

May 2, 2018

Jeff Robinson
Legislative Services Agency
State Capitol
Des Moines, IA 50319

Dear Jeff:

This letter presents a fiscal estimate for HF 2489 under the proposed amendment that includes coupling with various federal tax provisions in 2018 and 2019, cuts to Iowa individual income tax rates in TY 2019, sales tax modernization provisions effective January 1, 2019, and multiple changes to income tax credits. In addition, the proposal includes a change to the corporation income tax that would become effective in TY 2021, and assuming revenue targets are met, additional reform to the individual income tax that would become effective in TY 2023.

Technical Corrections for Department of Revenue (Divisions I – III)

The following changes are included as technical corrections for administration of tax law by the Department of Revenue. The changes, listed briefly below, codify or clarify current practices, thus are estimated to have no fiscal impact.

- The interest accrual provisions standardize across tax types and conform with current practice the calculation of interest that accrues on refunds to be paid by the Department.
- The changes to sections 421.27 and 425.29 clarify that taxpayers are responsible for errors leading to overpayments by the Department or payments related to intentional refund or credit requests, regardless of whether the claim stems from a refund, credit, reimbursement, rebate, or other payment, and that penalties may be imposed on taxpayers who make false claims to obtain credits or reimbursements.
- Changes to section 421.19 clarify that the Department may provide information to law enforcement that indicates a taxpayer engaged in tax fraud or evasion.
- Modifications to section 423G.6 clarify that the Department will transfer funds to the water quality infrastructure fund and water quality financial assistance fund based on the amount reported. This will simplify the administration of these fund transfers and ensure that the funds are properly funded in accordance with the intent of the Legislature. The similar change to section 34A.7B relating to the 911 emergency communications fund reflects this same intent and brings the Code language into conformity with current Department practice.
- The income tax checkoff for contributions to the election campaign fund (political checkoff) was repealed for tax years beginning after December 31, 2016, meaning that contributions cannot be made to the fund for tax years beginning after that date. However, the Code sections creating the fund itself, and providing for its administration do not expire until July 1, 2018, meaning that the parties could still receive funds from the program up until that date. The Department estimates that it will cost significantly more to continue to administer this program through July 1, 2018 than the fiscal year

filers still eligible to contribute to the fund could contribute. Because the political checkoff was really a designation of \$1.50 of taxpayer's liability away from the General Fund and to a political party, directing any funds otherwise intended for the checkoff in the General Fund is appropriate.

- The proposal limits private causes of action against any taxpayer, retailer, marketplace provider, or referrer that may arise from or relate to overpayment of sales or use taxes that are remitted to the Department.

Income Tax Credits (Division IV)

The proposal would make changes to the following income tax credits; in addition, it has been indicated that the final proposal will include a one-year extension of the Targeted Jobs Withholding Tax Credit:

Innovation Fund Tax Credit (Section 32):

The proposal would extend the deadline for the certification of new innovation funds for which investments into the funds qualify for Innovation Fund Tax Credits. Under current law, the Iowa Economic Development Authority (IEDA) cannot certify any new innovation funds after June 30, 2018. This bill proposes extending the deadline to June 30, 2023.

Based on data from IEDA since the inception of the Innovation Fund Tax Credit only one innovation fund was approved in 2013 and more recently another fund has been conditionally approved. It is assumed that the conditional approval will be finalized under current law. Using this information, it is assumed that the extension of the deadline would result in an additional two innovation funds being approved. It is assumed that the first fund would be approved in 2020 and the second fund would be approved in 2022.

Research Activities Tax Credit (Sections 33-35, 38-40):

This automatic tax credit is currently linked to the federal definitions of research, providing tax credits for entities increasing research expenditures in Iowa claimed against individual and corporation income tax. The Department has realized a jump in claims during recent tax years, often on amended returns for tax years ending two and three years ago, made by contractors who purport to be conducting research. Often these taxpayers only make a claim to the refundable Iowa tax credit, finding much more benefit from that claim than to the similar federal tax credit that is nonrefundable.

The proposed language would restrict the industries of taxpayers considered eligible for the RAC and require that the taxpayer filed a federal research tax credit claim for the same tax year for which an Iowa claim was filed. These changes are effective for tax credits claimed for tax years beginning on or after January 1, 2017. The businesses, based on industry code, that would likely be excluded from eligibility under this proposal accounted for an average of 10% of RAC claims for tax years 2012 through 2015 filed to-date. It is assumed that this provision would reduce claims by 10% for claims filed for tax years 2017 and later.

In addition, the proposal clarifies that the Department's calculation of the tax credit as provided on the IA 128 accurately reflects that the Iowa Code matches the method used at the federal level. This change has no expected fiscal impact. The proposal would also couple the RAC with federal changes to the definition of research expenditures that, in several years, would be amortized rather than expensed. It is possible that these changes could result in increased Iowa tax liability of companies, but the impact is uncertain so has not been incorporated in the coupling estimates or the tax credit estimates.

School Tuition Organization Tax Credit (Sections 36-37):

Under current law, this awarded tax credit is equal to 65% of donations made to School Tuition Organizations (STOs). The credit is nonrefundable and capped at \$12 million per year. The donations are used to fund tuition grants for Iowa students in households with income up to 300 percent of poverty to attend an accredited non-public school in Iowa.

The Department's recent evaluation study showed that the existence of this tax credit program results in a positive fiscal impact for the State. The costs savings reflect the reduction in public school spending as some tuition grant recipients are able to move from public school to private school. It is estimated that those cost savings have exceeded the tax credits awarded under the program each year. However, given that the number of tuition grants was largely unchanged with the last increase in the cap, rather the average tuition grant increased, it is reasonable to assume that the number of students shifting from public to private was also unchanged. It is assumed that the number of students shifting from public schools would also not be increased by the proposed increase in the cap to \$13 million, thus savings to the State are not increased. Also, the expansion of eligibility to higher income families could result in a reduction of the average tuition grant that might cause some lower income students to return to public school. Therefore, the increase in the cap is modeled as a cost to the State equal to the expected increase in tax credit claims resulting from the higher amount awarded each year beginning in 2019. The cap has been fully utilized in recent years. The fiscal impact does not reflect any assumed change in Iowa itemized deductions claimed by donors, where donations eligible for the tax credit cannot be itemized. It is expected that much of the additional \$1.54 million in donations would be new contributions (potentially higher-income taxpayers attempting to get around the federal SALT cap) rather than a substitution for other charitable contributions.

Geothermal Heat Pump Tax Credit and Geothermal Tax Credit (Sections 42 and 49):

These two automatic tax credits offer mutually exclusive incentives for installing a geothermal heat pump on the residence of the taxpayer where the former is linked to a similar federal tax credit while the latter is a stand-alone Iowa tax credit. Under current law, the federal credits for

geothermal property expired December 31, 2016 but were retroactively extended through December 31, 2021 in the Bipartisan Budget Act of 2018. Under current law, Iowa is not coupled with that federal tax legislation, so the Geothermal Heat Pump Tax Credit is unavailable, but taxpayers can claim the Geothermal Tax Credit. Under the bill, Iowa would couple with that extension effective January 1, 2019, making the Geothermal Heat Pump Tax Credit available for installations on or after that date. However, the proposal would also eliminate the tax credit from the Code along with the Geothermal Tax Credit that can currently be claimed for 10% of the installation costs effective for installations on or after January 1, 2019. It is assumed that the 10-year carryforward for installations prior to January 1, 2019 available for both tax credits would be allowed.

Solar Energy System Tax Credit (Sections 43 and 48):

This awarded tax credit, administered by the Iowa Department of Revenue, offers a tax credit equal to 50% of the similar federal tax credit covering 30% of the installation costs of a solar energy system installed on a home or business in Iowa. Credits awarded for residential installations are capped at \$5,000 while credits awarded for business installations are capped at \$20,000. Under current law, the program is capped at \$5 million in awards each year. Under current law, the federal tax credit is set to expire January 1, 2022; thus, the Iowa credit would not be available after that date.

The proposal would eliminate the Solar Energy System Tax Credit effective July 1, 2018 for any solar energy systems installations occurring on or after that date. The 2017 cap was met with installations completed in August 2017. An additional \$5.0 million of applications are pending award for the remainder of 2017 installations and for early 2018 installations. For installations completed in the first seven months of 2017, \$2.9 million of applications were filed; it is assumed a similar number will be completed in the first six months of this year. Subtracting out the \$0.6 million of 2018 included above suggests \$2.3 million in additional applications. Therefore, it is assumed that the full 2018 cap would be met along with \$2.3 million awarded in FY 2019 under this proposal. The timing of claims to previously awarded credits and future award is based on historical claim information.

