

# THE MIDDLE CLASS TAX RELIEF ACT

FAIR

SUSTAINABLE

MODERN

Iowa's tax code is outdated, overly complex, and boasts some of the highest income tax rates in the entire country.

Due to tax reform at the national level, Iowans will pay \$1.8 billion less in federal taxes in tax year 2018. However, due to the fact that Iowa has federal deductibility, Iowans will pay additional state taxes totaling \$107 million in tax year 2018 and grow to \$153 million in tax year 2019.

This money should not be used to grow state government. Rather, it should be returned to the hard-working taxpayers of Iowa who deserve relief.

The Middle Class Tax Relief Act will reform Iowa's tax code to make it fairer, sustainable, and built for the 21st century.

The Middle Class Tax Relief Act will reduce the state tax burden on Iowans by \$1.3 billion over 5 years while protecting budget sustainability in future years.

## How will this benefit the average Iowan?

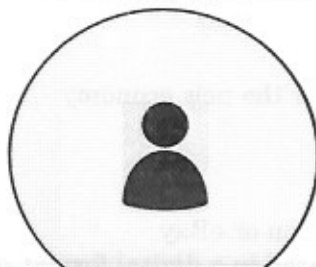
Reduces Iowan's income taxes by \$139 million in Tax Year 2019  
and \$298 million in Tax Year 2020

The average Iowa  
taxpayer will see their  
income tax reduced by

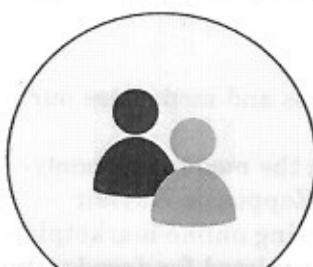
8.9%

Percentage of middle-class  
Iowans that will see their  
state tax liability reduced

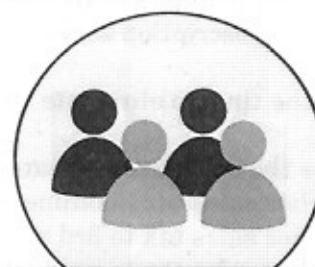
90%



A single taxpayer making  
\$25,000 would see  
their tax burden  
reduced by 14.9%



A single parent with one  
child making \$48,000  
would see their tax burden  
reduced by 12.4%



A family of four making  
\$52,000 would see  
their tax burden  
reduced by 14.4%

## CHANGES FOR TAX YEAR 2018

Expands 529 education savings plans to include K-12 tuition

Makes a number of federal tax coupling changes:

- Earned Income Tax Credit calculation
- Teacher education expenses
- Tax-free IRA distributions to certain charities for individuals older than 70
- Option to itemize sales and use taxes in lieu of income taxes

Raises the Section 179 limit to \$100,000/\$400,000 (up from \$25,000/\$200,000)

## CHANGES FOR TAX YEAR 2019

Increases the standard deduction to \$3,000 single/\$7,500 family and indexes it for future years (up from \$2,070/\$5,090)

Reduces rates for all individual income tax brackets

Creates a small business deduction for 25% of the federal qualified business income deduction from Iowa taxable income

Additional federal coupling changes

No changes to Federal Deductibility

No corporate income tax changes

## CHANGES FOR TAX YEAR 2020

Further reduces individual income tax rates for middle class Iowans

Further increases the Section 179 limit to \$250,000/\$1,000,000

## ENSURING FAIRNESS IN A 21ST CENTURY ECONOMY

Main Street businesses are put at an unfair disadvantage as our economy moves more towards internet sales and subscription services

Now is the time to eliminate this unfairness and modernize our tax system for the new economy

Updates the sales tax to create fairness in the modern economy:

- Applies sales tax to online sellers like Zappos or Wayfair
- Applies sales tax to 3rd party sellers using online marketplaces like Amazon or eBay
- Applies sales tax to products that have existed for decades, but are delivered in a digital format now

These updates will ensure a tax code built for the 21st century and create fairness for Main Street businesses in Iowa.

FAIR

SUSTAINABLE

MODERN



## HOUSE REPUBLICAN STAFF ANALYSIS

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### Tax Impacts Directly Attributable to Federal Tax Reform:

- Iowans are expected to owe \$1.8 billion less in federal taxes in tax year 2018.
- Iowans are expected to owe \$107 million more in Iowa income tax in tax year 2018 reflecting the lower federal payments that can be deducted from Iowa taxable income.
- That increase in Iowa tax owed is estimated to increase in tax year 2019 to \$153 million when the full impact of the federal changes will be realized.

