

Constitutional amendment would risk schools, safety and health by imposing minority rule on income-tax increases

Key points on SJR 2006

- The bill betrays fundamental democratic principles by making one “no” vote worth two “yes” votes.
- It locks in income tax cuts that shower benefits on the richest lowans.
- It prevents majorities from funding popular services by giving a fringe minority veto power.
- It will make the cleanup from the major tax-cut legislation of 2022 much tougher.

This bill would allow as few as 17 legislators to overrule the other 133.

Background

Iowa’s tax structure already favored the wealthiest lowans and corporations. New tax cuts passed this year make inequities even worse. The average millionaire will see a cut of \$62,000 a year. Those in the middle, with incomes between \$40,000 and \$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.ⁱ

The eventual consequences will be cuts to schools, public safety, mental health, child care and environmental protection. The tax bill’s impacts are phased in so the need to cut services will not be immediately apparent, but by FY 2028 official estimates put the cost at nearly \$2 billion a year, or one-quarter of the current general fund.

Perhaps sensing that such radical cuts will not be popular as they phase in, some legislators now want to make it difficult if not impossible for future legislatures to reverse them.

Bill basics

SJR 2006 would place on the statewide ballot a constitutional amendment that, if approved, would essentially lock in these income tax changes long after their proponents have left office.

It would allow a mere one-third minority in either the House or Senate to 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 majority from passing new initiatives that involve increasing income-tax rates — Iowa’s only tax based on ability to pay and the only one that asks the wealthiest to pay a larger share of their income.

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 lowans.

Here are the biggest problems with SJR 2006:

Problem 1: **It betrays fundamental democratic principles of representative government.**

- A two-thirds majority would be required to correct tax policy mistakes that were passed with simple majority votes, essentially making **one “no” vote worth two “yes” votes**.
- It permits current senators and representatives to **impose their will on future voters and the legislators they elect**.
- **It cements in place current policies that passed with simple majorities** — and that were not sufficiently popular to receive two-thirds majorities.

Problem 2: **It would practically assure that Iowa’s upside-down tax system — favoring the wealthiest — will not be fixed in our lifetimes.**

- It effectively **precludes increasing the personal or corporate income tax** to raise significant new revenue.
- **It incentivizes the use of the sales tax and other taxes, fines and fees** that disproportionately affect lower-income lowans.

Problem 3: **It threatens the public services lowans care about.**

- 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.
- It is an **assault on efforts to improve public education, environmental protection, public safety and other services** threatened by scheduled tax cuts passed in 2018, 2021 and 2022 — whose effects are yet to be seen.

Problem 4: **It would force the state to look for different, worse, sources of revenue.**

- It makes it **easier to raise the sales tax** than any other major tax.
- It raises the possibility that Iowa would **reinstate the sales tax on groceries and prescription drugs**. Current legislators have tipped their hand on this, having voted this session to reinstate the sales tax to residential water service.
- It increases **reliance on other taxes, fines and fees more likely** as they would not be subject to the two-thirds requirement.

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