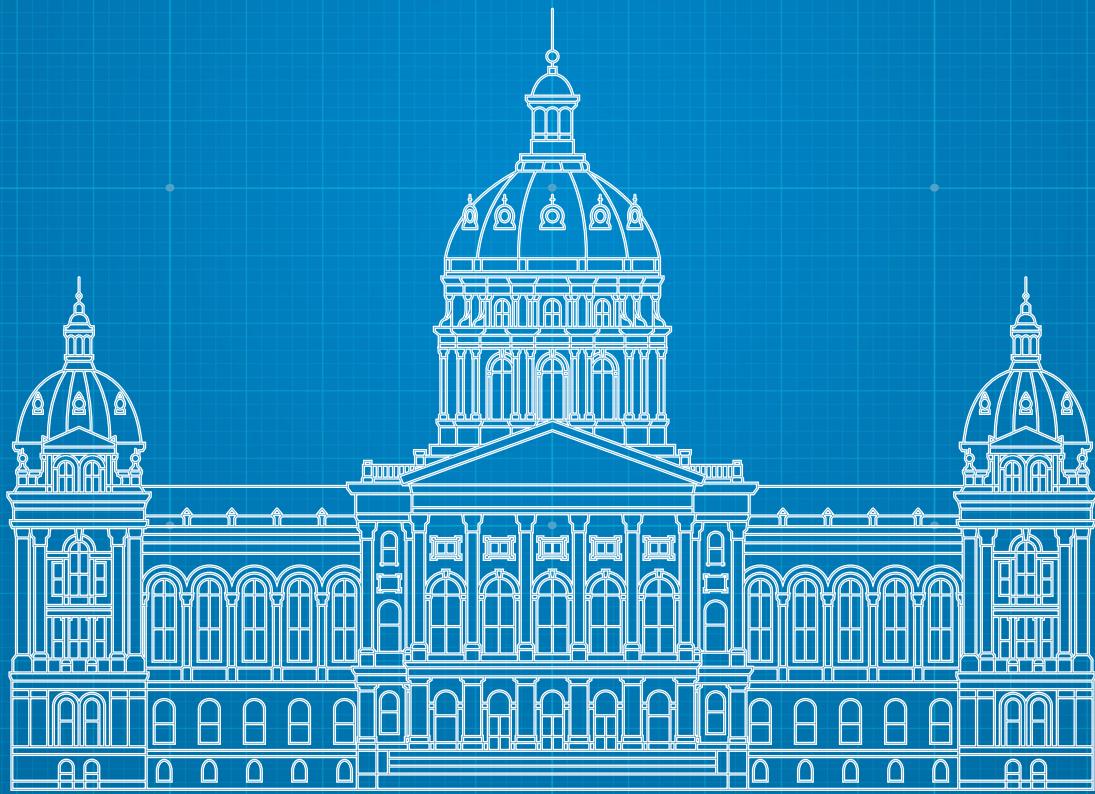


IOWANS FOR TAX RELIEF

VOICE OF THE TAXPAYER



2026 LEGISLATIVE  
ISSUE GUIDE





**IOWANS FOR TAX RELIEF**  
VOICE OF THE TAXPAYER

## 2026 LEGISLATIVE ISSUE GUIDE

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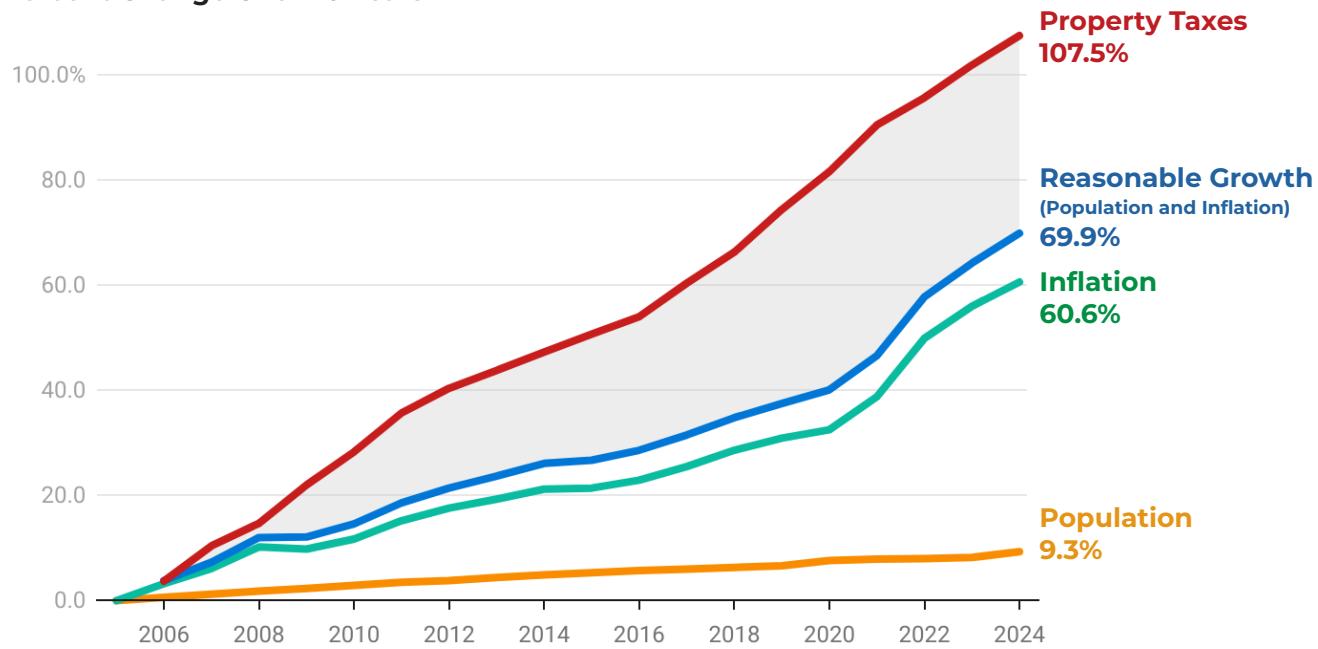
# The Property Tax Problem

## Legislators, your constituents are crying out for real relief.

City, county, and school budgets are growing beyond the taxpayers' ability to pay their property tax bill. In fact, they have grown much faster than the state's population and inflation.

Over the past 20 years, property taxes in Iowa have grown more than 107 percent, which is more than the combined growth of inflation and population. This is why Iowans, regardless of political party or rural or urban, are upset about high property taxes.

Percent Change Over 20 Years



## Family budgets can't keep up with local government budgets.

Local elected officials are so wrapped up in their next building project, soccer stadium, glass cathedral, or business incentive they won't stop.

The only way to deliver the results Iowans expect is to stand firm and tell local governments to limit their spending. Lawmakers have a responsibility to keep local governments in check and protect taxpayers. There is no other solution.