### House Proposal Changes to Tax Year 2018:

- Expands definition of qualified education expenses under the 529 education savings plans to include K-12 tuition for schools in this state.
- Allows rollovers between 529 and Achieving a Better Life Experience (ABLE) accounts for individuals with disabilities without triggering tax consequences.
- Couples with federal Earned Income Tax Credit provisions, reflecting a change made in 2015. This would avoid as many as 44,000 low-income, married taxpayers or taxpayers with three or more children having to recalculate EITC for Iowa purposes.
- Couples with the above-the-line deduction for teacher education expenses, tax-free IRA distributions to certain charities for individuals 70 and one half years or older, and the option to itemize sales and use taxes in lieu of income taxes.
- Couples with a handful of other definitional provisions regarding retirement savings and business accounting rules.
- Raises the Section 179 limit to \$100,000/\$400,000 (up from \$25,000/\$200,000) and provides shareholders the ability to depreciate expensing above the cap over the following five years.
  - It is estimated, based on 2016 expensing, that the \$100,000 cap will be sufficient to cover Section 179 expensing for 93% of Iowa resident taxpayers.

### House Proposal Changes to Tax Year 2019:

- Starting in tax year 2019—reduces all individual income tax rates between 1% and 5.6%.

- Raises the standard deduction to \$3,000 single/\$7,500 married (indexed) up from \$2,070/\$5,090.
- Allows a deduction for 25 percent of the federal qualified business income deduction from Iowa taxable income (an effective 5 percent deduction).
- Additional coupling (federal tax reform) provisions including elimination of:
  - Domestic production activities deduction
  - Moving expenses deduction for non-military moves
  - Alimony payment deduction as well as elimination of alimony received as income
  - Income limitation on itemized deductions
  - Home equity interest deduction and casualty deduction for non-disaster related losses
  - Itemized deduction for unreimbursed job expenses and tax preparation services
- Decouples with the federal repeal of like-kind exchanges (1031).
- **No changes to federal deductibility.**
- **No corporate income tax changes.**

#### **House Proposal Changes to Tax Year 2020:**

- Reduces all individual income tax rates again—between 1% and 11%.
- Increases Section 179 limit to \$250,000.

#### **Sales and Use Tax Modernization Proposal—Effective January 1, 2019\***

##### ***Marketplaces***

- Expands the definition of retailer to include any marketplace provider that facilitates sales into the state.
- Attempts to rectify the current disadvantages faced by traditional retailers required to charge sales tax on in-person sales at stores while retailers on online marketplaces have no such requirement.
- **Examples: Individuals/Businesses that utilize a marketplace such as amazon or ebay to sell their goods.**

##### ***Online Sellers***

- Expands the definition of sales tax nexus to include any retailer selling more than \$100,000 of products or making more than 200 separate sales into the state (whether or not through an online marketplace).
- This includes sellers who ship their products into Iowa but otherwise do not have a physical presence in the state.
- **Examples: Zappos, Wayfair, etc.**

##### ***Digital Goods***

- Ends the exemption for goods purchased and delivered online.
- Attempts to restore equity to these goods by making sales and use tax due on any purchase of music, games, etc. no matter how the product is delivered.
- **Examples:** e-books, games, and phone apps.

#### ***Ride Sharing***

- Establishes taxation of all ride services including traditional taxi services and internet-based ride-sharing businesses.
- **Examples:** Uber, Lyft

#### ***\*Subscription Services—Effective July 1, 2018***

- Clarifies that paid television includes streaming services.
- Expands the sales and use tax base to capture the change in consumption from tangible good purchases such as video game cartridges and CDs to subscription services including streaming audio and video, software as a service, legal research databases, genetic analysis, online file storage, software, and gaming.
- **Examples:** Hulu, Netflix, Amazon music, Spotify, etc.

<b>State and Local Revenue Impact</b> Projected Change Compared to Current Law (In Millions)			
<b>State General Fund Revenue Impact</b>			
Item	FY 2018	FY 2019	FY 2020
Individual Income Tax	\$ -0.8	\$ -139.4	\$ -298.1
Ind. Income Other Coupling	-0.2	-3.6	-4.4
Corporate Income Tax			
Corp. Income Other Coupling			
Sales/Use Tax (State portion)	0.0	44.3	105.7
Tax Credit Changes			
General Fund Revenue Impact	\$ -1.0	\$ -98.7	\$ -196.8
<b>Local Government Revenue Impact</b>			
Item	FY 2018	FY 2019	FY 2020
School Income Surtax			
School Infrastructure (SAVE) Fund			
Local Option Sales Tax			
Moneys and Credits Tax			
Local Government Revenue Impact	\$ 0.0	\$ 0.0	\$ 0.0

