



Cross-Boundary Collaboration and Partnerships

Award Nomination 2015

Iowa Property Tax Reform Through The LocalGovExchange Web Portal

LocalGovExchange.iowa.gov

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Executive Summary

In June 2013 the Iowa Legislature enacted the first major property tax reform in thirty years. The Iowa Department of Revenue (IDR) had a statutory deadline of thirteen months to implement the first phase of this reform with its technology partner, the Iowa Office of the Chief Information Officer (OCIO). As a result, IDR and OCIO developed the web portal LocalGovExchange and back-end applications to modernize the exchange and to process \$171 million in other state-funded property tax credit programs. The new system provides for the exchange of \$4.4 billion in valuation data between Iowa's 99 county governments and the state.

The first objective of the portal was to administer the Business Property Tax Credit (BPTC), an ongoing pool of state funds for property tax credit to qualifying commercial, industrial and railroad real property. The portal, <https://localgovexchange.iowa.gov> exchanges property data needed to calculate the credit. IDR formed a cross-boundary team of local government officials, OCIO, state government agencies, and other interested parties to define application needs, test, and implement the web portal. IDR also trained 305 local government officials in 99 counties to transmit, correct, reconcile, export, and utilize data files exchanged through the portal.

The LocalGovExchange portal launched six months after the legislation was enacted. Development and implementation of the BPTC and local government education on the file exchange process concluded July 11, 2014, when IDR and OCIO posted credit files for 99 counties including data for \$50 million in tax credits for Iowa businesses. Delivery of tax credit information was critical in order for county treasurers to timely produce property tax statements that included this credit in August.

Over 93,000 parcels were managed through the portal for more than 70,000 tax credits. The entire process was done by digitally exchanging data files from local governments; processing the data and posting files for local governments to download into their tax administration software, counties delivering a second submission of different data to the state, and all counties downloading the final file of calculated tax credits.

In addition to meeting the legislative mandate other benefits have been realized. An extension of the same process facilitates the file exchange with local governments for to receive Replacement Claims for over \$78 million to offset reductions in taxable value. The future exchange of valuation data for centrally assessed utility companies and digital mapping shape files will create a foundation to leverage future projects.

Description of the Business Problem and Solution

Business Problem

The 2013 Property Tax Reform legislation established a limited timeframe to implement the Business Property Tax Credit (BPTC). This complex calculation made by the state required the following types of data from 99 local governments: valuation, classification, ownership, a unique identifier that tied parcels together based on contiguity and ownership, as well as other relevant information. In all, 107 city and county assessors and 99 auditors provided data necessary to calculate the credit.

The credit not only had to be calculated, it also had to be provided back to 99 local treasurers to be included on tax bills published in August of 2014. This short timeline was critical so as to not impede local governments' ability to timely produce tax bills, which if delayed, impacted local government cash flow. The need to have the credit on the 2014 tax bills gave OCIO, IDR and local governments only thirteen months to successfully implement the law. The initial tax credit fund was \$50 million, expanding to \$125 million within three years. Statutorily, the credit calculation had to spend 98% of the appropriated fund.

The BPTC is actually applied to a property "unit" which is comprised of a single or multiple parcels. The calculation required that IDR be able to identify what records comprised the "unit" based on local decisions by the city or county assessor, and then the aggregated valuation information specific to the "unit" was used in the overall calculation. The credit essentially dispersed the appropriated funds across the entire state based on valuation specific to the various "units" across the 99 counties.

There was only a two week window of time available from the point where the state received all the data needed to calculate the credit and the time local governments needed to receive the credit information back from the state for production of the tax bills.

Project Solution – Creating the Exchange Process Through Cross-Boundary Collaboration and Partnership

The key to success for this project was the creation of a Working Group of cross-boundary stakeholders to address this multi-faceted business challenge. Given the limited turnaround time, the vast amount of data required, the need to educate local officials on the data exchange process, and the complexity of the process to calculate and provide the credit, this team was critical. This collaborative team includes these government organizations:

- Iowa State Association of County Auditors;
- Iowa State Association of Assessors;
- Iowa State County Treasurers Association;
- Iowa Department of Management;
- Iowa League of Cities;
- Iowa Office of the Chief Information Officer (OCIO);
- Iowa Department of Revenue (IDR);
- Iowa State Association of Counties, and
- Various local government Technology Departments.

Also key to the successful implementation of this project was a coordinated effort with the property tax administration software vendors and Computer Assisted Mass Appraisal (CAMA) vendors serving Iowa's 99 counties.

The Working Group was chaired by IDR's Property Tax Division Administrator. The team provided problem definition and potential solutions, as well as extensive input for requirements gathering and buy-in for all stakeholders across the state.

OCIO provided the technology architecture and participated in determining the overall best solution for databases, web interface, secure file exchange, and other technological challenges that arose in developing an overarching solution.

Implementing The Solution

Standard development and implementation processes were not possible in this project because of the short time frame. Development, testing, training and implementation occurred simultaneously and at extraordinary speed. Four phases of the project were identified. Scheduled testing was designed to train users at the same time they were "testing" each phase of the application. Internal testing was ongoing and as pieces of the application became functional, they were pushed into production for each specific local government audience and phase of the project.

