



IOWANS FOR TAX RELIEF  
VOICE OF THE TAXPAYER

# 2022 TAX REFORM PLAN COMPARISON

	GOVERNOR REYNOLDS	SENATE REPUBLICANS	HOUSE REPUBLICANS
INDIVIDUAL INCOME TAX	<b>4.0%</b> Flat Tax in Tax Year 2026	<b>3.6%</b> Flat Tax in Tax Year 2027	<b>4.0%</b> Flat Tax in Tax Year 2026
CORPORATE INCOME TAX	<b>5.5%</b> Flat Tax (see details on other side of page)	<b>7.8%</b> Top Rate in Tax Year 2028	<b>No Change</b> (9.8% Top Rate)
RETIREMENT INCOME	<b>Exempted</b>	<b>Exempted</b>	<b>Exempted</b>
FARM INCOME	<b>One time election for farm owners over age 55 to exempt cash rent income in lieu of capital gains tax</b>	<b>One time election for farm owners over age 55 to exempt cash rent income in lieu of capital gains tax</b>	<b>One time election for farm owners over age 55 to exempt cash rent income in lieu of capital gains tax</b>
SALES TAX	<b>No Change</b>	<b>Ends the \$0.01 Local Option Sales Tax</b> <b>Increases the Statewide Sales Tax by \$0.01</b> <b>Triggers IWILL and funds the Natural Resources &amp; Outdoor Recreation Trust Fund</b>	<b>No Change</b>
TAXPAYER RELIEF FUND (TRF)	<b>No Change</b>	<b>TRF becomes the new "Income Tax Elimination Fund"</b> <b>After TY 2026, the balance of the new fund is used to trigger future rate reductions until the flat tax rate reaches zero</b>	<b>TRF Funds Used to Offset General Fund Revenue Reductions:</b> <b>FY 2023 \$113.0 million</b> <b>FY 2024 \$159.1 million</b> <b>FY 2025 \$92.3 million</b> <b>FY 2026 \$259.4 million</b> <b>FY 2027 \$195.6 million</b> <b>FY 2028 \$9.6 million</b>



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The ceiling is four percent for our individual income tax rate. Within the three bills, the debate will be about how to use the \$2 billion sitting in the Taxpayer Relief Fund, how much state spending is restrained, and if we can go even lower.

As proposed, all three of these plans let Iowans keep more money in their bank accounts and move our state in the right direction.

## INDIVIDUAL INCOME TAX

Governor Reynolds kicked off the legislative session with a bold plan to lower Iowa's individual income tax to a flat 4% by 2026. The Senate Republican plan released earlier this week is similar in concept, takes one additional year to fully implement, and ends up with a lower rate of 3.6%. The House Republican plan on individual income tax mirrors the governor's proposal.

All three plans operate in the same way, lowering the top marginal rate in each successive year and compressing the brackets until all that is left is the single flat rate. Here is our in-depth analysis of how the governor's plan works.

## CORPORATE INCOME TAX

Governor Reynolds' plan caps corporate income tax receipts at \$700 million. The amount of receipts in excess of \$700 million becomes the basis for future annual rate reductions until eventually reaching 5.5%. Once reaching 5.5%, the cap is lifted, and revenues are again allowed to grow.

The Senate Republican plan lowers corporate income tax to a two-tier system. The first \$100,000 is taxed at 5.3%, while all income over \$100,000 is taxed at 7.8%. The House Republican bill is silent on corporate income tax.

## RETIREMENT INCOME

Both the Senate and House Republican tax bills include the same language proposed by the governor, which excludes retirement income from individual income tax.

## FARM INCOME

All three proposals include the governor's language, which extends farm income to the retirement income exemption. The proposal gives a farm owner over the age of 55 the option to exempt cash rent payments from the calculation of overall income for state income tax purposes. The election would be taken in lieu of a future capital gain exemption for sale of the land.

## SALES TAX

The Senate Republican plan includes a proposal to end the one-cent Local Option Sales Tax and swaps it for a new corresponding one-cent increase to the statewide sales tax. For the vast majority of Iowa, this results in no tax change but does trigger the funding of the Natural Resources & Outdoor Recreation Trust Fund (IWILL).

## TAXPAYER RELIEF FUND (TRF)

As ITR has emphasized, the current balance of the Taxpayer Relief Fund (TRF) is over \$1 billion, with the Revenue Estimating Conference projecting almost an additional \$1 billion at the end of the current fiscal year.

Senate Republicans have proposed renaming the TRF to the "Income Tax Elimination Fund" and using the fund balance to trigger future rate reductions until reaching full elimination of the individual income tax. The House Republican bill draws down a total of \$829 million from the fund to offset general fund revenue reductions from income tax reductions.