# Iowa Department of REVENUE

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1305 East Walnut Street  
Des Moines, IA 50319

<https://tax.iowa.gov>

April 11, 2018

This letter presents an estimate for an Iowa individual income tax proposal including the following changes:

- In tax year (TY) 2018, coupling matching HSB 671 (including Section 179 cap and investment limit increase to \$100,000/\$400,000)
- In TY 2019, additional coupling with provisions in the federal Tax Cuts and Jobs Act, tax rates will be reduced by 1% to 5.6% (see Table A below); allow 25% of the federal Qualified Business Income (QBI) deduction, and increase Iowa standard deductions to \$3,000/\$7,500 (for composite filers as well)
- The proposal would not couple with the repeal of like-kind exchanges (1031)
- In TY 2020, increase the Section 179 cap and investment limit to \$250,000/\$1,000,000 and further lower tax rates

**Table A. Tax Brackets and Rates Under Current Law and Under the Proposal**

Iowa Current Law*			Proposed Tax Rates					
Over	But Not Over	Tax Rates			Rates Change			Rates Change
			2018	2019	Percentage	2020	Percentage	
[1] \$0	\$1,628	0.36%	No change	0.34%	-5.6%	0.32%	-11.1%	
[2] \$1,628	\$3,256	0.72%	No change	0.68%	-5.6%	0.65%	-9.7%	
[3] \$3,256	\$6,512	2.43%	No change	2.31%	-4.9%	2.20%	-9.5%	
[4] \$6,512	\$14,652	4.50%	No change	4.28%	-4.9%	4.10%	-8.9%	
[5] \$14,652	\$24,420	6.12%	No change	5.94%	-2.9%	5.60%	-8.5%	
[6] \$24,420	\$32,560	6.48%	No change	6.29%	-2.9%	6.10%	-5.9%	
[7] \$32,560	\$48,840	6.80%	No change	6.60%	-2.9%	6.58%	-3.2%	
[8] \$48,840	\$73,260	7.92%	No change	7.84%	-1.0%	7.82%	-1.3%	
[9] \$73,260 or more		8.98%	No change	8.89%	-1.0%	8.89%	-1.0%	

\* Tax brackets are indexed under Iowa current law and the proposal. TY 2019 tax brackets are reported for TY 2019 and after.

The proposal includes revisions and conformity to federal law as follows:

The proposal would couple with the following provisions effective in TY 2018:

- Expanded definition of qualified education expenses under the 529 education savings plans in 2017 federal law changes
- Allowing rollovers between 529 and Achieving a Better Life Experience (ABLE) accounts for individuals with disabilities in 2017 federal law changes
- Definitional changes regarding retirement savings and business accounting rules in 2017 federal law changes
- The extension of higher Earned Income Tax Credits for married households and households with three or more children in 2015 federal law changes
- The above-the-line deduction for teachers' education expenses in 2015 federal law changes



- The exclusion of IRA distributions for 70 ½ year and older charitable contributions in 2015 federal law changes
- The option to itemize sales and use taxes in lieu of income taxes in 2015 federal law changes
- Raise the Section 179 limit to \$100,000/\$400,000 - up from \$25,000/\$200,000 – and allow shareholders or partners to depreciate expensing exceeding the Iowa cap, but not over the federal cap, 20 percent per year in subsequent five tax years

The proposal would make the additional coupling effective in TY **2019 and after**:

Additional coupling provisions include:

- AGI changes –
  - Elimination of the domestic production activities deduction
  - Elimination of the moving expenses deduction for non-military moves
  - Elimination of alimony payment deduction and elimination of alimony received as income for agreements after December 31, 2018
- Itemized deduction changes -
  - Elimination of the income limitation on itemized deductions
  - Elimination of home equity interest deduction and casualty deduction for non-disaster related losses
  - Elimination of itemized deduction for unreimbursed job expenses and tax preparation services
- Raise the Section 179 limit to \$250,000/\$1,000,000 and allow shareholders or partners to depreciate expensing exceeding the Iowa cap, but not over the federal cap, 20 percent per year in subsequent five tax years
- Allow 25% of the federal QBI

### **Individual Income Tax Micro Model**

This analysis employs the IDR individual income tax micro model, using data for tax year 2016. In order to estimate tax liability in years after 2016, individual tax return data used by the model are adjusted for anticipated growth in income and changes in the size and age distribution of the population. The income growth forecasts are based on various income projections produced by external economic models using data primarily from Moody's Analytics. Future projections do not assume any specific unusual growth or recessionary periods. The population changes are based on REMI projections for the State of Iowa. The model forecasts both federal and Iowa tax liability for each household under current law. The forecasted changes in liability by tax year under the proposals are timed into State fiscal year changes using historical patterns of withholding, estimates, final returns, and refunds.