## Local government spending continues to increase.

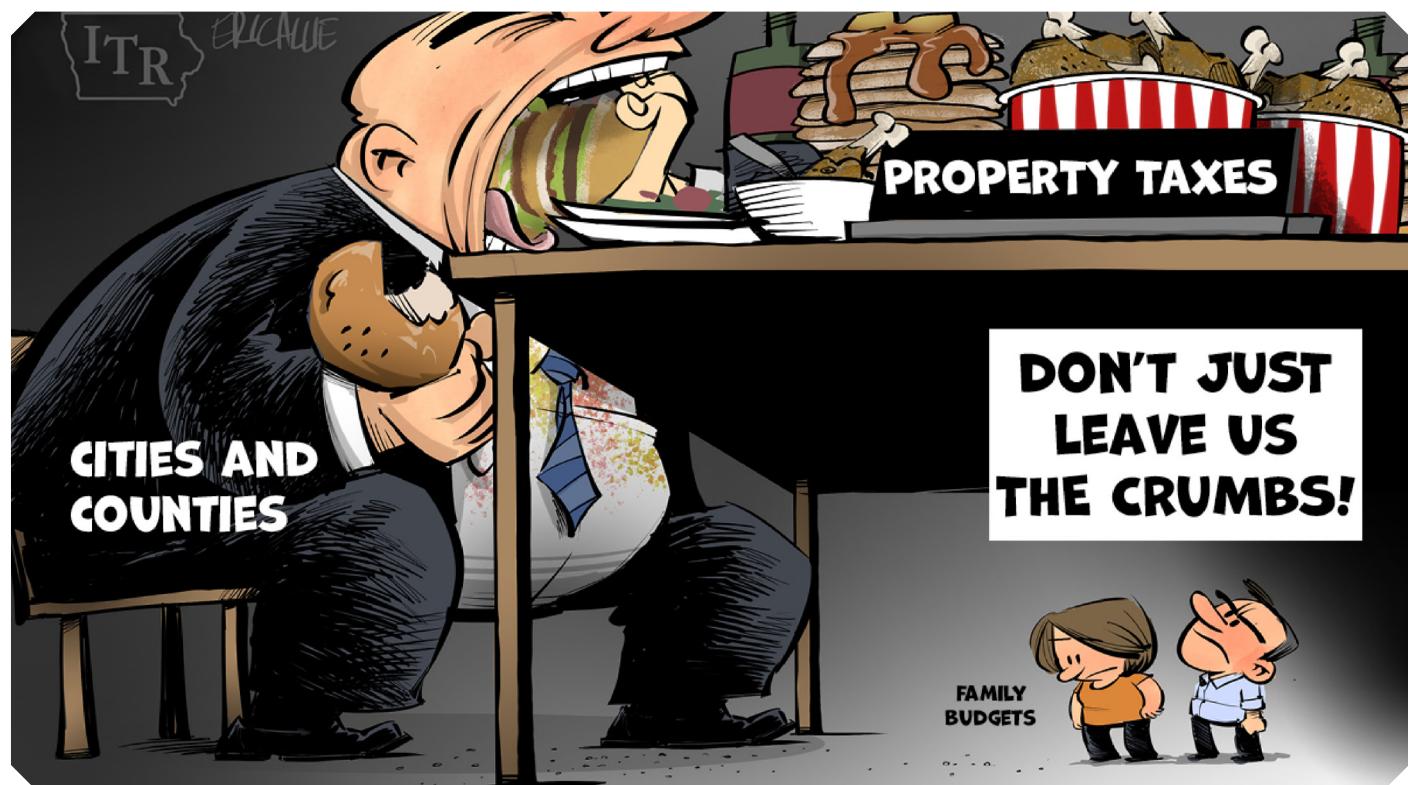
From Fiscal Year 2025 to the start of Fiscal Year 2026, total property tax collections from school districts, cities (with populations over 1,000), and counties will grow by \$239.8 million or an increase of 3.9 percent.

Within the past two years, property tax collections have increased by over 10 percent. Local governments will collect a combined \$6.4 billion in property taxes in Fiscal Year 2026.

## Taxpayers deserve to be at the head of the table.

Iowa taxpayers are tired of endless “conversations” about property taxes and being told that stakeholders need to be consulted. For once, put taxpayers at the head of the table, not local government.

This past session local governments stakeholders spent over \$1 million on taxpayer funded lobbyists, which helped to derail property tax reform. This session the goal should be to place taxpayers at the head of the table.



# The Property Tax Solution

## 1. A Two Percent Spending Cap

### Would a two percent property tax cap undermine local control?

The answer is no. Legislators should consider that local control is not a license for local governments to do as they please. Just as with any level of government, local governments must also be monitored to avoid abuse and mismanagement.

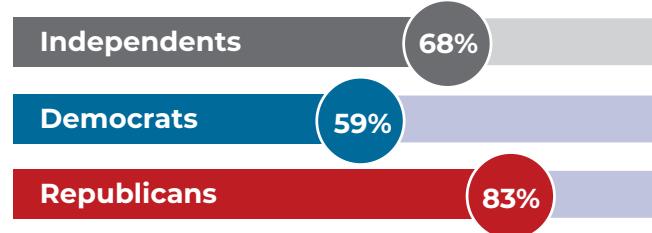
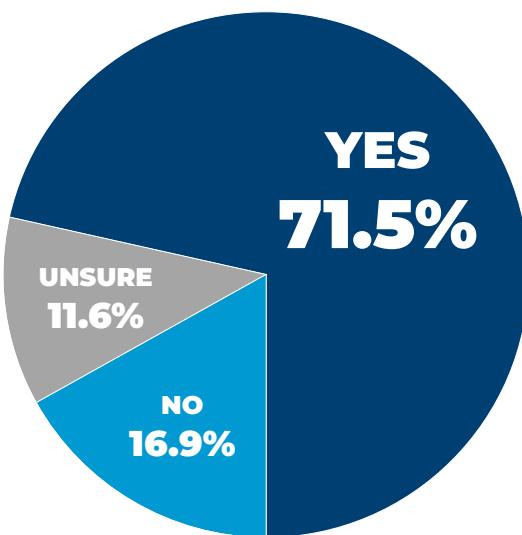
This is also a question of liberty. Liberty should be the framework that guides and informs policymakers. Further, as a part of checks and balances it is appropriate for the state to serve as a check on local government overreach. The state has always had authority over matters of taxation.

