability to analyze sales by age, style, quality and size among others. Not all property changes value at the same rate. Some towns may be more desirable or grow at a different rate as others, urban versus rural, older versus newer homes, one story versus 2 story, larger versus smaller, older neighborhoods versus newer neighborhoods, etc.

Keokuk County sales ratio for all residential property was 99.44% for January 2021. It is now 74.34% for January 1, 2023. Below is a table showing the sales ratios after the 2021 reassessment.

SALE PERIOD	SALES RATIO FOR ALL RESIDENTIAL
1/1/2022 – 12/31/2022	74.34
10/1/2021 – 9/30/2022	77.08
7/1/2021 – 6/30/2022	83.25
4/1/2021 – 03/31/2022	85.68
1/1/2021 – 12/31/2021	87.96
10/1/2020 – 09/30/2021	90.33
7/1/2020 – 6/30/2021	96.40
4/1/2020 – 3/31/2021	98.45
1/1/2020 – 12/31/2020 (JANUARY 1, 2021)	99.44

To reach the required aggregate assessed value by class and thus arrive at the optimum 100% sales ratio, a 34% increase in aggregate residential values would be required. Because the valuation requirement based on statute is an aggregate valuation, and not all properties appreciate or depreciate at the same rate, individual property changes will vary in the amount of increase. Some may be greater, and some may be less. Each area is slightly different and each property in each area is also different depending on age, condition of property, and other factors.

The adjusted median assessment on all commercial properties was 86%. To be at the optimum 100% sales ratio, the overall value of commercial property a 16% increase would be needed. As residential properties, an individual property's increase will vary depending on age, condition, new construction, and other factors. This may also include new construction on individual properties.

Agricultural will increase an average county wide of 29%. Agricultural land and buildings are not assessed on market value. It is assessed on productivity, which includes grain prices, yields, and land owners estimated expenses. This is done county wide on a five-year average based on data from USDA and Iowa State University. Based on this information, the Department of Revenue informs the counties what the estimated per acre income is for agricultural property in each county. This was \$1,207 for 2022 and increased to \$1,589 for 2023.

If the Assessor does not increase, or decrease, property values as indicated by the market, then the Department of Revenue will make these changes by issuing an equalization order in the Fall of 2023. Equalization orders are given in lump percentages by property class, county wide. That would mean that some towns may increase, or decrease, when they shouldn't.

The Assessor's office will mail out assessment notices to all property classes by April 1st informing property owners of the January 1st, 2023 assessment. The assessment notices will state the new assessed value, the prior year assessed value, and the steps to take if you disagree with that new value. Owners have two basic options to appeal. One option is to start an informal review with the Assessor's office. This has to be done from April 2nd to April 26th. The other option is file an appeal with the Keokuk County Board of Review between April 2nd and May 1st. Petitions are available at the Assessor's office or the Department of Revenue website. The petitions would need to be returned to the Assessor's Office by May 1st.

This new value will be the basis for property taxes payable fall of 2024 and spring of 2025. That valuation is used with tax levies set by the local governments and school boards to determine property taxes. Recipients of property tax revenue include cities, counties, hospitals, merged area schools, assessors, townships, and agricultural extension districts.

Now for the burning question, since generally the public is aware that values are increasing, will this result in an equal increase in property taxes? The actual or assessed value is only one part of the equation. Property taxes are not calculated on the assessed value. They are calculated on the taxable value, which is determined by the assessment limitation from the Department of Revenue.

The assessment limitation plays a part in determining the taxable value. It is commonly known as the rollback. The assessment limitation calculation limits the statewide allowable growth in taxable value for each class of property to 3%. The application of the assessment limitation on individual properties results in the individual taxable value which tax credits are applied to. It is the taxable value, not the actual or assessed value that the taxing bodies utilize for budgeting purposes.

The current residential assessment limitation is 54.6501%. This applies to the January 1, 2022 value.

Based on the estimated condition that there's a 30% increase statewide for 2023 on the 2022 residential valuation, the assessment limitation could change as follows:

Statewide residential property increases 30% ($100 + 30\% = 130\%$).

Current rollback: $54.6501\% + 3\% =$ allowable statewide growth in taxable value ($54.6501\% \times 1.03 = 56.2896\%$)

Estimated rollback for 2023: $56.2896\% / 1.30 = 43.2997\%$.

If 2022 value was \$100,000, the 2023 value would be \$134,000, based on our 34% increase.

	1-1-2022	1-1-2023
Assessed Value	\$100,000	\$134,000
Assessment limitation	x .546501	x .432997
Taxable value	\$54,650	\$58,022

The net increase in taxable value would be: 6.17% ($1 - (\$58,022/\$54,650)$).

An increase in value is not the only consideration in whether an individual property tax burden increases. It can contribute to an increase in tax burden but other factors play a role as well. The primary determinant of property tax increases are the taxes levied, or the budgets of the local authorities which include cities, counties, schools and other levying authorities. Budget changes are the starting point for the tax burden and the aggregate taxable valuations of all the properties are used to determine the levy rate applicable to each budget. This rate along with the taxable value for each individual property is simply the distribution mechanism for raising the amount of taxes required by the authority.

Values can remain stagnant and taxes may still increase. This may occur when tax asking's, or budgets have increased. The same could be said that a tax bill could decrease even if values increased if there was a decrease in tax asking's or budgets equal to or greater than the increase in taxable value. An individual taxpayer must look to the taxable value, not actual or assessed value.

The levy rate is only a multiplier that serves to compute the amount of tax asking's required by the authorities when multiplied by each individual property taxable value. When budgets change and taxable values change, there will be changes in the levy rate. If budgets or tax asking's

increase and the taxable values stay the same, the levy rate will increase. If taxable values increase and budgets or tax asking's stay the same, the levy rate will decrease. The levy rate is driven by the taxable values and the tax asking's. Hopefully, while a simplified explanation of the process, this provides insight into the role that the actual and or assessed value plays in the property tax process.