Please note that all major provisions of the new federal law passed in December 2017 that impact individual income tax (including the change to the federal QBI enacted in March 2018), and other minor provisions for which data is available have been included in the baseline.

### **Revenue Impacts**

The distributional impacts of the proposal are presented in Tables 2-3 and 5-6 including the share of taxpayers expected to experience decreases and increases in total Iowa tax liability (including school surtax) for TY 2019 and TY 2020.

Statistics of example taxpayers for 2019 and 2020 are presented in Table 3B and 6B. The 35 modeled example households, based on average outcomes for actual taxpayers forecasted to fit the specified characteristics, differ by filing status, number of dependents, age of primary taxpayer, income groups (ranges to target \$30,000, \$55,000, \$70,000, \$100,000, \$250,000, and \$500,000).

Table 7 presents the tax year impact and fiscal year impact for 2018-2020.

The last table presents the overall impact of the proposal, including the estimated impacts of modernizing the sales and use tax as written in HSB 671.

If you have any questions regarding this analysis, please call me at 281-0196.

Sincerely,

Amy Rehder Harris  
Administrator  
Tax Research and Program Analysis Section



**Table 1. Tax Year 2019 Current Law and Proposed Law Tax Parameters**

	Current Law	Proposed Law
Federal Tax Deduction	Unlimited	No change
Personal/Dependent/Aged Credits	\$40/40/20	No change
Minimum Filing Thresholds	\$9.0/\$13.5 K	No change
Elderly Minimum Filing Thresholds	\$24/\$32 K	No change
Itemized/Standard Deduction	\$2,070/\$5,090	Itemized coupling, \$3,000/\$7,500
Social Security Income	100% exclusion	No change
Pension/Other Retirement Exclusion	\$6/\$12 K	No change
Iowa Capital Gains Deduction	Unlimited	No change
Alternate Tax Threshold	\$13.5 K/\$32 K elderly	No change
Alternate Tax Rate	8.98%	8.98%
Iowa Earned Income Tax Credit	Refundable 15%	Coupling
AMT and Tax Credit	Allowed	No change
Section 179 Maximum Investment Limit	\$25K/\$200k	\$100K/\$400k
Iowa 529 Plans	Not Allowed for K-12	Allowed for K-12

Tax Brackets and Rates			
	Over	But Not Over	Current Rates
[1]	\$0	\$1,628	0.36%
[2]	\$1,628	\$3,256	0.72%
[3]	\$3,256	\$6,512	2.43%
[4]	\$6,512	\$14,652	4.50%
[5]	\$14,652	\$24,420	6.12%
[6]	\$24,420	\$32,560	6.48%
[7]	\$32,560	\$48,840	6.80%
[8]	\$48,840	\$73,260	7.92%
[9]	\$73,260 or more		8.98%

Proposal includes additional coupling noted in text.

**Table 2. Estimated Change in Individual Income Tax Liability By Taxable Income Level Under Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2019

All Filers Iowa Taxable Income	Returns Number Current	Total AGI Current	Total Tax Liability		Change in Tax Liability	
			Current	Proposed	Total	Percentage
Current Law						
\$10,000 or less	263,864	-\$4,098,003,765	-\$9,895,566	-\$10,752,521	-\$856,955	-8.7%
\$10,001 to 20,000	202,321	3,000,031,243	7,596,192	-302,025	-39	-104.0%
\$20,001 to 30,000	184,463	4,584,288,008	83,288,579	67,957,741	-15,330,838	-18.4%
\$30,001 to 40,000	166,630	5,777,466,551	161,883,069	145,563,802	-16,319,267	-10.1%
\$40,001 to 50,000	136,492	6,068,290,365	200,820,130	187,198,359	-13,621,771	-6.8%
\$50,001 to 60,000	105,519	5,729,398,954	199,564,601	189,457,963	-10,106,638	-5.1%
\$60,001 to 70,000	86,117	5,523,996,205	197,678,513	189,425,565	-8,252,948	-4.2%
\$70,001 to 80,000	72,860	5,393,940,763	197,919,936	191,018,010	-6,901,926	-3.5%
\$80,001 to 90,000	63,380	5,323,145,865	200,915,677	194,430,889	-6,484,788	-3.2%
\$90,001 to 100,000	53,988	5,073,194,509	195,741,378	189,964,744	-5,776,634	-3.0%
\$100,001 to 125,000	100,406	11,129,316,777	441,131,797	429,355,235	-11,776,562	-2.7%
\$125,001 to 150,000	59,840	8,130,911,931	330,289,142	321,523,175	-8,765,967	-2.7%
\$150,001 to 175,000	36,189	5,825,780,897	238,090,649	231,616,939	-6,473,710	-2.7%
\$175,001 to 200,000	22,768	4,229,139,504	171,670,020	166,418,981	-5,251,039	-3.1%
\$200,001 to 250,000	25,492	5,640,605,267	231,537,312	223,421,563	-8,115,749	-3.5%
\$250,001 to 500,000	34,448	11,546,136,746	477,541,044	432,748,987	-44,792,057	-9.4%
\$500,001 to 1,000,000	12,434	8,475,659,522	283,211,720	248,512,395	-34,699,325	-12.3%
\$1,000,001 or more	9,407	79,006,451,652	409,559,797	365,900,290	-43,659,507	-10.7%
Composite Returns	3,123	807,100,989	52,597,680	49,169,499	-3,428,181	-6.5%
<b>Totals</b>	<b>1,639,741</b>	<b>\$177,166,851,982</b>	<b>\$4,071,140,670</b>	<b>\$3,812,629,591</b>	<b>-\$258,511,079</b>	<b>-6.3%</b>