Targeted Jobs Withholding (TJC) Tax Credit:

The TJC Tax Credit Program, administered by EDA, allows five pilot project cities to award withholding tax credits to businesses locating or expanding in the cities located on the Iowa border. Businesses are eligible to claim a credit against withholding tax equal to 3 percent of the gross wages paid to new or retained jobs for up to 10 years, although many recent contracts have been limited to 5 years. Under current law, no new awards can be made after June 30, 2018. Under current law, less than \$2 million in contracts were signed in FY 2016 and FY 2017, and at this point only one contract is close to completion for FY 2018.

The proposal would extend the ending date of the TJC program until June 30, 2019. The fiscal impact assumes an additional \$2 million in awards will be signed during FY 2019 with claims made over the following five to 10 years.

The estimated fiscal impact for each of these changes is presented in Table 1.

Expenditure Limitation and Taxpayer Trust Fund (Division V)

The proposal would implement a spending limitation and eliminate the Taxpayers Trust Fund Tax Credit. Because no future Taxpayers Trust Fund Tax Credit claims were considered for REC forecasts, these provisions are estimated to have no impact on future tax revenues.

Individual Income Tax (Divisions VI – IX)

The proposal would introduce limited coupling in TY 2018 and additional coupling provisions in TY 2019, cutting income tax rates between 5.0% and 8.3% in TY 2019, then move to federal taxable income with additional changes in tax rates and brackets in TY 2023, assuming revenue targets are met. The tax brackets and rates under this proposal are summarized in Table A.

Table A. Current and Proposed Individual Income Tax Brackets and Rates

Iowa Current Law*				Under the Proposal						
				TY 2023 and after**						
Over		But Not Over	Tax Rates	TY 2018	TY 2019 - 2022			Over	But Not Over	Tax Rates
[1]	\$0	\$1,628	0.36%	No change	0.33%	[1]	\$0	\$6,000	4.40%	
[2]	\$1,628	\$3,256	0.72%	No change	0.67%	[2]	\$6,000	\$30,000	4.82%	
[3]	\$3,256	\$6,512	2.43%	No change	2.25%	[3]	\$30,000	\$75,000	5.70%	
[4]	\$6,512	\$14,652	4.50%	No change	4.14%	[4]	\$75,000	or more	6.50%	
[5]	\$14,652	\$24,420	6.12%	No change	5.63%					
[6]	\$24,420	\$32,560	6.48%	No change	5.96%					
[7]	\$32,560	\$48,840	6.80%	No change	6.25%					
[8]	\$48,840	\$73,260	7.92%	No change	7.44%					
[9]	\$73,260	or more	8.98%	No change	8.53%					

*Current tax brackets are indexed under current law. TY 2019 brackets are reported in this table.

**Proposed tax brackets are indexed . TY 2023 brackets are reported in this table.

Note: The rate and bracket change in TY 2023 only occurs if revenue targets are met.

Besides changes in tax brackets and rates, this proposal includes other revisions as follows.

TY 2018: The proposal would couple with the following provisions effective in tax year 2018:

- Allowing rollovers between 529 and Achieving a Better Life Experience (ABLE) accounts for individuals with disabilities in 2017 federal law changes
- Definitional changes regarding retirement savings and business accounting rules in 2017 federal law changes
- The extension of higher Earned Income Tax Credits for married households and households with three or more children in 2015 federal law changes
- The above-the-line deduction for teachers' education expenses in 2015 federal law changes
- Expanded definition of qualified education expenses under the 529 education savings plans in 2017 federal law changes to include K-12 tuition
- Expand Section 179 cap and investment limit to \$70,000/\$280,000 from \$25,000/\$200,000 and allow shareholders or partners to depreciate expensing received from pass-throughs that exceeds the Iowa cap, where each entity cannot exceed the federal cap, 20 percent per year in the subsequent five tax years

TY 2019-TY 2022: The proposal would make the following changes effective beginning tax year 2019:

- The proposal would conform with the Internal Revenue Code effective for tax year 2019 and later, and thus coupling with:
 - AGI changes –
 - Elimination of the domestic production activities deduction
 - Elimination of the moving expenses deduction for non-military moves
 - Elimination of alimony payment deduction and elimination of alimony received as income for agreements after December 31, 2018
 - Itemized deduction changes -
 - Elimination of the income limitation on itemized deductions
 - Elimination of home equity interest deduction and casualty deduction for non-disaster related losses

- Elimination of itemized deduction for unreimbursed job expenses and tax preparation services
- No bonus depreciation
- No coupling with the State and local tax deduction cap
- TY 2019 - Expand Section 179 cap and investment limit to \$100,000/\$400,000 and allow shareholders or partners to depreciate expensing received from pass-throughs that exceeds the Iowa cap, where each entity cannot exceed the federal cap, 20 percent per year in the subsequent five tax years
- TY 2020 - Expand Section 179 cap and investment limit to fully couple with the federal cap and investment limit (\$1 million/\$2.5 million that are annually indexed)
- TY 2020 - Couple with the federal repeal of like-kind exchange (1031) for all but real property
- TY 2019 and TY 2020 - Allow 25% of the federal qualified business income deduction from Iowa taxable income
- TY 2021 - Allow 50% of the federal qualified business income deduction from Iowa taxable income
- TY 2022 - Allow 75% of the federal qualified business income deduction from Iowa taxable income

TY 2023: If revenue targets are met, the proposal would implement the following additional provisions:

- Use federal taxable income as the basis for Iowa taxable income beginning in TY 2023 with various adjustments:
 - Subtract Social Security benefits taxed by the federal government
 - Subtract military pension income and active duty pay
 - Subtract the Iowa current law pension exclusion
 - Subtract 529 and ABLE contributions up to the Iowa annual exemption limit
 - Subtract interest on federal securities
 - Add interest on instruments that are federally-exempt but not state exempt
 - Add any bonus depreciation claimed on the federal return and adjust depreciation accordingly
 - Subtract any income included at the federal level for education loan payments made by employers
 - Allow taxpayers aged 65 or older with Iowa income below \$100,000 (Iowa taxable income plus pension exclusion, Social Security benefits, federal standard deduction/itemized deduction, and qualified business income deduction) to deduct all health insurance premiums (as under Iowa current law)
 - Subtract AmeriCorp Education Award payments
 - Subtract contributions to a Homebuyer Savings Account up to eligible limits
 - Allow taxpayers qualifying for the current Iowa capital gain deduction for real farm property sales, including material participation and ownership, who make a sale to a lineal descendant, to continue to qualify for the deduction
- Eliminate federal deductibility, except in tax year 2023 a deduction is allowed for any payments for prior tax years and any refunds for prior tax years must be included
- Revise tax rates and brackets (see Table A)
- Eliminate other Iowa-specific adjustments not included above (such as the Iowa capital gain deduction and the additional health insurance premiums currently deductible in Iowa)

- Eliminate the option of choosing married filing separate on the same return and double the brackets for married taxpayers
- Eliminate the Iowa Alternative Minimum Tax, allow nonrefundable claims of any available Iowa Alternative Minimum Tax Credit in TY 2023 and eliminate the tax credit effective in TY 2024
- Redefine net income for the purposes of applying the filing thresholds and the alternate tax to include either the federal standard deduction or federal itemized deductions (effectively returning the measure to mimic current law) and the federal qualified business income deduction

In addition to these changes effective for individual income taxpayers, it was assumed that similar changes would be implemented for composite filers, as appropriate. Composite filers are nonresident shareholders of companies with Iowa-source income; the company can file one return on behalf of all shareholders for whom the company is the only source of Iowa income. The Department specifies the calculation of tax for those filers in the administrative rules. The data available on those filers includes only the amount of Iowa-source income from that company. It was assumed that the same income would be the starting point of taxation except for the allowance of the qualified business income deduction estimated to be applicable to the shareholders.

Individual Income Tax Micro Model

This analysis employs the IDR individual income tax micro model, using data for tax year 2016. In order to estimate tax liability in years after 2016, individual tax return data used by the model are adjusted for anticipated growth in income and changes in the size and age distribution of the population. The income growth forecasts are based on various income projections produced by external economic models using data primarily from Moody's Analytics. Future projections do not assume any specific unusual growth or recessionary periods. The population changes are based on REMI projections for the State of Iowa. The model forecasts both federal and Iowa tax liability for each household under current law. The forecasted changes in liability by tax year under the proposals are timed into State fiscal year changes using historical patterns of withholding, estimates, final returns, and refunds.

Please note that all major provisions of the new federal law passed in December 2017 (including a modification to the federal QBI enacted March 2018) that impact individual income tax, and other minor provisions for which data is available have been included in the baseline.

Individual Income Tax Fiscal Impacts

For TY 2018, TY 2019, TY 2021, TY 2023, and TY 2024 distributional impacts under this proposal are presented in Tables 2-16. Distributional impacts for only Iowa residents during those same tax years are presented as well.

