

Reckless and expensive

Tax bills threaten federal aid and public services

The American Rescue Plan Act signed by President Biden earlier this month is a historic opportunity for Iowa to invest in a just economic recovery from COVID-19. It holds the promise of leaving our communities better off than they were before.

But Iowa lawmakers are putting a significant share of Iowa's allotment of state aid at risk with a series of tax bills that would reduce the revenue for public services like education and public health — and run afoul of guardrails that ensure states invest the federal dollars in the families, businesses, and communities most harmed by COVID-19.

The act still allows states to make tax cuts and other changes in tax policy, but if the changes result in net revenue cuts, states must return the equivalent amount of federal aid, dollar for dollar. This sensible and accountable approach assures federal dollars are used as intended.

Here's what you need to know about the important decisions facing Iowa leaders:

- ▶ **Lawmakers should avoid changes in tax policy that threaten Iowa's federal aid**, \$1.38 billion to be used by the end of 2024. The state aid can be used to help people struggling in the pandemic, provide a pay boost for essential workers, invest in broadband and water infrastructure and address revenue shortfalls (which Iowa has not yet experienced during the pandemic). That figure doesn't include separate funding streams that will go directly to local governments and school districts.
- ▶ **Iowa lawmakers should spend the federal relief where it is needed most: to create opportunities for Iowans hit hardest by the pandemic**, especially Iowans of color and with low incomes who faced the harms of the pandemic on top of long-term inequities built on racism and marginalization. They should make decisions about how to best use these resources through regular processes.
- ▶ **The proposed state tax cuts alone would hamstring our economic recovery** and take away funding from critical public services. For example, SF 576 would phase out the inheritance tax and accelerate planned income and other tax cuts by removing "revenue triggers" and would cost an estimated \$458 million in state revenue during Fiscal Years 2022-24. The loss of federal aid by the same amount would compound the reduction in resources for critical services.

Iowa needs more fairness in its tax system without slashing revenues regardless of the impacts on public services. Legislators should reject inheritance and income tax cuts that will slash public services like schools, health care and environmental protection.

Cutting taxes — especially when it will cost Iowa double — is not sustainable for a state that wants to lure and keep families and good, clean businesses.