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.  
Note: The 2017 federal law change is reflected in the baseline.

**Table 3. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability  
Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2019

All Filers Iowa Taxable Income	Share of Returns by Estimated Change in Tax Liability <sup>a</sup>			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
Current Law							
\$10,000 or less	87.6%	12.3%	0.1%	-\$991,353	-\$30	\$112,905	\$553
\$10,001 to 20,000	31.4%	67.2%	1.4%	-8,395,803	-62	250,526	87
\$20,001 to 30,000	9.0%	87.8%	3.2%	-16,691,237	-103	862,940	145
\$30,001 to 40,000	4.9%	90.6%	4.5%	-18,509,185	-123	1,657,049	223
\$40,001 to 50,000	4.4%	89.5%	6.1%	-16,547,050	-136	2,469,146	294
\$50,001 to 60,000	4.4%	87.6%	8.0%	-13,370,188	-145	2,900,642	345
\$60,001 to 70,000	4.4%	86.5%	9.1%	-11,624,631	-156	3,058,069	390
\$70,001 to 80,000	4.4%	85.3%	10.3%	-10,299,266	-166	3,116,877	417
\$80,001 to 90,000	4.2%	85.7%	10.2%	-9,647,018	-178	2,893,400	449
\$90,001 to 100,000	4.3%	84.9%	10.8%	-8,726,996	-190	2,710,641	466
\$100,001 to 125,000	4.4%	84.5%	11.1%	-18,043,751	-213	5,779,352	520
\$125,001 to 150,000	5.0%	83.4%	11.6%	-13,023,259	-261	3,897,770	561
\$150,001 to 175,000	6.0%	82.3%	11.7%	-9,377,227	-315	2,651,237	628
\$175,001 to 200,000	7.5%	81.4%	11.1%	-7,014,995	-379	1,565,127	621
\$200,001 to 250,000	8.7%	81.0%	10.3%	-10,103,708	-489	1,698,375	648
\$250,001 to 500,000	12.6%	82.2%	5.3%	-47,610,403	-1,682	1,537,378	846
\$500,001 to 1,000,000	19.8%	78.4%	1.8%	-35,795,654	-3,671	268,830	1,206
\$1,000,001 or more	32.2%	64.6%	3.2%	-45,638,056	-7,505	1,238,418	4,156
Composite Returns	23.7%	76.3%	0.0%	-3,428,181	-1,439	0	0
Totals	22.3%	72.1%	5.5%	-\$304,837,961	-\$258	\$38,668,682	\$427

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

**Table 4. Tax Year 2020 Current Law and Proposed Law Tax Parameters**

	Current Law	Proposed Law	Tax Brackets and Rates			
			Over	But Not Over	Current Rates	Proposed Rates
Federal Tax Deduction	Unlimited	No change		\$1,659	0.36%	0.32%
Personal/Dependent/Aged Credits	\$40/40/20	No change	\$1,659	\$3,318	0.72%	0.65%
Minimum Filing Thresholds	\$9.0/\$13.5 K	No change	\$3,318	\$6,636	2.43%	2.20%
Elderly Minimum Filing Thresholds	\$24/\$32 K	No change	\$6,636	\$14,931	4.50%	4.10%
Itemized/Standard Deduction	\$2,110/\$5,190	Itemized coupling, \$3,060/\$7,640	\$14,931	\$24,885	6.12%	5.60%
Social Security Income	100% exclusion	No change	\$24,885	\$33,180	6.48%	6.10%
Pension/Other Retirement Exclusion	\$6/\$12 K	No change	\$33,180	\$49,770	6.80%	6.58%
Iowa Capital Gains Deduction	Unlimited	No change	\$49,770	\$74,655	7.92%	7.82%
Alternate Tax Threshold	\$13.5 K/\$32 K elderly	8.89%	\$74,655	or more	8.98%	8.89%
Alternate Tax Rate	Refundable 15%	Coupling				
Iowa Earned Income Tax Credit	Allowed	No change				
AMT and Tax Credit	\$25K/\$200k	\$250K/\$1M				
Section 179 Maximum Investment Limit	Not Allowed for K-12	Allowed for K-12				
Iowa 529 Plans						

Proposal includes additional coupling noted in text.