Example taxpayers for TY 2019, TY 2021, TY 2023, and TY 2024 are presented in Tables 7B, 10B, 13B, and 16B. The 35 modeled example households, based on average outcomes for actual taxpayers forecasted to fit the specified characteristics, differ by filing status, number of dependents, age of primary taxpayer, income groups measured using Iowa adjusted gross income under current law (ranges to target \$25,000, \$50,000, \$100,000, \$250,000, and \$500,000).

The overall tax year and fiscal year estimated impacts are presented in Table 17. However, these results do not include several coupling provisions that were estimated outside the model. Those impacts are reflected in the final tables (see Tables 21 and 22).

Corporation Income Tax (Division VII)

The proposal would couple with 2015 and 2017 tax law changes effective in TY 2019 including the Section 179 cap and limit, matching those available for individual income taxpayers, but no bonus depreciation.

In TY 2021, federal deductibility would be eliminated (with the necessary transition year), the AMT would be eliminated, and rates would be reduced as noted in Table B.

Table B. Corporation Income Tax Rates Under Current Law and Proposed

<u>Tax Bracket</u>	<u>Current Law</u>	<u>Proposed TY 2021 and Later</u>
\$0 - \$25,000	6.0%	5.5%
\$25,000 - \$100,000	8.0%	5.5%
\$100,000 - \$250,000	10.0%	9.0%
\$250,000 and Above	12.0%	9.8%

Corporation Income Tax Micro Model

This analysis employs the IDR corporation income tax model using tax returns filed for form years 1990 through 2015. Tax liability for each return is forecasted for future years using economic growth projections for income, adjustments, and tax credits. The growth forecasts are based on external economic models using data primarily from Moody's Analytics. Projections do not assume any specific unusual growth or recessionary periods. The model uses the historic relationships between tax liabilities and State fiscal year receipts and refunds to translate form year tax liability changes into State fiscal year revenue changes.

Corporation Income Tax Fiscal Impacts

The estimated tax year and fiscal year impacts of the proposal are presented in Table 18. With changes first effective for tax years beginning on or after January 1, 2021, impacts are not expected to be realized until FY 2021.

Distributional impacts of the proposal are presented in Table 19 including the share of corporation income taxpayers expected to experience decreases and increases in total Iowa tax liability for tax year 2024.

Sales and Use Tax (Division X)

The rise of the internet and the sharing economy has rendered many states' sales and use tax laws inefficient and inequitable. Laws written with traditional retail stores and mail-order catalogs in mind do not translate to the modern developments of subscription services and online marketplaces. This proposal modernizes the sales and use tax code in order to end the inherent favoring of internet-based businesses over traditional retailers.

The estimate focuses on six major components.

- Digital Goods

- Ride Sharing
- Subscription Services
- Online Sellers
- Online Marketplaces
- Manufacturing Definition
- Online Travel Companies Websites

The first component ends the exemption for goods purchased and delivered online, such as e-books, games, and phone apps. The exemption was enacted when the internet was new and few goods were delivered digitally. Today, digital delivery is becoming the main form of purchase for nearly all media. The fiscal impact of this component is estimated using the tax expenditure of exempting digitally-delivered goods from the Department's TY 2015 Tax Expenditure Study. In most cases, the retailers to which sales are attributed already have nexus in Iowa and thus would be required to remit sales and use tax on these purchases. Thus, it is assumed that companies affected would fully comply with this provision. The bill also clarifies that all photography services are taxable.

The second component, as part of the delineation of taxable services in Section 67, establishes taxation of all ride services including traditional taxi services and internet-based ride-sharing businesses. The fiscal impact of this component is estimated using NAICS data on traditional taxi services as well as revenue reports from specific online ride-sharing services.

The third component expands the sales and use tax base to capture the change in consumption from tangible good purchases such as video game cartridges and CDs to subscription services including streaming audio and video, software as a service, legal research databases, genetic analysis, online file storage, software, and gaming. The fiscal impact is the sum of multiple estimates based on revenue reports from specific companies providing these services. Given that these sectors are part of the new economy and are growing at rate faster than traditional retail, the annual growth rate used for almost all components is in excess of five percent per year, with some components estimated at more than 10 percent annual growth.

The fourth component expands the definition of sales tax nexus to include any retailer selling more than \$100,000 of products or making more than 200 separate sales into the state, whether or not through an online marketplace, or who uses software or data files installed on property used in the state. The fiscal impact of this component is estimated using data on the value of ecommerce sales nationally and data from various websites. The sales are assumed to be made primarily to consumers but business purchases are also likely included. Under the current *Quill* decision, it is assumed that approximately one quarter of small online sellers, each with \$100,000 to \$1.8 million in sales into Iowa, and one half of large online sellers, those with \$1.8 million and more in sales into Iowa, would comply with this provision.

The fifth component expands the definition of retailer to include any marketplace provider that facilitates sales into the state. This expansion is put in place to rectify the current disadvantage faced by traditional retailers required to charge sales tax on in-person sales at stores or market stands while retailers on online marketplaces claim to have no such requirement. The fiscal impact of this component is estimated by using data gathered from the websites of various online marketplace providers. This includes entirely digital marketplaces such as phone app stores, contingent on also eliminating the sales and use tax exemption on digital goods. It is assumed that online marketplaces who account for approximately half of associated sales would comply with this provision.

The sixth component relates to the definition of manufacturer for purposes of the manufacturing machinery and equipment exemption in the current Code section 423.47. The definition requires that a business be primarily engaged in manufacturing, and specifically excludes businesses that engage in retail. The Department's tax expenditure estimate of the manufacturing machinery and equipment exemption for FY 2017 is \$132.7 million. Previous estimates related to that exemption suggested that "non-traditional manufacturers," which would likely become ineligible for the exemption under the proposal, account for roughly 10 percent of the cost of the exemption. The proposal would also define commercial enterprise, as related to certain exemptions, to include professionals.

The seventh component clarifies auto rental and hotel/motel tax obligations among lessors, lodging facilitators, and rental facilitators, in particular online travel companies. The Department has already successfully started collecting excise tax from some of these taxpayers, but the language changes are estimated to increase those collections.

The estimated fiscal impact of these sales and use tax changes are presented in Table 20. The proposal would make the change to the manufacturing definition effective upon enactment with a fiscal impact assumed to begin at the start of FY 2019, make other definition changes effective July 1, 2018, but all other changes are effective January 1, 2019, thus all other revenue impacts are estimated to begin on that date.

Local Sales Tax Impact Estimates

Under current law, one percentage point of the sales and use tax is dedicated to the Secure an Advanced Vision for Education (SAVE) program through December 31, 2029. Therefore, one-sixth of the estimated increased tax revenues would be transferred to the schools. The estimated difference in total net receipts for the State is net of that transfer to the school districts (see Table 21).

The changes to sales and use tax law would make all retailers selling items into the state or newly-taxable goods subject to the retail sales tax, thus also making those sales subject to the local option sales tax. Based on jurisdictions with LOST during FY 2018, it is assumed that 79% of sales will be subject to LOST in all future years (see Table 21). However, it is likely that changes made to the process for approving LOST in Division XI will lead to an expansion of that coverage.

Total Revenue Impact

Table 21 presents the estimated impact of individual income tax, corporation income tax, income tax credits, and sales and use tax changes on General Fund receipts on a fiscal year basis. Table 22 presents the estimates on a tax year/calendar year basis.

Administrative Cost Impact

Individual and Corporation Income Tax Changes

Administrative impacts of the individual income tax changes in the bill encompass four types:

- 1 One-time form development to accommodate non-coupling provisions
- 2 Annual tax calculation updates resulting from changing tax rates and brackets
- 3 Increases or decreases in the required taxpayer and tax preparer education related to coupling
- 4 Redesign of the IA 1040 to reflect changes triggered in TY 2023

Provisions in the bill that would require the Department to develop a new form are the non-coupling with the Section 1031 like-kind exchanges for 2018 and 2019. Currently the State relies on the US 8824 for taxpayers to report these transactions and the resulting change in basis and deferred gains. That form will no longer be allowed at the federal level for personal property exchanges. The Department will have to develop a State form for that tracking. Likewise, the introduction of the Section 179 pass-through fix for tax years 2018 and 2019 will likely require the development of modifications to the IA 4562. It is estimated that these changes, dominated by the development of an additional form and instructions, would cost an estimated \$10,000 in FY 2018 and FY 2019.

All other changes specified under the bill for tax years 2018 - 2022 that directly impact the calculation of Iowa tax liability such as lower tax rates would be completed during the Department's annual tax calculation updates and would not add additional administrative costs.

When the State is not coupled with the IRC, it creates additional administrative burden for staff. For example, the coupling proposed for 2018 will eliminate the need for the Department to create an additional form/worksheet for Iowa taxpayers to recalculate the federal Earned Income Tax Credit for Iowa purposes. Coupling with definitional changes save time for legal staff who would not need to prepare guidance for taxpayers and preparers. One significant example is the definition of allowable expenses under 529 plans. The Department would have to create instructions for Iowa taxpayers and preparers about when a withdrawal from a 529 does and does not have to be added to Iowa income if Iowa does not couple with the expansion to K-12 expenses. The coupling changes are expected to save an estimated \$10,000 in FY 2018 and FY 2019.