Local governments have certainly overreached in terms of property taxation, and it is the responsibility for the state to protect the life, liberty, and property of all Iowans. Property taxes affect more than just land and buildings. They also impact the income that taxpayers earn to pay those taxes. A taxpayer's income is a form of personal property, just like a home, and local governments should not have an unlimited claim on it.

If the legislature can intervene to permit fireworks, or preempt local ordinances, it certainly can step in and protect taxpayers from excessive property taxation. Local control is not a blank check for local governments, and the legislature has a moral responsibility to protect the property and economic liberty of Iowans.

### A two percent spending cap is popular idea and the people of Iowa want and support this solution!

“Do you believe the state of Iowa should pass legislation limiting the amount by which local governments can increase property taxes each year to two percent?”



September 2025 ITR Foundation Poll

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## 2. Fix the Property Tax Notifications

Local governments are required to send a budget statement to every property taxpayer. These statements provide information about property taxes, and the date, time, and location of the public budget hearing. It is at the local budget hearing that taxpayers have the opportunity—and responsibility—to voice their concerns about property taxes.

**However, the notices are poorly designed, and many taxpayers were left confused and frustrated.** Furthermore, the statements are vague in describing how a potential increase would impact on a taxpayer's actual bill.

Many local government officials across Iowa are complaining that these statements are inaccurate and provide taxpayers with misleading information. The reason for this is that each statement contains a hypothetical example of a residential home worth \$100,000, along with a 10 percent assessment increase, which is supposed to give taxpayers an idea of how their tax bill will be impacted. These examples rarely mirror reality.

### The local government budget notices must be improved.

Iowa should look to other states with strong Truth-in-Taxation laws that send clear, easy-to-understand taxpayer statements. Utah and Minnesota send transparent, well-designed statements. Minnesota's property tax statement offers a template that Iowa policymakers should consider replicating.

Many local officials argue that property tax statements are a waste of taxpayer dollars. With the current design, they are right. The statements are complicated—but if intelligently designed and filled with accurate information, they are not a waste of money.

### To make these budget notices more effective, they must be completely revised following the Minnesota example.

After receiving notice, a taxpayer should be able to clearly understand how a proposed increase would affect their property tax bill. It makes little sense to send notices that then require taxpayers to visit a website for clarification.

Iowa's property tax system needs greater transparency, and an improved property tax statement will help citizens become more informed and more involved in their local budget process.

PROPOSED TAXES 2024						
THIS IS NOT A BILL. DO NOT PAY.						
VALUES AND CLASSIFICATION						
Step 1	Taxes Payable Year	2023	2024			
	Estimated Market Value	\$125,000	\$150,000			
	Homestead Exclusion	\$	\$23,800			
	Taxable Market Value	\$125,000	\$126,200			
	Class	Res NHmstd	Res Hmstd			
PROPOSED TAX						
Step 2	Property Taxes before credits	\$1,562.46				
	School building bond credit	\$ 12.00				
	Agricultural market value credit					
	Other credits					
	Property Taxes after credits	\$1,550.46				
Step 3	PROPERTY TAX STATEMENT					
	Coming in 2024					
The time to provide feedback on PROPOSED LEVIES is NOW It is too late to appeal your value without going to Tax Court.						
Proposed Property Taxes and Meetings by Jurisdiction for Your Property						
Contact Information	Meeting Information	Actual 2023	Proposed 2024			
State General Property Tax	No public meeting	\$0	\$0			
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 6, 7:00 PM	\$438.06	\$484.18			
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 2, 6:30 PM Spruceville City Hall	\$273.79	\$312.06			
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 9, 7:00 PM Spruceville High School					
Your school district was scheduled to hold a referendum at the November 2023 election. The proposed property tax for 2024 may be higher than the current level.						
Metro Special Taxing Districts	December 6, 7:00 PM Spruceville Pines					
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55555						
Other Special Taxing Districts Tax Increment Tax	No public meeting					
Total excluding any special assessments		\$1,442.02	\$1,550.46 9.0%			

Actual 2023      Proposed 2024



# Iowa's Fiscal Crossroads: Maintaining Discipline Amid Uncertainty

## Conservative Budgeting Must be a Priority

### Current Challenges

Iowa's Legislature faces growing fiscal pressure from economic uncertainty and the possible loss of federal funding. The national economy, agricultural markets, and new federal policies all pose risks to state revenue. Provisions in the recently passed "One Big Beautiful Bill" may have an estimated \$400 million impact on the state budget. At the same time, changes to Medicaid and SNAP could reduce federal support.