**Table 5. Estimated Change in Individual Tax Liability By Adjusted Gross Income Under Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2020

All Filers Iowa Taxable Income	Proposed Law	Returns Number Current	Total AGI		Total Tax Liability		Change in Tax Liability	
			Current		Current	Proposed	Total	Average <sup>a</sup> Percentage
\$10,000 or less		259,186	-\$4,207,037,194		-\$9,766,820	-\$10,657,677	-\$890,857	-\$3 -9.1%
\$10,001 to 20,000		199,566	\$2,956,537,543		\$6,873,919	-\$2,521,486	-\$9,395,405	-\$47 -136.7%
\$20,001 to 30,000		182,189	\$4,522,749,267		\$79,675,762	\$59,473,226	-\$20,202,536	-\$111 -25.4%
\$30,001 to 40,000		165,928	\$5,745,096,525		\$158,168,971	\$133,622,416	-\$24,546,555	-\$148 -15.5%
\$40,001 to 50,000		138,112	\$6,128,402,531		\$201,184,303	\$178,857,967	-\$22,326,336	-\$162 -11.1%
\$50,001 to 60,000		107,402	\$5,813,606,617		\$201,945,545	\$184,472,562	-\$17,472,983	-\$163 -8.7%
\$60,001 to 70,000		87,583	\$5,597,337,418		\$199,618,516	\$184,704,694	-\$14,913,822	-\$170 -7.5%
\$70,001 to 80,000		73,747	\$5,439,088,920		\$198,734,793	\$185,771,717	-\$12,963,076	-\$176 -6.5%
\$80,001 to 90,000		64,855	\$5,406,173,112		\$202,297,620	\$189,988,231	-\$12,309,389	-\$190 -6.1%
\$90,001 to 100,000		55,080	\$5,154,080,166		\$198,080,057	\$186,913,868	-\$11,166,189	-\$203 -5.6%
\$100,001 to 125,000		103,874	\$11,465,195,731		\$451,956,593	\$428,993,497	-\$22,963,096	-\$221 -5.1%
\$125,001 to 150,000		63,443	\$8,595,308,497		\$347,220,449	\$331,089,042	-\$16,131,407	-\$254 -4.6%
\$150,001 to 175,000		38,277	\$6,146,600,586		\$250,794,101	\$239,488,949	-\$11,305,152	-\$295 -4.5%
\$175,001 to 200,000		24,274	\$4,498,760,885		\$182,269,373	\$174,006,479	-\$8,262,894	-\$340 -4.5%
\$200,001 to 250,000		27,138	\$5,987,070,655		\$244,725,952	\$232,319,903	-\$12,406,049	-\$457 -5.1%
\$250,001 to 500,000		36,255	\$12,115,698,843		\$500,900,698	\$445,495,538	-\$55,405,160	-\$1,528 -11.1%
\$500,001 to 1,000,000		12,882	\$8,770,047,706		\$294,159,147	\$250,393,768	-\$43,765,379	-\$3,397 -14.9%
\$1,000,001 or more		9,772	\$84,249,401,279		\$434,027,561	\$381,120,068	-\$52,907,493	-\$5,414 -12.2%
Composite Returns		3,123	\$785,661,062		\$50,611,018	\$47,037,726	-\$3,573,292	-\$1,144 -7.1%
<b>Totals</b>		<b>1,652,486</b>	<b>\$185,169,780,150</b>		<b>\$4,193,477,558</b>	<b>\$3,820,570,488</b>	<b>-\$372,907,070</b>	<b>-\$226 -8.9%</b>

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.