The changes to the Section 179 cap and investment limit would not initially fully couple Iowa with the federal provisions, thus, would continue to require taxpayer and tax preparer education efforts and would have no impact on Department administrative costs in the near term; however, beginning in TY 2020, the full coupling with the expensing provisions would eventually result in reduced staff time.

For tax year 2021, the Iowa 1120 would require updates to account for the elimination of federal deductibility and the AMT. These could also be accommodated through annual forms update processes with little additional cost.

For tax year 2023, the Iowa 1040 would need to be largely redesigned to move to federal taxable income as the starting point for calculating Iowa taxable income. However, the Department is in the process of a redesign to better accommodate scanning and data capture. It is anticipated that the two redesigns could be coordinated such that the costs related specifically to this proposal would be minor.

One of the Department's lead audit programs on the individual income tax return is the identification of errors in reporting federal tax refunds as an additional to Iowa taxable income. Each year, 15,000 taxpayers are billed for failing to add their prior year federal tax refund. It is estimated the Department dedicates nearly \$0.5 million in audit staff time toward the billing and processing of these returns identified as having this error. In addition, thousands of other returns are caught in the initial processing of a refund claim as having incorrectly reported a federal refund. With many calculations automated and any manual review also including other up-front concerns (such as fraud), it is less straightforward to estimate any fiscal benefit from removing federal payments and refunds from the calculation of taxable income beginning in TY 2024. Because the Department would reallocate those audit resources, there is no administrative cost savings, only the ability to reassign those resources to address other taxpayer errors.

Likewise, the Iowa capital gain deduction requires significant audit time and those taxpayers often end up in the protest process. Elimination of eligibility for most sales under this deduction in TY 2023 is expected to allow the Department to reallocate audit and legal resources to address other taxpayer errors and questions.

Income Tax Credit Changes

The change to the Innovation Fund Tax Credit has no impact on the Department as the program is administered by the Iowa Economic Development Authority. The tax credit award administration has been moved to the Tax Credit Award, Claim & Transfer Administration System, and this change would not require any significant updates to that system.

The changes to the Research Activities Tax Credit will require updates to guidance and tax preparer education, but those can be done with existing resources.

The change to the School Tuition Organization Tax Credit is a simple parameter update to the CACTAS component currently under development by the Department.

The elimination of the Solar Energy System Tax Credit, awarded by the Department, will allow the Department to reallocate staff time to other tax credit administration tasks.

The elimination of the Geothermal Tax Credit after 2018 will allow the Department to forego future updates to the IA 140 used to make a claim to that credit. However, that will not be possible until the 10-year carryforward for those tax credits has expired.

Sales and Use Tax Changes

The changes to sales and use taxes would largely expand the number of taxpayers (online and subscription sellers) registering and filing returns using current Department systems and staff. The Department is currently developing new processes for platform sellers (marketplace, ride sharing, and online travel companies) to file returns covering multiple retailers selling with multiple jurisdictions (more complex for hotel/motel that includes local tax collection); therefore, the additional taxpayers subject to remit taxes would simply result in more taxpayers using those new processes.

Summary

The Department could create efficiencies in the development of these new sales and use tax processes and the new individual income tax calculations by modernizing our systems, which would come with increased costs. However, the work needed to implement the changes proposed in this bill can be handled by reallocating staff and resources from other duties and projects.

Overall, although there are some measurable administrative costs associated with some of the tax changes in the bill, other provisions in the bill would result in largely offsetting estimated cost savings. Other provisions can be accommodated under regularly-scheduled Department updates or solutions that would be necessary to address some provisions expanding the tax base will be developed by the Department regardless of the passage of this bill.

Please contact me at 281-0196 if you have any questions regarding this estimate.

Sincerely,

Amy Rehder Harris
Administrator, Research and Analysis Division

Table 1. Estimated Fiscal Impact of Income Tax Credit Changes in HF 2489 with Proposed Amendment

	Millions						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
School Tuition Organization Tax Credit	\$0.00	\$0.00	-\$0.71	-\$0.89	-\$0.93	-\$0.95	-\$0.95
Solar Energy System Tax Credit	\$0.00	\$0.00	\$1.28	\$2.91	\$3.53	\$1.36	\$0.47
Venture Capital Tax Credit - Innovation Fund	\$0.00	\$0.00	\$0.00	-\$0.03	-\$0.98	-\$1.73	-\$2.17
Geothermal Heat Pump Tax Credit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Geothermal Tax Credit	\$0.00	\$0.00	\$1.62	\$2.17	\$2.41	\$2.52	\$2.52
Research Activities Tax Credit	\$0.61	\$4.49	\$7.15	\$7.47	\$7.76	\$8.07	\$8.39
Targeted Jobs Tax Credit from Withholding	\$0.00	-\$0.03	-\$0.24	-\$0.24	-\$0.24	-\$0.24	-\$0.24
TOTAL OF ALL PROGRAMS	\$0.61	\$4.46	\$9.10	\$11.38	\$11.55	\$9.04	\$8.02

Tax Research and Program Analysis Section, Iowa Department of Revenue

Note: Estimated largely using the same methodologies noted in the March 2018 Contingent Liabilities Report

Table 2. Tax Year 2018 Current Law and Proposed Law Tax Parameters

	<u>Current Law</u>	<u>Proposed Law</u>				
Federal Tax Deduction	Unlimited	No change				
Personal/Dependent/Aged Credits	\$40/40/20	No change				
Minimum Filing Thresholds	\$9.0/\$13.5 K	No change				
Elderly Minimum Filing Thresholds	\$24/\$32 K	No change				
Itemized/Standard Deduction	\$2,030/\$5,000	No change				
Social Security Income	100% exclusion	No change				
Pension/Other Retirement Exclusion	\$6/\$12 K	No change				
Iowa Capital Gains Deduction	Unlimited	No change				
Alternate Tax Threshold	\$13.5 K/\$32 K	No change				
Alternate Tax Rate	8.98%	No change				
Iowa Earned Income Tax Credit	Refundable 15%	Coupling				
Section 179 Cap and Investment Limit	\$25K/\$200K	\$70K/\$280K				
Iowa 529 Plans	Not Allowed for K-12	Allowed for K-12				
Tax Brackets and Rates						
			Over	But Not Over	Current Rates	Proposed Rates
			\$0	\$1,598	0.36%	No change
		[1]	\$1,598	\$3,196	0.72%	No change
		[2]	\$3,196	\$6,392	2.43%	No change
		[3]	\$6,392	\$14,382	4.50%	No change
		[4]	\$14,382	\$23,970	6.12%	No change
		[5]	\$23,970	\$31,960	6.48%	No change
		[6]	\$31,960	\$47,940	6.80%	No change
		[7]	\$47,940	\$71,910	7.92%	No change
		[8]	\$71,910	or more	8.98%	No change
		[9]				

Proposal includes additional coupling as noted in the text.

Table 3. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2018

All Filers

Adjusted Gross Income	Returns Number	Total AGI	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Current Law	Current	Current	Current	Proposed	Total	Average^a	Percentage
\$10,000 or less	267,915	-\$3,807,560,658	-\$9,982,971	-\$10,190,071	-\$207,100	-\$1	-2.1%
\$10,001 to 20,000	205,914	3,056,072,513	8,313,669	7,907,044	-406,625	-2	-4.9%
\$20,001 to 30,000	188,023	4,678,850,841	86,601,160	85,987,964	-613,196	-3	-0.7%
\$30,001 to 40,000	167,158	5,804,823,810	163,676,513	162,559,657	-1,116,856	-7	-0.7%
\$40,001 to 50,000	134,283	5,981,747,240	196,601,244	195,361,755	-1,239,489	-9	-0.6%
\$50,001 to 60,000	103,835	5,654,579,308	195,017,557	194,043,210	-974,347	-9	-0.5%
\$60,001 to 70,000	84,754	5,457,003,120	192,997,670	192,027,958	-969,712	-11	-0.5%
\$70,001 to 80,000	72,177	5,366,047,042	194,786,266	193,688,532	-1,097,734	-15	-0.6%
\$80,001 to 90,000	62,321	5,256,034,257	196,415,720	195,233,699	-1,182,021	-19	-0.6%
\$90,001 to 100,000	52,557	4,959,564,464	189,901,718	188,575,952	-1,325,766	-25	-0.7%
\$100,001 to 125,000	96,534	10,728,538,585	421,061,932	417,672,844	-3,389,088	-35	-0.8%
\$125,001 to 150,000	56,140	7,645,596,295	306,908,814	303,493,569	-3,415,245	-61	-1.1%
\$150,001 to 175,000	33,899	5,466,997,426	221,697,431	218,318,819	-3,378,612	-100	-1.5%
\$175,001 to 200,000	21,235	3,953,280,043	160,615,938	157,808,488	-2,807,450	-132	-1.7%
\$200,001 to 250,000	23,823	5,280,492,234	216,977,211	212,902,894	-4,074,317	-171	-1.9%
\$250,001 to 500,000	32,893	11,054,542,992	457,609,774	447,719,148	-9,890,626	-301	-2.2%
\$500,001 to 1,000,000	12,015	8,209,329,471	272,385,967	267,674,139	-4,711,828	-392	-1.7%
\$1,000,001 or more	9,088	74,748,272,913	390,949,204	387,732,816	-3,216,388	-354	-0.8%
Composite Returns	3,123	790,140,964	51,544,332	51,544,332	0	0	0.0%
Totals	1,627,690	\$170,284,352,860	\$3,914,079,149	\$3,870,062,749	-\$44,016,400	-\$27	-1.1%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 3A. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2018