Phase One – Identification of “Unit” ID’s

One hundred seven assessors received BPTC paper applications at their city or county offices for more than 93,000 parcels. Assessors were required to identify qualified applicants and properties and to identify which parcels comprised “units” based on statutory definition.

These “units” had to be registered with the state and assigned a “unit ID number”, which identified the parcels belonging to each unit. Assessors identified over 70,000 units to

receive the credit. Assessors then created a digital file of county identified units comprising a single or multiple parcels for registration with the state.

Phase Two – Submission of the “Unit” ID File:

Once Assessors identified units to register with the state, the 99 county assessors uploaded their digital files through the LocalGovExchange web portal so each record could be assigned a unique unit ID number. A file of registered parcels and units including the unit ID numbers for each county was provided back to the assessors for inclusion in their tax administration software. In less than four months OCIO developed the LocalGovExchange portal, created, tested, and implemented the file exchange process. Concurrently, IDR trained 99 county assessors to use the exchange process and files were successfully exchanged.

Phase Three– Submission of the Valuation Data File:

Next Iowa's 99 county auditors created files of valuation data which included the state-assigned registered unit ID numbers. The valuation data files were delivered through the LocalGovExchange portal. Auditors then reconciled any differences between unit ID number files and the state registered list of unit IDs with their valuation files through the LocalGovExchange portal. In less than six months, OCIO developed, tested, and implemented the exchange and reconciliation processes, auditors were trained, and files were successfully exchanged and reconciled.

Phase Four – Calculating the Credit and Downloading the Credit File

After county auditors provided the valuation data files and reconciled the unit ID numbers, OCIO and IDR had less than two weeks to compute the complex tax credit calculation and provide a digital data file to all the 99 counties. Timing was critical so that the county treasurers could produce property tax statements reflecting the credit in a timely manner. Any extension beyond two weeks would mean taxpayers would not receive their local property tax bills timely. Additionally, any delays would impact local government's cash flow in their tax collection process, which in turn impacts the recipients of the allocated collected tax dollars.

Leveraging the Cross-Boundary Partnership

After the successful implementation of the BPTC and the subsequent education of local officials, the use of the LocalGovExchange portal was expanded in September, 2014 to provide a secure, simple system for county auditors to submit Replacement Claims for \$78 million in their portion of the statutorily funded payments to local governments. The funds were intended to offset the revenues lost because of the reform. The secure

login, file layout, process, data file, and interface with the state's check processing system created for the BPTC were all reusable. Local auditors and treasurers used the same file exchange process through the LocalGovExchange portal for this funding request; they simply requested a different file.

Significance to the Improvements of the Operation of Government

The project created the need to rapidly communicate with local governments to allow for successful implementation of the BPTC. This was possible through the collaborative Working Group which IDR created to define the requirements needed to implement the BPTC and Replacement Claim file exchanges through the LocalGovExchange portal.

The Replacement Claim exchange demonstrated that the LocalGovExchange portal could also be used to modernize other property tax data exchange processes between IDR and local governments; processes that are currently paper-based. These various processes provide \$171 million in funding to local governments.

The portal will also facilitate the exchange of GIS shape files from Iowa's 99 counties. IDR needs these files to fulfill its statutory audit responsibilities under the 2013 Property Tax Reform legislation. The file exchange portal and processes will be utilized to modernize the delivery of more than \$4.4 billion in valuation data for centrally assessed utility companies that local governments use to collect utility property tax. These applications create significant improvements in operations for local and state government.

The infrastructure, framework, portal, user registration process, data validations by county, and warrant request processes can all be reused in these other state-funded programs. The Working Group team of subject matter experts continues work today to expand the use of the LocalGovExchange portal and digital data exchanges to further the cross-boundary collaboration for additional purposes.

Benefits of the Project

Financial Benefits of the Project Include:

- The initial benefit was that the BPTC enacted in June, 2013 came to fruition and was timely calculated and distributed to counties for inclusion on the 2014 tax bills. Taxpayers received this credit (distribution of 98% of \$50 million) within thirteen months of enactment.
- The second benefit from this project was the Replacement Claims paid to county governments to offset reduced taxable values. This program funded \$78 million using the same web portal and processes and capitalized on the technology

structure, code language, validations, and secure file logins created for the BPTC.

- Requirements and development are in process to modernize other paper-based property tax credit programs that exchange property data between local governments and IDR to provide approximately \$171 million in property tax relief to taxpayers. The allocation of centrally-assessed property values will also use the web portal and improve the ability of local governments to collect taxes on \$4.4 billion in valued property statewide.
- Soft cost benefits are reflected in the future reallocation of IDR resources that currently manage the paper-based processes for other tax credit programs. Data entry staff will also be reassigned to other more pressing IDR needs.

Project Cost and Return on Investment

The project cost to IDR was \$384,474. IDR anticipates a savings of \$238,358 a year through further modernization to eliminate data entry from paper-based processes. This savings and reduced staff will enable IDR to allocate resources to other Property Tax Division work.

Non-Financial Benefits Include:

- The greatest non-financial benefit has been the strengthened relationship between counties and IDR. Because of the project success, ease of use, and clear communications local government have come to recognize the relationship is a partnership that can help them.
- 305 local government officials have also gained improved technology skills as a result of the digital file exchange processes. This enables IDR and local governments to benefit by expanding their communications and data exchange to modernize and replace paper-based data file exchanges.