**Table 6B. Average Estimated Change in Iowa Tax Liability for Example Taxpayers Filing Iowa Returns  
Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2020

Example Taxpayer Characteristics										Final Tax Liability		
	Iowa Filing Status	Dependents	Age	Iowa Current AGI		Wages	Social Security <sup>1</sup>	Other Income <sup>2</sup>	Current Law	Proposed Law	Difference	Percent Difference
				Group	Group							
(1)	Single	0	26-64	\$24,000-\$26,000	\$23,946	\$562	\$2,324	\$2,990	\$2,001	\$1,850	-\$151	-14.9%
(2)	Single	0	26-64	\$48,000-\$52,000	\$48,487	\$181	\$2,990	\$2,990	\$2,001	\$1,850	-\$151	-7.5%
(3)	Single	0	26-64	\$93,000-\$107,000	\$98,555	\$213	\$13,520	\$13,520	\$4,480	\$4,344	-\$136	-3.0%
(4)	Single	0	26-64	\$185,000-\$215,000	\$126,243	\$546	\$71,603	\$71,603	\$10,500	\$10,000	-\$500	-4.8%
(5)	Single	0	26-64	\$480,000-\$520,000	\$268,238	\$1,106	\$234,331	\$234,331	\$31,370	\$26,250	-\$5,120	-16.3%
(6)	Head of Household	1	26-64	\$24,000-\$26,000	\$24,474	\$179	\$1,460	\$2,035	\$1,689	\$1,725	-\$36	-112.8%
(7)	Head of Household	1	26-64	\$48,000-\$52,000	\$48,509	\$58	\$2,035	\$2,035	\$1,689	\$1,725	-\$36	-12.4%
(8)	Head of Household	1	26-64	\$93,000-\$107,000	\$87,545	\$33	\$10,927	\$10,927	\$4,561	\$4,342	-\$219	-4.8%
(9)	Head of Household	1	26-64	\$185,000-\$215,000	\$143,095	\$124	\$55,208	\$55,208	\$10,880	\$10,498	-\$382	-3.5%
(10)	Head of Household	2	26-64	\$24,000-\$26,000	\$24,424	\$166	\$1,388	\$1,940	\$2,001	\$1,756	-\$243	-12.1%
(11)	Head of Household	2	26-64	\$48,000-\$52,000	\$48,719	\$79	\$1,940	\$1,940	\$2,001	\$1,756	-\$243	-12.1%
(12)	Head of Household	2	26-64	\$93,000-\$107,000	\$88,495	\$28	\$10,565	\$10,565	\$4,704	\$4,480	-\$224	-4.8%
(13)	Head of Household	2	26-64	\$185,000-\$215,000	\$132,544	\$0	\$62,206	\$62,206	\$10,359	\$9,527	-\$832	-8.0%
(14)	Married	1	26-64	\$24,000-\$26,000	\$24,957	\$3,473	\$557	\$557	\$165	\$1,540	-\$174	-105.5%
(15)	Married	1	26-64	\$48,000-\$52,000	\$47,253	\$1,279	\$3,454	\$3,454	\$1,737	\$1,540	-\$197	-11.3%
(16)	Married	1	26-64	\$93,000-\$107,000	\$93,240	\$263	\$6,488	\$6,488	\$4,213	\$3,954	-\$259	-6.1%
(17)	Married	1	26-64	\$185,000-\$215,000	\$161,122	\$213	\$33,258	\$33,258	\$9,528	\$9,093	-\$436	-4.6%
(18)	Married	1	26-64	\$480,000-\$520,000	\$309,422	\$468	\$182,178	\$182,178	\$31,289	\$26,261	-\$5,028	-16.1%
(19)	Married	2	26-64	\$24,000-\$26,000	\$26,161	\$1,547	-\$530	-\$530	-\$118	-\$305	-\$187	-158.5%
(20)	Married	2	26-64	\$48,000-\$52,000	\$47,926	\$582	\$2,890	\$2,890	\$1,708	\$1,462	-\$246	-14.4%
(21)	Married	2	26-64	\$93,000-\$107,000	\$95,099	\$123	\$5,510	\$5,510	\$4,372	\$4,103	-\$269	-6.2%
(22)	Married	2	26-64	\$185,000-\$215,000	\$171,343	\$47	\$25,842	\$25,842	\$9,537	\$9,083	-\$454	-4.8%
(23)	Married	2	26-64	\$480,000-\$520,000	\$334,015	\$212	\$159,615	\$159,615	\$30,749	\$26,589	-\$4,160	-13.6%
(24)	Single	0	<=25	less than \$35,000	\$15,598	\$25	\$57	\$57	\$425	\$351	-\$74	-17.4%
(25)	Married	0	<=25	less than \$35,000	\$26,627	\$47	-\$7,286	-\$7,286	\$420	\$322	-\$98	-23.3%
(26)	Single	0	>=65	\$24,000-\$26,000	\$5,573	\$17,523	\$24,443	\$24,443	\$523	\$456	-\$67	-12.8%
(27)	Single	0	>=65	\$48,000-\$52,000	\$13,669	\$17,115	\$42,085	\$42,085	\$1,531	\$1,419	-\$112	-7.3%
(28)	Single	0	>=65	\$93,000-\$107,000	\$18,843	\$18,289	\$87,280	\$87,280	\$4,168	\$3,993	-\$175	-4.2%
(29)	Single	0	>=65	\$185,000-\$215,000	\$28,074	\$20,510	\$177,466	\$177,466	\$10,507	\$10,176	-\$331	-3.2%
(30)	Single	0	>=65	\$480,000-\$520,000	\$62,045	\$20,511	\$447,527	\$447,527	\$28,590	\$24,938	-\$3,652	-12.8%
(31)	Married	0	>=65	\$24,000-\$26,000	\$9,546	\$30,982	\$25,560	\$25,560	\$230	\$171	-\$59	-25.7%
(32)	Married	0	>=65	\$48,000-\$52,000	\$20,473	\$28,910	\$40,236	\$40,236	\$1,331	\$1,188	-\$143	-10.7%
(33)	Married	0	>=65	\$93,000-\$107,000	\$43,127	\$25,996	\$68,628	\$68,628	\$3,844	\$3,590	-\$254	-6.6%
(34)	Married	0	>=65	\$185,000-\$215,000	\$72,661	\$27,662	\$141,943	\$141,943	\$9,570	\$9,129	-\$441	-4.6%
(35)	Married	0	>=65	\$480,000-\$520,000	\$160,246	\$27,476	\$365,413	\$365,413	\$30,158	\$25,481	-\$4,677	-15.5%