Resident Filers Adjusted Gross Income	Returns Current	Total AGI Current	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Current Law \$10,000 or less	246,611	-\$1,086,016,164	-\$9,562,217	-\$9,763,246	-\$201,029	-\$1	-2.1%
\$10,001 to 20,000	188,533	2,798,382,583	7,982,152	7,587,417	-394,735	-2	-4.9%
\$20,001 to 30,000	172,239	4,285,446,698	83,846,889	83,252,850	-594,039	-3	-0.7%
\$30,001 to 40,000	152,822	5,306,119,047	158,334,948	157,257,342	-1,077,606	-7	-0.7%
\$40,001 to 50,000	121,824	5,425,748,498	190,241,037	189,034,530	-1,206,507	-10	-0.6%
\$50,001 to 60,000	92,924	5,058,501,113	188,293,525	187,337,101	-956,424	-10	-0.5%
\$60,001 to 70,000	75,115	4,835,142,023	186,213,000	185,259,339	-953,661	-13	-0.5%
\$70,001 to 80,000	63,549	4,723,635,245	187,748,246	186,678,472	-1,069,774	-17	-0.6%
\$80,001 to 90,000	54,629	4,607,042,203	189,304,932	188,148,642	-1,156,290	-21	-0.6%
\$90,001 to 100,000	46,065	4,347,087,493	183,271,291	181,965,949	-1,305,342	-28	-0.7%
\$100,001 to 125,000	83,853	9,319,251,911	406,461,304	403,161,384	-3,299,920	-39	-0.8%
\$125,001 to 150,000	47,655	6,491,982,995	295,008,480	291,653,886	-3,354,594	-70	-1.1%
\$150,001 to 175,000	27,985	4,512,666,561	212,452,316	209,129,024	-3,323,292	-119	-1.6%
\$175,001 to 200,000	16,995	3,165,673,557	153,881,318	151,140,126	-2,741,192	-161	-1.8%
\$200,001 to 250,000	18,268	4,048,163,132	206,857,146	202,890,054	-3,967,092	-217	-1.9%
\$250,001 to 500,000	22,557	7,484,059,256	431,107,393	421,569,086	-9,538,307	-423	-2.2%
\$500,001 to 1,000,000	6,264	4,211,426,829	248,380,906	243,990,868	-4,390,038	-701	-1.8%
\$1,000,001 or more	2,514	6,067,707,542	313,373,157	310,532,508	-2,840,649	-1,130	-0.9%
Resident Total	1,440,402	\$85,602,020,521	\$3,633,195,823	\$3,590,825,332	-\$42,370,491	-\$29	-1.2%
Non-Residents Total	187,288	\$84,682,332,339	\$280,883,326	\$279,237,417	-\$1,645,909	-\$9	-0.6%
All Tax Filers Total	1,627,690	\$170,284,352,860	\$3,914,079,149	\$3,870,062,749	-\$44,016,400	-\$27	-1.1%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 4. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2018

All Filers Adjusted Gross Income Current Law	Share of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
\$10,000 or less	98.3%	1.7%	0.0%	-\$208,790	-\$46	\$1,615	\$147
\$10,001 to 20,000	96.5%	3.5%	0.0%	-409,713	-56	349	27
\$20,001 to 30,000	95.0%	5.0%	0.0%	-625,289	-66	1,193	35
\$30,001 to 40,000	91.4%	8.5%	0.0%	-1,140,904	-80	1,971	46
\$40,001 to 50,000	89.2%	10.8%	0.0%	-1,273,045	-88	840	32
\$50,001 to 60,000	94.0%	6.0%	0.0%	-1,016,331	-162	113	19
\$60,001 to 70,000	95.7%	4.3%	0.0%	-1,020,082	-280	0	0
\$70,001 to 80,000	95.1%	4.9%	0.0%	-1,150,874	-323	0	0
\$80,001 to 90,000	94.1%	5.9%	0.0%	-1,240,271	-335	0	0
\$90,001 to 100,000	92.6%	7.4%	0.0%	-1,392,194	-360	0	0
\$100,001 to 125,000	90.5%	9.5%	0.0%	-3,555,910	-388	106	106
\$125,001 to 150,000	88.5%	11.5%	0.0%	-3,583,880	-557	0	0
\$150,001 to 175,000	86.3%	13.7%	0.0%	-3,537,022	-760	290	290
\$175,001 to 200,000	86.3%	13.7%	0.0%	-2,930,219	-1,006	95	48
\$200,001 to 250,000	86.1%	13.9%	0.0%	-4,251,103	-1,281	758	190
\$250,001 to 500,000	83.6%	16.4%	0.0%	-10,288,518	-1,912	1,457	208
\$500,001 to 1,000,000	79.3%	20.7%	0.0%	-4,863,364	-1,956	303	303
\$1,000,001 or more	78.1%	21.9%	0.0%	-3,298,780	-1,656	0	0
Composite Returns	100.0%	0.0%	0.0%	0	0	0	0
Totals	93.4%	6.6%	0.0%	-\$45,786,289	-\$427	\$9,090	\$61

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

Table 4A. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2018

Resident Filers Adjusted Gross Income	Share of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
				Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
	Current Law	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Total	Average	Total
\$10,000 or less	98.3%	1.7%	0.0%	-\$202,131	-\$47	\$1,027	\$171
\$10,001 to 20,000	96.4%	3.6%	0.0%	-397,823	-58	349	27
\$20,001 to 30,000	94.9%	5.0%	0.0%	-605,927	-70	988	45
\$30,001 to 40,000	91.4%	8.6%	0.0%	-1,101,246	-84	1,563	47
\$40,001 to 50,000	89.0%	11.0%	0.0%	-1,240,026	-93	803	38
\$50,001 to 60,000	93.7%	6.3%	0.0%	-998,374	-170	79	16
\$60,001 to 70,000	95.4%	4.6%	0.0%	-1,004,031	-290	0	0
\$70,001 to 80,000	94.7%	5.3%	0.0%	-1,122,914	-332	0	0
\$80,001 to 90,000	93.6%	6.4%	0.0%	-1,214,540	-348	0	0
\$90,001 to 100,000	92.1%	7.9%	0.0%	-1,371,770	-375	0	0
\$100,001 to 125,000	89.7%	10.3%	0.0%	-3,466,636	-402	0	0
\$125,001 to 150,000	87.4%	12.6%	0.0%	-3,523,229	-586	0	0
\$150,001 to 175,000	84.5%	15.5%	0.0%	-3,481,412	-803	0	0
\$175,001 to 200,000	84.4%	15.6%	0.0%	-2,863,866	-1,081	0	0
\$200,001 to 250,000	83.8%	16.2%	0.0%	-4,143,396	-1,397	276	276
\$250,001 to 500,000	79.9%	20.1%	0.0%	-9,934,742	-2,190	0	0
\$500,001 to 1,000,000	72.8%	27.2%	0.0%	-4,541,271	-2,668	0	0
\$1,000,001 or more	61.2%	38.8%	0.0%	-2,923,041	-2,992	0	0
Resident Total	93.2%	6.8%	0.0%	-\$44,136,375	-\$450	\$5,085	\$50
Non-Residents Total	95.0%	4.9%	0.0%	-\$1,649,914	-\$179	\$4,005	\$85
All Tax Filers Total	93.4%	6.6%	0.0%	-\$45,786,289	-\$427	\$9,090	\$61