However, Iowa's fiscal position remains strong with healthy reserves, budget surpluses, and a solid Taxpayer Relief Fund. The acceleration of the state's flat tax has caused a short-term revenue decline, requiring lawmakers to draw nearly \$1 billion from surplus accounts to balance the FY 2026 budget. While this aligns with the purpose of the Relief Fund, ongoing spending growth could erode Iowa's long-term fiscal health.

### Spending Drivers and Policy Concerns

Most FY 2026 spending growth came from Medicaid and education, which together account for 85 percent of Iowa's General Fund. Lawmakers also relied on sports gambling revenues to fund ongoing programs, which is risky for long-term budgeting. The \$9.4 billion budget should not become the new baseline for FY 2027. Instead, legislators must re-emphasize restraint, as they have since 2018 under Governor Reynolds's leadership.

### The Case for Renewed Discipline

Iowa's tradition of fiscal conservatism has helped it weather past challenges. To continue that success, policymakers must:

- Rein in spending growth
- Budget conservatively
- Audit programs for efficiency
- Reduce dependence on unpredictable federal funds

By doing so, the state can preserve its AAA credit rating, maintain low taxes, and safeguard taxpayer dollars for future generations.

Fitch Ratings reaffirmed Iowa's AAA rating, citing prudent management and strong reserves, but warned that spending growth may soon outpace revenue growth, especially in education and Medicaid. To maintain balance, lawmakers must continue active oversight and avoid treating surpluses or the Taxpayer Relief Fund as blank checks.

Economic headwinds and uncertain federal support make conservative budgeting not optional, but essential. Iowa's strong fiscal foundation is built on responsible stewardship. Preserving it will require that same discipline going forward.

## Reform Priorities

### → 1. Strengthen the Spending Cap

Iowa's 99 percent spending limitation has worked well but includes a flaw: it adds 100 percent of the previous year's ending balance to the next year's formula, encouraging overspending during surplus years. A stronger safeguard would tie annual spending increases to population growth plus inflation, ideally through a constitutional amendment to ensure long-term sustainability.

### → 2. Adopt Priority-Based Budgeting

Instead of automatically renewing all programs, this method requires agencies to justify every dollar and demonstrate measurable results. It blends zero-based and performance-based budgeting to focus on core government functions.

### → 3. Expand Independent Efficiency Audits

Regular third-party reviews of agencies and programs would improve transparency, identify waste, and ensure taxpayer dollars achieve intended outcomes.

### → 4. Reduce Reliance on Federal Funds

Iowa's dependence on federal dollars, especially for Medicaid and SNAP, creates vulnerability. Policymakers should track, publish, and evaluate the use of federal funds to determine which are essential and which could be reduced.

### → 5. Continue Government Restructuring

Governor Reynolds's consolidation of state agencies and boards has improved efficiency. The DOGE Task Force should continue this work to "right-size" government and resist bureaucratic expansion.

# General Fund Continuation: Budget Reform

## The Goal

Iowa should adopt a clear, transparent budget continuation policy that avoids confusion, protects essential public services, and promotes fiscal responsibility.

This reform would help Iowa avoid the financial instability seen in states such as Illinois and Minnesota and prevent the dysfunction that often occurs at the federal level.

Whether it is public safety, social services, or education, uncertainty over funding only causes disruption. Establishing a consistent process provides clarity and confidence for all Iowans.

## Why This Matters

Iowa law requires the legislature to pass a balanced budget each session. According to Article III, Section 24 of the Iowa Constitution, “no money shall be drawn from the treasury but in consequence of appropriations by law.”

If lawmakers fail to pass a General Fund budget before the fiscal year begins on July 1, the state could face serious funding uncertainty.

## What Would Happen

- General Fund programs (education, public safety, social services, etc.) could lose access to funding.
- Standing appropriations in Iowa Code could still operate because they were previously authorized.
- Federal funds might continue for certain programs, depending on the rules of each grant.