**Analysis Using Individual Return Data from Tax Year 2016**

**Tax Research and Program Analysis Section, Iowa Department of Revenue**

Results based on average outcomes for taxpayers forecasted to meet the characteristics of the various examples listed. The 2017 federal law change is reflected in the baseline.

1. Social Security benefits includes all benefits reported by the taxpayer, not just those subject to income tax.
2. Other income includes any pension income excluded from Iowa AGI.

**Table 7. Translation of Tax Year Estimated Impact to Fiscal Year Estimated Impact  
Tax Reform Proposal of April 11, 2018**

		Millions of Dollars		
<b>Tax Year Estimates</b>		<b>TY 2018</b>	<b>TY 2019</b>	<b>TY 2020</b>
<b>Tax Component Shares</b>				
Withholding		-1.589	-168.371	-248.023
Estimate Payments		-5.533	-19.718	-23.956
Final Payments		-32.119	-51.334	-71.056
Refunds		-13.028	-19.088	-29.873
<b>Totals</b>		<b>-\$52.269</b>	<b>-\$258.511</b>	<b>-\$372.907</b>
<b>Year-Over-Year Change</b>		<b>NA</b>	<b>-\$206.242</b>	<b>-\$114.396</b>
<i>School Surtax Change</i>		<i>-\$2.065</i>	<i>-\$7.658</i>	<i>-\$11.469</i>
<b>Fiscal Year Estimates</b>				
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	
Withholding	-0.095	-82.649	-206.763	
Estimate Payments	-0.697	-12.309	-21.324	
Final Payments	0.000	-31.602	-51.025	
Refunds	0.000	-12.842	-19.002	
<b>Totals</b>	<b>-\$0.792</b>	<b>-\$139.401</b>	<b>-\$298.113</b>	
<b>Year-Over-Year Change</b>	<b>NA</b>	<b>-\$138.609</b>	<b>-\$158.712</b>	

**Analysis Using Individual Return Data from Tax Year 2016**

**Tax Research and Program Analysis Section, Iowa Department of Revenue**

Translation to fiscal year based on observed payment streams of taxpayers affected by the proposed policy change.

Note: The 2017 federal law change is reflected in the baseline.

### State and Local Revenue Impact

Projected Change Compared to Current Law  
(In Millions)

#### State General Fund Revenue Impact

Item	FY 2018	FY 2019	FY 2020
Individual Income Tax	\$ -0.8	\$ -139.4	\$ -298.1
Ind. Income Other Coupling	-0.2	-3.6	-4.4
Corporate Income Tax			
Corp. Income Other Coupling		44.3	105.7
Sales/Use Tax (State portion)	0.0		
Tax Credit Changes			
General Fund Revenue Impact	\$ -1.0	\$ -98.7	\$ -196.8

#### Local Government Revenue Impact

Item	FY 2018	FY 2019	FY 2020
School Income Surtax			
School Infrastructure (SAVE) Fund			
Local Option Sales Tax			
Moneys and Credits Tax			
Local Government Revenue Impact	\$ 0.0	\$ 0.0	\$ 0.0