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

Table 5. Tax Year 2019 Current Law and Proposed Law Tax Parameters

	<i>Current Law</i>	<i>Proposed Law</i>
Federal Tax Deduction	Unlimited	No change
Personal/Dependent/Aged Credits	\$40/40/20	No change
Minimum Filing Thresholds	\$9.0/\$13.5 K	No change
Elderly Minimum Filing Thresholds	\$24/\$32 K	No change
Itemized/Standard Deduction	\$2,070/\$5,090	Itemized coupling
Social Security Income	100% exclusion	No change
Pension/Other Retirement Exclusion	\$6/\$12 K	No change
Iowa Capital Gains Deduction	Unlimited	No change
Alternate Tax Threshold	\$13.5 K/\$32 K elderly	No change
Alternate Tax Rate	8.98%	8.53%
Iowa Earned Income Tax Credit	Refundable 15%	Coupling
AMT and Tax Credit	Allowed	No change
Section 179 Cap and Investment Limit	\$25K/\$200K	\$100K/\$400K
Iowa 529 Plans	Not Allowed for K-12	Allowed for K-12
Qualified Business Income deduction	Not allowed	Allowed 25%

Tax Brackets and Rates

	<i>Over</i>	<i>But Not Over</i>	<i>Current Rates</i>	<i>Proposed Rates</i>
[1]	\$0	\$1,628	0.36%	0.33%
[2]	\$1,628	\$3,256	0.72%	0.67%
[3]	\$3,256	\$6,512	2.43%	2.25%
[4]	\$6,512	\$14,652	4.50%	4.14%
[5]	\$14,652	\$24,420	6.12%	5.63%
[6]	\$24,420	\$32,560	6.48%	5.96%
[7]	\$32,560	\$48,840	6.80%	6.25%
[8]	\$48,840	\$73,260	7.92%	7.44%
[9]	\$73,260	or more	8.98%	8.53%

Proposal includes additional coupling as noted in the text.

Table 6. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2019

All Filers

Adjusted Gross Income	Returns Number	Total AGI	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentag
Current Law	Current	Current	Current	Proposed	Total	Average ^a	Percentag
\$10,000 or less	263,864	-\$4,098,009,446	-\$9,895,566	-\$10,186,296	-\$290,730	-\$1	-2.9%
\$10,001 to 20,000	202,321	3,000,031,243	7,595,192	4,164,908	-3,430,284	-17	-45.2%
\$20,001 to 30,000	184,463	4,584,288,008	83,288,579	74,072,218	-9,216,361	-50	-11.1%
\$30,001 to 40,000	166,630	5,777,466,551	161,883,069	147,521,330	-14,361,739	-86	-8.9%
\$40,001 to 50,000	136,492	6,068,290,365	200,820,130	184,980,544	-15,839,586	-116	-7.9%
\$50,001 to 60,000	105,519	5,729,398,954	199,564,601	185,007,416	-14,557,185	-138	-7.3%
\$60,001 to 70,000	86,117	5,523,996,205	197,678,513	183,755,347	-13,923,166	-162	-7.0%
\$70,001 to 80,000	72,860	5,393,940,763	197,919,936	184,145,980	-13,773,956	-189	-7.0%
\$80,001 to 90,000	63,380	5,323,145,865	200,915,677	186,667,700	-14,247,977	-225	-7.1%
\$90,001 to 100,000	53,988	5,073,194,509	195,741,378	181,872,247	-13,869,131	-257	-7.1%
\$100,001 to 125,000	100,406	11,129,316,777	441,131,797	409,626,701	-31,505,096	-314	-7.1%
\$125,001 to 150,000	59,840	8,130,911,931	330,289,142	305,997,490	-24,291,652	-406	-7.4%
\$150,001 to 175,000	36,189	5,825,780,897	238,090,649	220,284,964	-17,805,685	-492	-7.5%
\$175,001 to 200,000	22,768	4,229,139,504	171,670,020	158,228,517	-13,441,503	-590	-7.8%
\$200,001 to 250,000	25,492	5,640,605,267	231,537,312	212,532,952	-19,004,360	-746	-8.2%
\$250,001 to 500,000	34,448	11,546,136,746	477,541,044	411,660,551	-65,880,493	-1,912	-13.8%
\$500,001 to 1,000,000	12,434	8,475,659,522	283,211,720	236,432,015	-46,779,705	-3,762	-16.5%
\$1,000,001 or more	9,407	79,006,451,652	409,559,797	347,339,754	-62,220,043	-6,614	-15.2%
Composite Returns	3,123	807,100,989	52,597,680	48,310,466	-4,287,214	-1,373	-8.2%
Totals	1,639,741	\$177,166,846,301	\$4,071,140,670	\$3,672,414,804	-\$398,725,866	-\$243	-9.8%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 6A. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2019

Resident Filers

Adjusted Gross Income	Returns	Total AGI	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Current Law	Current	Current	Current	Proposed	Total	Average ^a	Percentage
\$10,000 or less	243,015	-\$1,337,487,793	-\$9,467,688	-\$9,772,123	-\$304,435	-\$1	-3.2%
\$10,001 to 20,000	185,324	2,748,251,010	7,296,215	3,976,649	-3,319,566	-18	-45.5%
\$20,001 to 30,000	168,954	4,198,131,696	80,614,382	71,659,312	-8,955,070	-53	-11.1%
\$30,001 to 40,000	152,393	5,282,836,078	156,540,459	142,580,202	-13,960,257	-92	-8.9%
\$40,001 to 50,000	123,931	5,508,567,304	194,241,630	178,691,634	-15,549,996	-125	-8.0%
\$50,001 to 60,000	94,591	5,133,522,192	192,708,419	178,330,973	-14,377,446	-152	-7.5%
\$60,001 to 70,000	76,413	4,899,275,554	190,594,570	176,718,646	-13,875,924	-182	-7.3%
\$70,001 to 80,000	64,174	4,748,910,709	190,771,055	176,982,833	-13,788,222	-215	-7.2%
\$80,001 to 90,000	55,713	4,678,183,541	193,825,099	179,500,690	-14,324,409	-257	-7.4%
\$90,001 to 100,000	47,186	4,434,597,314	188,660,860	174,745,175	-13,915,685	-295	-7.4%
\$100,001 to 125,000	87,362	9,683,451,268	425,800,884	394,120,399	-31,680,485	-363	-7.4%
\$125,001 to 150,000	51,012	6,933,697,380	317,674,504	293,419,637	-24,254,867	-475	-7.6%
\$150,001 to 175,000	30,064	4,840,532,904	228,221,185	210,540,565	-17,680,620	-588	-7.7%
\$175,001 to 200,000	18,266	3,395,566,212	164,237,054	151,113,914	-13,123,140	-718	-8.0%
\$200,001 to 250,000	19,669	4,351,913,182	220,725,713	202,348,897	-18,376,816	-934	-8.3%
\$250,001 to 500,000	23,790	7,877,013,390	449,917,357	388,234,645	-61,682,712	-2,593	-13.7%
\$500,001 to 1,000,000	6,524	4,385,320,843	258,283,860	216,109,168	-42,174,692	-6,465	-16.3%
\$1,000,001 or more	2,616	6,348,804,109	327,648,703	278,538,502	-49,110,201	-18,773	-15.0%
Resident Total	1,450,998	\$88,111,086,890	\$3,778,294,261	\$3,407,839,718	-\$370,454,543	-\$255	-9.8%
Non-Residents Total	188,743	\$89,055,759,411	\$292,846,409	\$264,575,086	-\$28,271,323	-\$150	-9.7%
All Tax Filers Total	1,639,741	\$177,166,846,301	\$4,071,140,670	\$3,672,414,804	-\$398,725,866	-\$243	-9.8%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 7. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2019

All Filers Adjusted Gross Income	Share of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
Current Law							
\$10,000 or less	87.7%	12.2%	0.1%	-\$407,746	-\$13	\$114,961	\$471
\$10,001 to 20,000	31.4%	67.2%	1.4%	-3,825,512	-28	293,648	104
\$20,001 to 30,000	8.9%	88.1%	3.0%	-10,414,524	-64	902,211	165
\$30,001 to 40,000	4.9%	91.3%	3.9%	-16,410,032	-108	1,582,357	245
\$40,001 to 50,000	4.4%	90.6%	5.1%	-18,582,160	-150	2,215,497	320
\$50,001 to 60,000	4.4%	89.3%	6.3%	-17,562,910	-186	2,495,497	375
\$60,001 to 70,000	4.4%	88.6%	7.0%	-16,965,785	-222	2,538,009	424
\$70,001 to 80,000	4.4%	88.2%	7.5%	-16,774,123	-261	2,484,311	457
\$80,001 to 90,000	4.1%	88.6%	7.3%	-17,021,216	-303	2,233,393	485
\$90,001 to 100,000	4.3%	88.4%	7.4%	-16,404,232	-344	2,014,232	506
\$100,001 to 125,000	4.4%	88.5%	7.2%	-36,805,428	-414	4,143,697	576
\$125,001 to 150,000	4.9%	87.9%	7.1%	-27,777,410	-528	2,626,853	614
\$150,001 to 175,000	6.0%	87.1%	6.8%	-20,121,337	-638	1,722,142	695
\$175,001 to 200,000	7.4%	86.6%	6.0%	-14,819,096	-752	937,573	684
\$200,001 to 250,000	8.7%	86.3%	5.1%	-20,576,792	-936	974,490	757
\$250,001 to 500,000	12.5%	85.1%	2.4%	-68,649,528	-2,341	886,462	1,089
\$500,001 to 1,000,000	19.8%	79.5%	0.8%	-48,052,363	-4,864	131,548	1,385
\$1,000,001 or more	32.2%	66.6%	1.3%	-63,835,501	-10,196	498,556	4,155
Composite Returns	23.7%	76.3%	0.0%	-4,287,214	-1,800	0	0
Totals	22.3%	73.7%	4.0%	-\$439,292,909	-\$364	\$28,795,437	\$435

