

THE IOWA TAX SHIFT PLAN
by Robert P. Willis, Des Moines, IA
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City, state and county officials speak of the importance of "balanced growth" and "balanced taxation," but ignore the fact that Iowa dumps more than \$5.2 billion in deadweight taxes on its young people, its families and their businesses and jobs.

In 1997, according to data from the Iowa Department of Revenue and percentages from the 1993 state tax study, Iowa's 1.2 million families paid 60 percent of \$2.6 billion property tax, 58.3 percent of \$1.8 billion sales tax, 90 percent of \$0.3 billion corporate tax, 100% of \$1.4 billion income tax, and \$0.4 billion in minimum water bills. They also paid more than \$2 billion in land rent and billions more in higher land prices to the 250,000 landlords who control most of the land but who paid only \$0.47 billion in land tax.

Given a low tax on land and \$5.2 billion less for families to spend, landlords expect to make more waiting for higher land prices than from building affordable housing or starting a business. The result is "unbalanced taxation," "unbalanced growth" or "sprawl for all" with vacant urban lots and dilapidated buildings that produce no business or industry, no jobs, no affordable housing, too little fun in the old hometown. With apologies to "Field of Dreams," even if we build it, they can't afford to come.

The Iowa Tax Shift Plan, now in the hands of Iowa's legislators, changes that. It permanently exempts from property tax 100 percent of the value of new construction in cities and all utility and railroad construction. It taxes every class of land at 100 percent of valuation but lowers the taxable percentage of existing buildings by 50 percent or more. It allows local communities to levy taxes to replace minimum water bills and local option sales taxes. The state can replace 2 cents of its sales tax with state land value levy and allocate an additional \$70 per capita of state road use funds to cities and counties. The state, cities and counties will not lose needed revenues and schools will have substantially more to spend.

Initially the plan cuts \$1.3 billion of Iowa's deadweight taxes on families and businesses by levying \$1.3 billion on the taxable value of all classes of land. Based on 1997 valuations, the shift cuts net taxes per homeowner by over \$226, much more for those who keep up their properties. The 92 percent tax increase on agricultural land can spur many of the 120,737 absentee farm landlords to relinquish land at affordable prices to families who have the labor needed to practice sustainable farming. The 300 percent increase on urban residential class lots, 125 percent on commercial and industrial sites, would cause owners of idle lots to sell to owner-producers who would then hire labor to erect tax-free buildings to produce the housing, goods and services people want.