Although the Constitution does not require a full government shutdown, there is no clear guidance on how the state would function without a budget.

- The Judicial Branch could reallocate internal funds.
- The Executive Branch might continue operations, but whether employees are paid would depend on administrative rules, union contracts, and agency discretion.

## Past Example: 2020 COVID-19 Response

When the pandemic interrupted the 2020 legislative session, lawmakers passed a temporary measure (SF 2408) that allowed one-sixth of the prior year's budget to fund operations for July and August.

The legislature reconvened in June to approve a full budget. This temporary step solved an immediate problem but did not create a long-term solution.

## The Case for a Budget Continuation Policy

A budget continuation policy would ensure that if a new budget is not approved by July 1, the previous year's funding would automatically continue until a new budget is enacted.

Benefits include:

- Preventing shutdowns and service interruptions.
- Reducing political pressure between branches of government.
- Providing stability for citizens, employees, and essential services.
- Encouraging transparency and cooperation between the Legislative and Executive branches.

## How Other States Handle It

Several states already have laws that automatically continue funding until a new budget is passed: Kansas, Wisconsin, North Carolina, and Rhode Island.

Example: Rhode Island's approach

*"In an emergency caused by a failure of the general assembly to pass the annual appropriation bill, the same amounts appropriated in the previous fiscal year shall be available for each department and division thereof, subject to monthly or quarterly allotments..."*

# Protecting Taxpayers Through Constitutional Amendments

Iowa's strong economy and low tax rates are the result of years of fiscal discipline. However, those achievements are not guaranteed to last. Without permanent taxpayer protections in the Iowa Constitution, future legislatures could raise income taxes, create a wealth tax, or replace the flat tax with a progressive system.

Two proposed constitutional amendments would ensure stability and protect taxpayers:

1. A two-thirds supermajority requirement to increase the state income tax.
2. A constitutional guarantee of Iowa's flat tax.

If approved during the 2026 legislative session, Iowans would vote on these amendments in the midterm election.

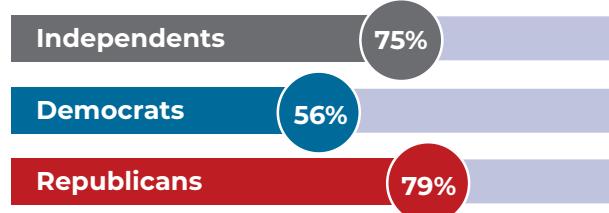
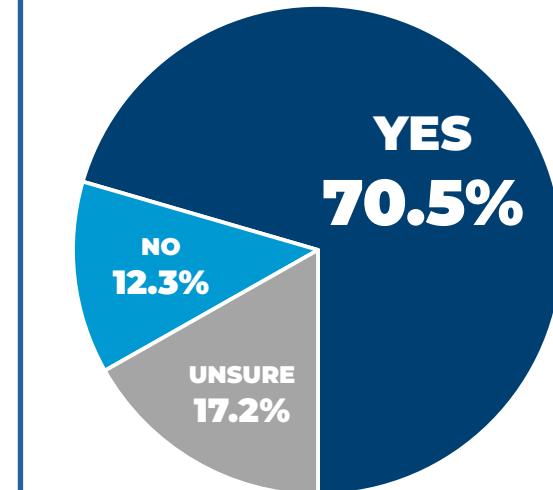
## 1. Two-Thirds Legislative Majority to Increase Taxes

Seventeen states already require a supermajority vote to raise taxes, including California and Arizona. This rule does more than make tax hikes difficult; it forces lawmakers to build consensus and consider long-term economic impacts before increasing rates.

Supermajority requirements also help control spending. During tight budget years, the pressure to raise taxes can be strong. However, history shows that lower, stable tax rates encourage investment and job growth, ultimately producing stronger revenue through economic expansion.

This amendment would create a structural check on runaway spending and prevent quick-fix tax increases.

Would you vote "yes" or "no" on an amendment to the Iowa state constitution that would require two-thirds of the state legislature to vote "yes" on any tax increase, effectively making it more difficult for the legislature to raise taxes?