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

Table 7A. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2019

Resident Filers Adjusted Gross Income	Share of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
Current Law							
\$10,000 or less	87.1%	12.8%	0.1%	-\$394,590	-\$13	\$88,100	\$414
\$10,001 to 20,000	29.2%	69.4%	1.4%	-3,695,607	-29	274,461	106
\$20,001 to 30,000	6.1%	91.0%	2.9%	-10,077,731	-66	826,709	168
\$30,001 to 40,000	2.1%	94.2%	3.7%	-15,879,426	-111	1,453,233	255
\$40,001 to 50,000	1.5%	93.8%	4.6%	-18,019,482	-155	1,942,409	338
\$50,001 to 60,000	1.3%	93.1%	5.6%	-17,020,454	-193	2,132,780	402
\$60,001 to 70,000	1.1%	92.9%	5.9%	-16,449,135	-232	2,068,601	457
\$70,001 to 80,000	1.0%	92.8%	6.2%	-16,280,662	-273	1,976,584	496
\$80,001 to 90,000	0.8%	93.3%	5.9%	-16,554,847	-318	1,690,592	516
\$90,001 to 100,000	0.8%	93.4%	5.9%	-15,945,096	-362	1,508,542	544
\$100,001 to 125,000	0.7%	93.7%	5.5%	-35,843,528	-438	3,006,409	621
\$125,001 to 150,000	0.8%	93.7%	5.6%	-27,009,303	-565	1,895,531	667
\$150,001 to 175,000	1.0%	93.6%	5.4%	-19,511,077	-693	1,236,947	761
\$175,001 to 200,000	1.1%	93.8%	5.0%	-14,299,480	-834	736,320	803
\$200,001 to 250,000	1.1%	94.7%	4.2%	-19,777,991	-1,062	803,233	975
\$250,001 to 500,000	1.3%	96.5%	2.2%	-64,317,804	-2,802	752,519	1,456
\$500,001 to 1,000,000	2.0%	97.3%	0.7%	-43,440,654	-6,843	124,852	2,601
\$1,000,001 or more	2.3%	96.5%	1.2%	-50,552,285	-20,021	325,182	10,162
Resident Total	19.8%	76.7%	3.5%	-\$405,069,152	-\$364	\$22,843,004	\$451
Non-Residents Total	41.8%	49.9%	8.2%	-\$34,223,757	-\$363	\$5,952,433	\$383
All Tax Filers Total	22.3%	73.7%	4.0%	-\$439,292,909	-\$364	\$28,795,437	\$435

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

Table 7B. Average Estimated Change in Iowa Tax Liability for Example Taxpayers Filing Iowa Returns HF 2489 with Proposed Amendment

Estimates for Tax Year 2019

Example Taxpayer Characteristics							Final Tax Liability			Percent Difference	
Iowa Filing Status	Dependents	Age	Iowa Current AGI Group	Wages	Social Security ¹	Other Income ²	Current Law	Proposed Law	Difference		
(1)	Single	0	26-64	\$24,000-\$26,000	\$23,723	\$541	\$2,282	\$747	\$689	-\$58	-7.8%
(2)	Single	0	26-64	\$48,000-\$52,000	\$48,067	\$174	\$2,933	\$2,009	\$1,868	-\$141	-7.0%
(3)	Single	0	26-64	\$93,000-\$107,000	\$85,705	\$183	\$14,225	\$4,519	\$4,246	-\$273	-6.0%
(4)	Single	0	26-64	\$185,000-\$215,000	\$124,308	\$581	\$73,705	\$10,352	\$9,525	-\$827	-8.0%
(5)	Single	0	26-64	\$480,000-\$520,000	\$282,214	\$682	\$215,732	\$30,114	\$24,387	-\$5,727	-19.0%
(6)	Head of Household	1	26-64	\$24,000-\$26,000	\$24,125	\$180	\$1,491	\$189	\$133	-\$56	-29.6%
(7)	Head of Household	1	26-64	\$48,000-\$52,000	\$48,299	\$66	\$1,961	\$1,975	\$1,817	-\$158	-8.0%
(8)	Head of Household	1	26-64	\$93,000-\$107,000	\$87,581	\$1	\$10,878	\$4,551	\$4,256	-\$295	-6.5%
(9)	Head of Household	1	26-64	\$185,000-\$215,000	\$140,912	\$124	\$57,126	\$11,321	\$10,463	-\$858	-7.6%
(10)	Head of Household	2	26-64	\$24,000-\$26,000	\$24,163	\$124	\$1,442	-\$45	-\$103	-\$58	-128.9%
(11)	Head of Household	2	26-64	\$48,000-\$52,000	\$48,144	\$59	\$2,273	\$2,014	\$1,854	-\$160	-7.9%
(12)	Head of Household	2	26-64	\$93,000-\$107,000	\$88,154	\$28	\$10,921	\$4,700	\$4,373	-\$327	-7.0%
(13)	Head of Household	2	26-64	\$185,000-\$215,000	\$137,324	\$0	\$55,403	\$10,139	\$9,174	-\$965	-9.5%
(14)	Married	1	26-64	\$24,000-\$26,000	\$24,927	\$3,376	\$636	\$194	\$117	-\$77	-39.7%
(15)	Married	1	26-64	\$48,000-\$52,000	\$46,788	\$1,111	\$3,687	\$1,768	\$1,629	-\$139	-7.9%
(16)	Married	1	26-64	\$93,000-\$107,000	\$92,528	\$248	\$6,970	\$4,255	\$3,939	-\$316	-7.4%
(17)	Married	1	26-64	\$185,000-\$215,000	\$161,892	\$211	\$33,296	\$9,596	\$8,848	-\$748	-7.8%
(18)	Married	1	26-64	\$480,000-\$520,000	\$311,011	\$249	\$182,728	\$30,452	\$25,447	-\$5,005	-16.4%
(19)	Married	2	26-64	\$24,000-\$26,000	\$25,159	\$1,221	\$238	-\$98	-\$192	-\$94	-95.9%
(20)	Married	2	26-64	\$48,000-\$52,000	\$47,944	\$579	\$2,637	\$1,718	\$1,534	-\$184	-10.7%
(21)	Married	2	26-64	\$93,000-\$107,000	\$94,806	\$119	\$5,355	\$4,397	\$4,057	-\$340	-7.7%
(22)	Married	2	26-64	\$185,000-\$215,000	\$170,424	\$56	\$26,949	\$9,614	\$8,859	-\$755	-7.9%
(23)	Married	2	26-64	\$480,000-\$520,000	\$331,338	\$0	\$161,634	\$30,052	\$25,440	-\$4,612	-15.3%
(24)	Single	0	<=25	less than \$35,000	\$15,798	\$24	\$85	\$421	\$386	-\$35	-8.3%
(25)	Married	0	<=25	less than \$35,000	\$26,778	\$44	-\$6,761	\$429	\$393	-\$36	-8.4%
(26)	Single	0	>=65	\$24,000-\$26,000	\$5,845	\$16,941	\$23,970	\$526	\$488	-\$38	-7.2%
(27)	Single	0	>=65	\$48,000-\$52,000	\$13,675	\$16,325	\$41,608	\$1,550	\$1,442	-\$108	-7.0%
(28)	Single	0	>=65	\$93,000-\$107,000	\$17,986	\$17,995	\$87,391	\$4,203	\$3,915	-\$288	-6.9%
(29)	Single	0	>=65	\$185,000-\$215,000	\$26,994	\$20,143	\$177,566	\$10,656	\$10,036	-\$620	-5.8%
(30)	Single	0	>=65	\$480,000-\$520,000	\$65,192	\$21,828	\$442,971	\$30,527	\$26,350	-\$4,177	-13.7%
(31)	Married	0	>=65	\$24,000-\$26,000	\$9,589	\$30,142	\$25,111	\$235	\$215	-\$20	-8.5%
(32)	Married	0	>=65	\$48,000-\$52,000	\$19,736	\$28,115	\$40,450	\$1,340	\$1,240	-\$100	-7.5%
(33)	Married	0	>=65	\$93,000-\$107,000	\$41,988	\$25,150	\$68,964	\$3,884	\$3,575	-\$309	-8.0%
(34)	Married	0	>=65	\$185,000-\$215,000	\$69,189	\$26,362	\$143,601	\$9,713	\$8,942	-\$771	-7.9%
(35)	Married	0	>=65	\$480,000-\$520,000	\$163,579	\$27,428	\$359,154	\$29,751	\$24,551	-\$5,200	-17.5%

Analysis Using Individual Return Data from Tax Year 2016.

