POLICY WISE in Iowa

We’re All Tax Advocates Now
Investments in civilized society

Proposed FY 2023 General Fund Budget

$8.2 Billion

Source: Governor’s Budget, Iowa Dept. of Management
Estimated FY 2023 General Fund Revenues

$10.9 Billion

Source: Governor’s Budget, Dept. of Management
Costs to services are enormous

$1.9 billion by FY 2028: Voters won’t see impacts this fall

Senate goal: Eliminate income tax

Source: Iowa LSA, Fiscal Note, HF2317, adj. for early implementation of corp. tax cuts in FY23-24
$1.9 billion by FY 2028: Voters won’t see impacts this fall

But what gets cut when they do?

Chronic underfunding of Iowa public schools
Per-pupil $ growth comparisons (Supplemental State Aid)

FY02-11 avg: 3.1%
FY12-23 avg: 1.9%
Income taxes: ability to pay

Major tax cuts targeted to Iowa’s wealthy

- $15,000: 36% of benefits to 2% of filers
- $12,000: 12% of benefits to 67% of filers
- $9,000
- $6,000
- $3,000
- $0

Average tax cuts at various incomes from Governor’s proposals for flat tax, retirement income exclusion.
State & Local Taxes Lighter at Higher Incomes

U.S. Average Percentage of State, Local Taxes as Share of Income

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low 20% Below $20.8K</td>
<td>11.4%</td>
</tr>
<tr>
<td>Second 20% $20.8K-$36.8K</td>
<td>10.1%</td>
</tr>
<tr>
<td>Middle 20% $36.8K-$59.9K</td>
<td>9.9%</td>
</tr>
<tr>
<td>Fourth 20% $59.9K-$103.6K</td>
<td>9.5%</td>
</tr>
<tr>
<td>Next 15% $103.6K-$226.8K</td>
<td>8.9%</td>
</tr>
<tr>
<td>Next 4% $226.8K-$553.2K</td>
<td>8.0%</td>
</tr>
<tr>
<td>Top 1% Above $553.2K</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Source: Institute on Taxation and Economic Policy (ITEP)
Iowa’s upside-down example

Who pays taxes in Iowa?
Breakdown by type of tax

Source: Institute on Taxation and Economic Policy (ITEP)
People of color are overrepresented in the lowest income groups that face the highest tax rates.

Percent of households in each income group in Iowa by race and ethnicity.