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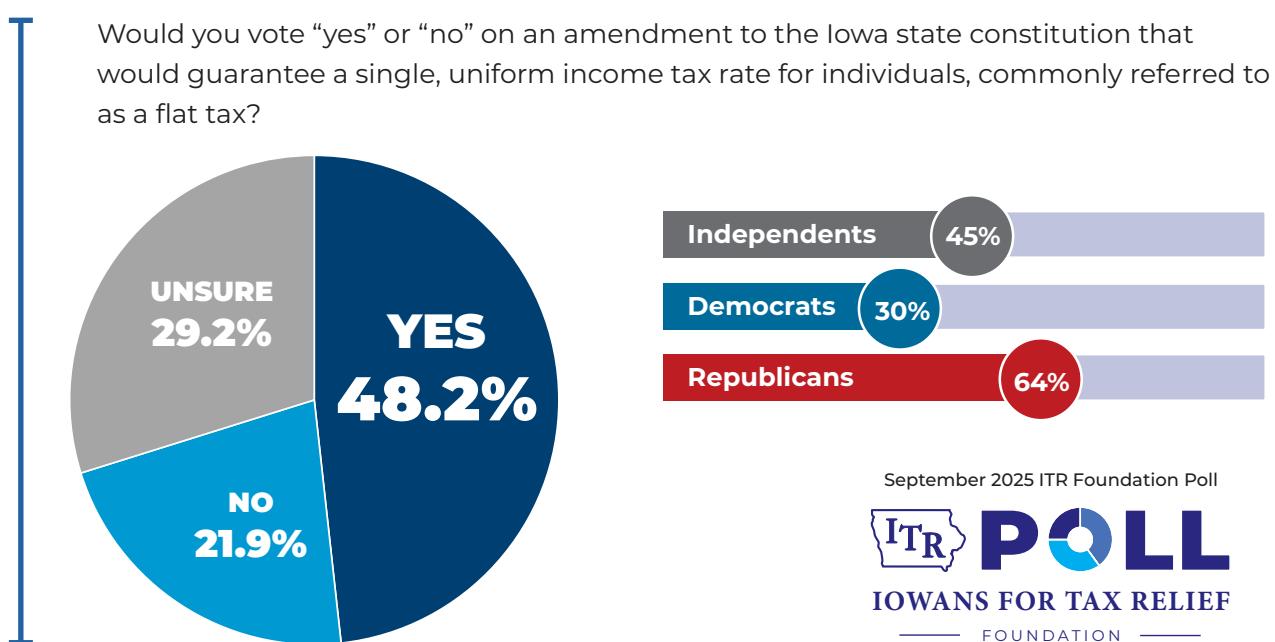
## 2. Flat Tax Amendment

In 2025, Iowa moved from a progressive multi-rate income tax to a flat 3.8 percent rate. This simplified system provides tax relief for most Iowans and creates a fair, predictable structure that supports economic growth.

Without constitutional protection, future legislatures could reverse course. They could reintroduce a progressive tax system or impose new taxes on savings, property, or wealth. A constitutional amendment would lock in Iowa's flat tax and protect taxpayers from future tax-and-spend swings.

A Lesson from Illinois:

Illinois's constitution protects its flat tax, and that safeguard has prevented attempts to replace it with a multi-rate system. Iowa can secure similar long-term protection by enshrining its flat tax in the Constitution.



## Why Taxpayers Need Both Protections

Taxpayer protections are just as vital as pro-growth reforms. These amendments would:

- Limit government spending and expansion
- Ensure lasting stability for families and businesses
- Keep Iowa on a path of fiscal responsibility
- Provide confidence that future lawmakers cannot undo years of progress

Iowa's prosperity has come from disciplined budgeting and conservative fiscal management. The state is not immune to future pressures to tax and spend. By embedding these safeguards in the Constitution, Iowa can guarantee that economic freedom and taxpayer protection remain permanent features of its fiscal policy.

# Iowa Must Pass Fiscal Independence Act to Fight Federal Funding Fallout

2025's federal government shutdown exposed how reliant states like Iowa have become on Washington, as delayed payments, frozen funds, and furloughed inspectors disrupted services. Beyond the shutdown, President Trump's One Big Beautiful Bill achieved its budget goals and continued key tax reforms, but it also required states like Iowa to cover a greater portion of certain federal programs—adding new pressures to balance their own budgets and sustain core priorities like public safety, infrastructure, and tax relief.

