



GOVERNOR OF IOWA
Kim Reynolds

2022 VISION FOR IOWA Tax Cuts for All Iowans

When Governor Reynolds took office in 2018, Iowa had the sixth highest individual income tax rate in the nation. **With the Governor's plan proposed this year, Iowa's rate will be the fifth lowest among all states that charge income tax, ranking us among the most tax-friendly states in America.**

Thanks to the administration's strong, conservative budgeting practices and fiscal responsibility, Iowa is in a formidable economic position.

FY21 Results:

\$1.24 B
General Fund Balance

Nearly **\$1B**
Cash Reserves

FY22 Projections:

\$9B+
General Fund Revenue

3%
Increase Over FY21

\$2 B
Taxpayer Relief Fund Balance

There's never been a better time in Iowa for bold, yet practical tax reform that meets the priorities of the state, allows Iowans to keep more of what they earn, and creates a highly competitive tax system.

4% Flat Income Tax for All Iowans

A flat, fair 4% individual income tax rate means Iowans keep more of their hard-earned pay upfront.

- Beginning in tax year 2023, implement four tax brackets ranging from 4.4% to 6.0%.
- In subsequent tax years, eliminate the top rate annually until a 4% flat tax rate is achieved in tax year 2026.
- A 4% flat tax is projected to save Iowa taxpayers more than \$1.583 billion by tax year 2026.

Occupation	Average Salary in Iowa	Average Income Tax Savings with 4% Flat Tax
Electrician	\$53,700	\$752 ↑
Registered Nurse	\$62,400	\$902 ↑
Married Couple with 2 children	\$87,500 Joint Income	\$1,305 ↑
• Police Officer	\$57,300	Total Savings
• Child care worker	\$30,200	

Sources: Salary.com; Iowa Department of Revenue

How does this plan affect low-income Iowans?

A flat tax will NOT result in low-income Iowans paying more. Additionally, low to moderate-income earners who qualify for the Federal Earned Income Tax Credit (EITC) and other available tax credits, will continue to receive a state tax refund when tax credits exceed the amount of state tax liability.

Single parent with 2 children under the age of 10, earning \$34,000/yr

Example	TY 2022 Current Tax Law	TY 2026 Proposed Tax Law
State Tax Liability	\$884	\$374 ↓
State Refund After EIC and Child & Dependent Care Credit	\$1,555	\$2,065 ↑
State Refund Increase	—	\$510 ↑

Source: Iowa Department of Revenue

Regular Tax		Current Rates	Proposed Rates			
Over	But not over		TY2023	TY2024	TY2025	TY2026 & After
\$ —	\$ 6,000	4.40 %	4.40 %	4.40 %	4.40 %	4.00 %
\$ 6,000	\$ 30,000	4.82 %	4.82 %	4.82 %	4.82 %	4.00 %
\$ 30,000	\$ 75,000	5.70 %	5.70 %	5.70 %	4.82 %	4.00 %
\$ 75,000	or more	6.50 %	6.00 %	5.70 %	4.82 %	4.00 %

Tax brackets are indexed under Iowa law. This table uses tax year (TY) 2023 brackets as an example.

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Fully Repeal State Taxes on Retirement Income in 2023

Iowans who've worked hard, saved for retirement, and paid their fair share in taxes deserve a break to enjoy what they've earned.

- **Beginning in tax year 2023**, Iowans age 55 and older would be exempt from state tax on retirement income earned from individual retirement account (IRA) distributions, taxable pensions and annuities.
- **Beginning in tax year 2023**, Iowa farmers age 55 and older who farmed for at least 10 years but have retired from farming operations, can elect an exemption of income from either cash rent or farm crop shares for all years the income is earned; or elect one, lifetime election to exclude the net capital gains from the sale of farmland.

Retired Married Couple Filing Jointly	Tax Under Current Law	Proposed Retirement Income Tax Exclusion	Proposed Retirement & Cash Rent Income Exclusions
Wages and Business Income	\$47,000	\$47,000	\$47,000
Investment Income	8,000	8,000	8,000
Retirement Income	30,000	30,000	30,000
Retirement Exclusion	-12,000	-30,000	-30,000
Rent	6,000	6,000	6,000
Cash Rent Exclusion	---	---	-6,000
Net Income	79,000	61,000	55,000
Iowa Income Tax	\$2,378	\$1,510 ↓	\$1,221 ↓
SAVINGS with New Retirement Exclusions		\$868 ↑	\$1,157 ↑

Source: Iowa Department of Revenue

Exempt Net Capital Gains Tax from Qualified One-stock Plans

Iowans who are awarded capital stock from their employers currently pay all or some of the net capital gains taxes on those shares when they choose to sell them.

- Allow one lifetime election to exclude the net capital gains from one stock of one qualified corporate or employee stock ownership plan (ESOP) from state income tax.
- Qualified corporations must have done business in Iowa for a minimum of 10 years. Employee owners must have acquired capital stock while employed by the corporation for at least 10 years.
- Under current law, 50% of net capital gains from an ESOP is allowed for deduction. The proposal would allow 100% of the net capital gain to be deducted.

Reform Corporate Income Tax

Just a few years ago, Iowa's corporate rate was the highest in the country, but recent reforms have improved our national standing. Through continued common sense, pro-business strategies, Iowa can maximize its competitive advantage by offering businesses an opportunity to reduce their tax rate when they increase their revenue in Iowa.

- For every fiscal year in which net corporate income tax receipts exceed \$700 million, the surplus will be used to buy down the current top rate.
- Following the close of the fiscal year, the Department of Revenue will determine the new top corporate income tax rate and apply it effective January 1 of the following tax year.
- New top rates will be determined each fiscal year that net corporate income tax receipts exceed \$700 million, until a uniform 5.5% corporate income tax rate is achieved, at which time it would be capped.
- Once the rate is capped, excess tax revenue beyond \$700 million will go into the state's general fund.



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