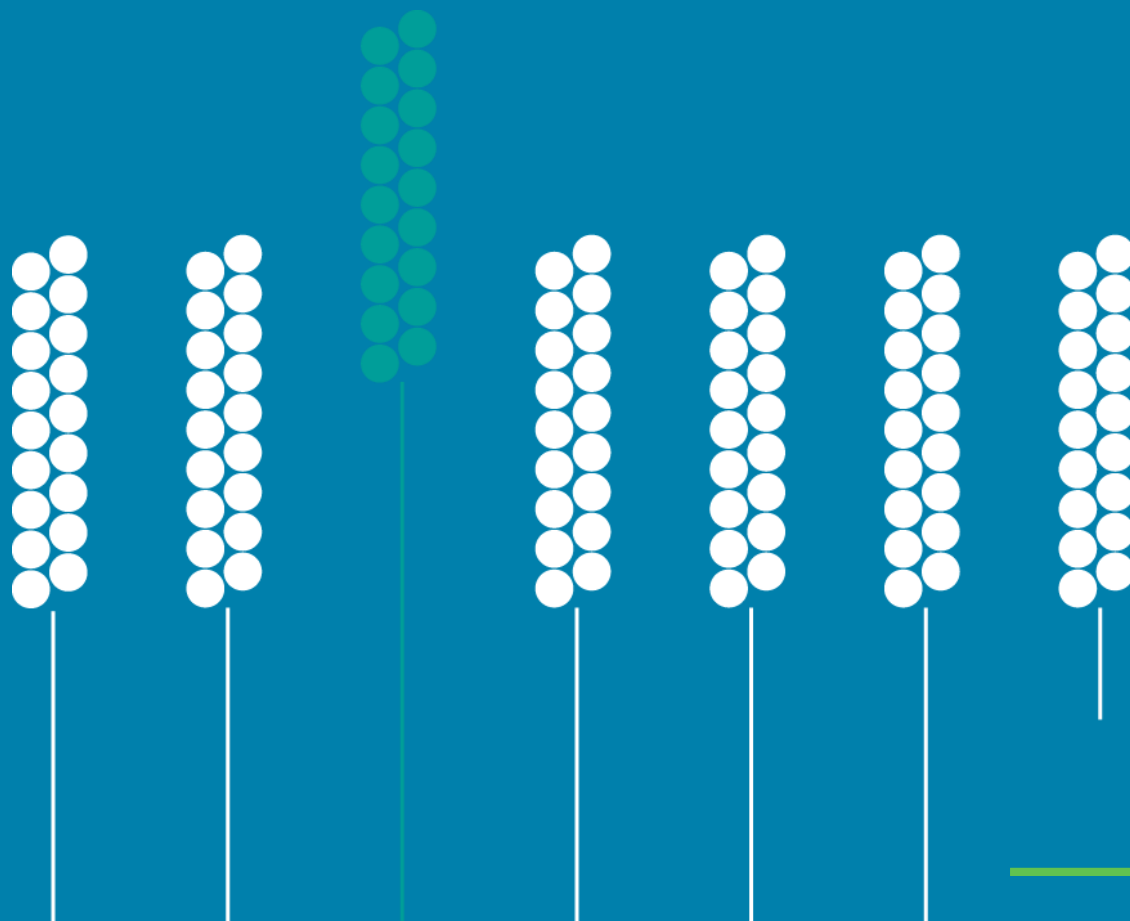


FINANCIAL EXECUTIVES INTERNATIONAL

OVERVIEW OF IOWA TAX REFORM



OVERVIEW OF IOWA TAX REFORM

- House File 2317 signed into law March 2022
- Effective dates and changes for individuals
- Effective dates and changes for corporations

- Reduction in tax brackets and rates
- Top Iowa tax rate reduced to:
 - 6% in 2023
 - 5.7% in 2024
 - 4.82% in 2025
 - 3.9% in 2026
- Single tax bracket with 3.9% flat rate effective January 1, 2026

INDIVIDUAL INCOME TAX

Above	2022	2023	2024	2025	2026
\$0	0.33%	4.40%	4.40%	4.40%	3.90%
\$1,743	0.67%	—	—	—	—
\$3,486	2.25%	—	—	—	—
\$6,000	—	4.82%	4.82%	4.82%	—
\$6,972	4.14%	—	—	—	—
\$15,687	5.63%	—	—	—	—
\$26,145	5.96%	—	—	—	—
\$30,000	—	5.70%	5.70%	—	—
\$34,860	6.25%	—	—	—	—
\$52,290	7.44%	—	—	—	—
\$75,000	—	6.00%	—	—	—
\$78,435	8.53%	—	—	—	—

Source: Tax Foundation, Iowa Tax Reform

Retirement income exemption

- Current exemption of \$6k for single filers and \$12k for married filers
- Starting in 2023, all retirement income is exempt from tax for those aged 55 or older, disabled, a surviving spouse, or person with an insurable interest
- Pensions, and distributions from 401ks, IRAs, annuities, etc.
- Federal military retirement and Social Security benefits are already exempt

Federal taxable income will be starting point

- 100% adoption of federal qualified business income deduction
- Filing separately on a combined return option for married taxpayers scrapped
- Elimination of the deductibility of federal income taxes paid

POLLING QUESTION #1

True or False?

- The single 3.9% individual tax rate will begin with the 2026 tax year.

- Current top corporate tax rate of 9.8%
- Starting with 2023, top corporate tax rate could be reduced, with an ultimate target rate of 5.5%
- Process involves reducing the tax rate over time

- Calculation to determine if net corporate income tax receipts exceeded \$700 million threshold
- Rates will be adjusted lower to collect no more than \$700 million of corporate income tax receipts
- Starting with fiscal year ending November 2022 (2023 corporate rates)

- According to the Tax Foundation, Iowa fiscal year 2022 net corporate tax collections are projected to be \$780 million
- Expected rate cut is approximately 1% for the 9% and 9.8% brackets
- Based on their forecasts, further reductions will be slow, and a 5.5% rate may not be achieved for some time

POLLING QUESTION #2

True or False?

- If tax collection targets are met, the ultimate Corporate tax rate could be reduced to 5.5%.

- Iowa's Research Activities Credit (RAC)
- Refundable portion of the RAC reduced 10% per year starting in 2023
 - 90% of excess credit refundable in 2023 down to 50% in 2027
 - Disallows certain costs as qualifying expenses
- Deduction for federal taxes paid is eliminated for tax years after 2021

SOURCES AND RESOURCES

- ISU CALT - <https://www.calt.iastate.edu/blogpost/iowa-governor-signs-tax-reform-law>
- Tax Foundation – <https://taxfoundation.org/iowa-tax-reform/>
- Iowa Legislative Branch - <https://www.legis.iowa.gov/docs/publications/LGE/89/HF2317.pdf>
- Iowa Legislative Branch - <https://www.legis.iowa.gov/docs/publications/FN/1287955.pdf>

QUESTIONS