Federal support increasingly comes with strings attached, leaving Iowa to shoulder a growing share of program costs. Iowa receives roughly \$13 billion annually from Washington—more than the entire \$9.4 billion state budget. That imbalance leaves Iowa vulnerable to every congressional fight, agency directive, or change in federal law.

Iowa must act to protect itself. Legislators should pass the ***Iowa Fiscal Independence Act***, comprised of the following provisions:



- 1. Federal Funds Inventory:** The legislature should inventory every stream of federal funding—what programs it supports, which agencies administer it, and what matching or maintenance-of-effort requirements come with it. Without that transparency, taxpayers and lawmakers cannot assess the true risks.
- 2. Guidance Disclosure:** Iowa agencies and departments should publicly disclose all federal guidance that dictates how these funds are used. Too often, agencies treat Washington's guidance as binding law, even when it's not.
- 3. Legislative Oversight:** Legislative review would ensure that federal partnerships serve Iowa's interests. Federal funds that come with state matching obligations should require the same scrutiny as any other appropriation.

# Protecting the Integrity of the Taxpayer Relief Fund



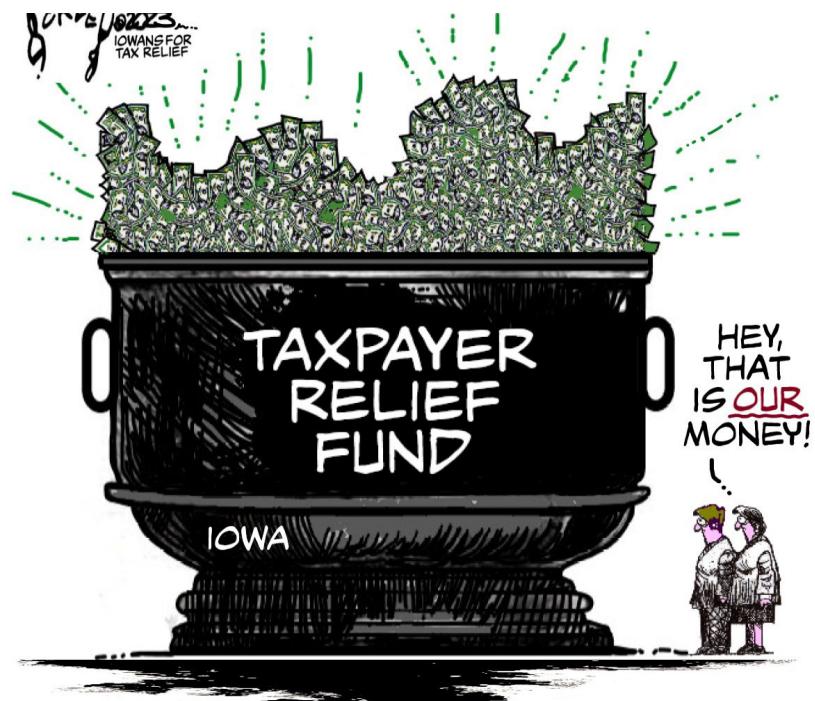
Iowa is receiving national attention for many conservative policy reforms. The Taxpayer Relief Fund is just one example. Several states are considering duplicating Iowa's Taxpayer Relief Fund. The Taxpayer Relief Fund was created to capture the overcollection of income and sales taxes from taxpayers and return those dollars directly back in the form of income tax relief. Overtime, as a result of conservative budgeting, the Taxpayer Relief Fund increased its balance to almost \$4 billion.

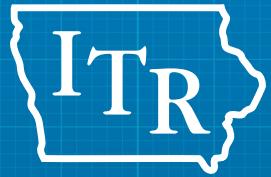
The current balance in the Taxpayer Relief Fund is \$3.6 billion after the legislature used a portion to supplement the Fiscal Year 2026 budget. Utilizing a portion of the Taxpayer Relief Fund to cushion the budget is part of the original intent, but it does not translate into a blank check for greater spending.

The \$3.6 billion balance belongs to the taxpayers and should not be used to supplement greater spending or to be used for local government aid or property tax relief.

## The Solution

The Taxpayer Relief Fund should be constitutionally protected to ensure it can only be used for income tax relief. With its \$3.6 billion balance, the fund is an attractive target for those advocating increased state spending, subsidies for local governments, or property tax "buy downs." Some of these proposals have already been floated. Constitutional protection would honor the fund's original purpose and safeguard taxpayer dollars from being diverted to new spending programs.





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