

Killing democracy: Superminority plan resurfaces at Capitol

Plan risks schools, safety and health with super-minority rule on income-tax increases

Key points on SSB 3142 (and HSB 721)

- The bill betrays democratic principles by making one “no” vote worth two “yes” votes.
- It will prevent majorities from funding critical services by giving a minority the veto.
- It effectively locks in recent income tax cuts that most benefit the richest Iowans and will decimate state services.
- It cements inequities into Iowa taxes by allowing only a flat-rate income tax, a notable change from last year’s proposal for superminority rule (SSB 1207).

Iowa’s tax structure has long favored the wealthiest Iowans and corporations, and tax cuts passed in 2022 are making inequities worse. The average millionaire will see a cut of \$62,000 a year. In the middle, Iowans earning \$40,000 to \$60,000 will see an average cut of \$300, or about \$6 a week. Most with incomes under \$40,000 will see no cut at all.¹

The eventual consequences will be cuts to services that make Iowa a good place to live, work and raise a family: schools, health, human services, public safety, child care and environmental protection. By FY 2028 official estimates put the cost at \$1.9 billion a year, or over 20 percent of the general fund for FY 2022.²

Senate and House proposals to eliminate the income tax – 43% of the Governor’s proposed General Fund budget and 50% of it before the new cuts passed – are alive right now.³

Bill basics

This plan would place on the statewide ballot a constitutional amendment that would lock in income tax cuts long after their proponents have left office by making it difficult if not impossible for future legislatures to correct.

Raising taxes in Iowa is difficult even as it is – with a simple majority vote. This plan enables a one-third minority in either chamber block any increase in income or corporate income tax rates. In our 150-member Legislature, it would take **only 17 members of the Senate or 34 members of the House to stop a substantial and bipartisan majority** from passing a rate increase in the only Iowa tax based on ability to pay: the income-tax.

The restriction does not apply to income-tax cuts, or to increases in the sales tax or other fees and fines that tend to be borne more heavily, as a share of income, by lower- and middle-income Iowans. **Moreover**, in the unlikely event a two-thirds majority in both houses, **an income-tax increase only could be at a flat rate.**

Since Iowa first passed an income tax in 1934, it has always taxed higher-income people at a higher rate than others. This moderately progressive income tax lessened – but did not overcome – inequities in Iowa’s overall state and local tax system. The other two major pieces, sales and property taxes, tax low- and moderate-income Iowans much more heavily as a percentage of income than they do high-income Iowans.⁴

Betraying democratic principles of representative government

- A two-thirds majority would be required to correct tax policy mistakes that passed with simple majority votes, essentially making one “no” vote worth two “yes” votes.
- Current legislators could impose their will on future voters and legislators they elect.
- It cements in place policies that pass with simple majorities – but not sufficiently popular to receive two-thirds majorities.

Worsening and locking in Iowa’s upside-down tax system – favoring the wealthiest

- It effectively precludes increasing the personal or corporate income tax to fund services demanded by large majorities of Iowans and their elected officials.
- It incentivizes higher sales tax and fines and fees that disproportionately affect lower-income Iowans.

Threatening public services Iowans care about now and in the future

- It is an assault on efforts to improve public education, environmental protection, public safety and other services threatened by tax cuts passed in 2018, 2021 and 2022 – whose effects are yet to be fully seen.
- It prevents the majority from adequately funding services by giving a veto to a fringe minority, including the ability to correct problems stemming from tax policies passed with a simple majority vote.

Forcing the state to look for different, less equitable sources of revenue

- It would make it easier to raise the sales tax than any other major tax.
- It would increase reliance on other taxes, fines and fees not subject to minority rule.
- It raises the possibility that Iowa would reinstate the sales tax on groceries, prescription drugs and other currently exempt products and services.

¹ All impacts are from the Iowa Department of Revenue analysis of the 2022 tax bill when fully implemented in 2026, with taxpayers classified by federal adjusted gross income.

² Legislative Services Agency, Fiscal Note, HF 2317, Figure 2, page 9, June 23, 2022. <https://www.legis.iowa.gov/docs/publications/FN/1292087.pdf>

³ SSB 3141 and HSB 720 include provisions that reduce the state income tax to a flat rate of 3.775% in tax year 2027, and set up a procedure to eliminate income-tax rates with one-time revenue.

⁴ “Who Pays? 7th Edition.” Institute on Taxation and Economic Policy, January 2024. <https://itep.org/whopays-map-7th-edition/>

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