Tax Research and Program Analysis Section, Iowa Department of Revenue

Results based on average outcomes for taxpayers forecasted to meet the characteristics of the various examples listed. The 2017 federal law change is reflected in the baseline.

1. Social Security benefits includes all benefits reported by the taxpayer, not just those subject to income tax.

2. Other income includes any pension income excluded from Iowa AGI.

Table 8. Tax Year 2021 Current Law and Proposed Law Tax Parameters

	<i>Current Law</i>	<i>Proposed Law</i>		
Federal Tax Deduction	Unlimited	No change		
Personal/Dependent/Aged Credits	\$40/40/20	No change		
Minimum Filing Thresholds	\$9.0/\$13.5 K	No change		
Elderly Minimum Filing Thresholds	\$24/\$32 K	No change		
Itemized/Standard Deduction	\$2,140/\$5,270	Itemized coupling		
Social Security Income	100% exclusion	No change		
Pension/Other Retirement Exclusion	\$6/\$12 K	No change		
Iowa Capital Gains Deduction	Unlimited	No change		
Alternate Tax Threshold	\$13.5 K/\$32 K elderly	No change		
Alternate Tax Rate	6.12%	8.53%		
Iowa Earned Income Tax Credit	15% of Fed EITC	Coupling		
AMT and Tax Credit	Unlimited	No change		
Iowa 529 Plans	Not allowed for K-	Allowed for K-12		
Section 179 Cap and Investment Limit	\$25K/\$200K	\$1.06 M/\$2.65 M		
Qualified Business Income Deduction	Not allowed	Allowed 50%		

<i>Tax Brackets and Rates</i>				
	<i>Over</i>	<i>But Not Over</i>	<i>Current Rates</i>	<i>Proposed Rates</i>
[1]	\$0	\$1,686	0.36%	0.33%
[2]	\$1,686	\$3,372	0.72%	0.67%
[3]	\$3,372	\$6,744	2.43%	2.25%
[4]	\$6,744	\$15,174	4.50%	4.14%
[5]	\$15,174	\$25,290	6.12%	5.63%
[6]	\$25,290	\$33,720	6.48%	5.96%
[7]	\$33,720	\$50,580	6.80%	6.25%
[8]	\$50,580	\$75,870	7.92%	7.44%
[9]	\$75,870	or more	8.98%	8.53%

Proposal includes additional coupling as noted in the text.

**Table 9. Estimated Change in Tax Liability Under the Proposed Change to Tax Law
HF 2489 with Proposed Amendment**

Estimates for Tax Year 2021

All Filers

Adjusted Gross Income	Returns Number	Total AGI Current	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Current Law	Current	Current	Current	Proposed	Total	Average^a	Percentage
\$10,000 or less	256,536	-\$4,302,876,566	-\$9,664,654	-\$9,930,112	-\$265,458	-\$1	-2.7%
\$10,001 to 20,000	197,815	2,927,516,906	6,552,647	3,183,746	-3,368,901	-17	-51.4%
\$20,001 to 30,000	180,351	4,469,621,160	76,335,092	67,388,856	-8,946,236	-50	-11.7%
\$30,001 to 40,000	165,453	5,717,238,336	154,899,055	140,605,850	-14,293,205	-86	-9.2%
\$40,001 to 50,000	139,487	6,175,322,234	201,208,242	184,656,348	-16,551,894	-119	-8.2%
\$50,001 to 60,000	109,142	5,889,840,045	204,001,756	188,436,915	-15,564,841	-143	-7.6%
\$60,001 to 70,000	88,821	5,659,639,815	201,430,033	186,692,556	-14,737,477	-166	-7.3%
\$70,001 to 80,000	74,688	5,487,171,200	199,966,704	185,629,845	-14,336,859	-192	-7.2%
\$80,001 to 90,000	65,228	5,429,572,999	202,270,626	187,634,349	-14,636,277	-224	-7.2%
\$90,001 to 100,000	56,280	5,239,638,215	200,517,104	185,867,551	-14,649,553	-260	-7.3%
\$100,001 to 125,000	106,871	11,740,314,206	461,806,915	427,711,134	-34,095,781	-319	-7.4%
\$125,001 to 150,000	66,119	8,922,064,175	359,609,849	332,238,897	-27,370,952	-414	-7.6%
\$150,001 to 175,000	40,378	6,458,940,399	263,724,239	242,814,594	-20,909,645	-518	-7.9%
\$175,001 to 200,000	25,625	4,734,024,347	192,141,360	175,998,885	-16,142,475	-630	-8.4%
\$200,001 to 250,000	28,549	6,280,650,476	255,922,598	232,165,363	-23,757,235	-832	-9.3%
\$250,001 to 500,000	37,786	12,579,788,909	520,497,527	439,551,739	-80,945,788	-2,142	-15.6%
\$500,001 to 1,000,000	13,329	9,040,228,393	305,599,559	241,119,437	-64,480,122	-4,838	-21.1%
\$1,000,001 or more	10,094	88,097,600,645	459,933,766	371,372,917	-88,560,849	-8,774	-19.3%
Composite Returns	3,123	839,930,705	54,819,378	49,003,636	-5,815,742	-1,862	-10.6%
Totals	1,665,673	\$191,386,226,597	\$4,311,571,796	\$3,832,142,506	-\$479,429,290	-\$288	-11.1%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 9A. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2021

Resident Filers

Adjusted Gross Income	Returns Number	Total AGI	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Current Law	Current	Current	Current	Proposed	Total	Average ^a	Percentage
\$10,000 or less	236,464	-\$1,545,653,332	-\$9,224,133	-\$9,497,815	-\$273,682	-\$1	-3.0%
\$10,001 to 20,000	181,251	2,682,341,570	6,304,050	3,041,651	-3,262,399	-18	-51.8%
\$20,001 to 30,000	165,395	4,097,898,482	73,910,708	65,227,068	-8,683,640	-53	-11.7%
\$30,001 to 40,000	151,389	5,229,750,348	149,803,165	135,911,960	-13,891,205	-92	-9.3%
\$40,001 to 50,000	126,915	5,616,995,465	194,551,895	178,341,000	-16,210,895	-128	-8.3%
\$50,001 to 60,000	98,139	5,292,629,847	197,119,487	181,792,463	-15,327,024	-156	-7.8%
\$60,001 to 70,000	79,070	5,035,058,565	194,254,244	179,647,596	-14,606,648	-185	-7.5%
\$70,001 to 80,000	65,899	4,838,711,214	192,609,671	178,298,572	-14,311,099	-217	-7.4%
\$80,001 to 90,000	57,343	4,770,782,731	195,193,711	180,503,718	-14,689,993	-256	-7.5%
\$90,001 to 100,000	49,270	4,586,521,542	193,246,635	178,585,491	-14,661,144	-298	-7.6%
\$100,001 to 125,000	93,067	10,223,961,572	445,283,677	411,090,442	-34,193,235	-367	-7.7%
\$125,001 to 150,000	56,588	7,637,509,178	346,226,625	318,892,416	-27,334,209	-483	-7.9%
\$150,001 to 175,000	33,845	5,417,228,791	253,040,586	232,338,803	-20,701,783	-612	-8.2%
\$175,001 to 200,000	20,742	3,833,826,719	183,807,775	168,001,792	-15,805,983	-762	-8.6%
\$200,001 to 250,000	22,183	4,882,284,780	244,074,010	221,165,508	-22,908,502	-1,033	-9.4%
\$250,001 to 500,000	26,452	8,705,915,951	491,061,682	414,883,531	-76,178,151	-2,880	-15.5%
\$500,001 to 1,000,000	7,086	4,740,438,466	278,557,769	220,100,970	-58,456,799	-8,250	-21.0%
\$1,000,001 or more	2,896	7,038,080,988	368,265,360	296,918,700	-71,346,660	-24,636	-19.4%
Resident Total	1,473,996	\$93,084,282,876	\$3,998,086,917	\$3,555,243,866	-\$442,843,051	-\$300	-11.1%
Non-Residents Total	191,677	\$98,301,943,721	\$313,484,879	\$276,898,640	-\$36,586,239	-\$191	-11.7%
All Tax Filers Total	1,665,673	\$191,386,226,597	\$4,311,571,796	\$3,832,142,506	-\$479,429,290	-\$288	-11.1%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 10. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2021

All Filers Adjusted Gross Income Current Law	Count of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
\$10,000 or less	87.9%	12.0%	0.1%	-\$392,875	-\$13	\$126,887	\$518
\$10,001 to 20,000	31.4%	67.3%	1.3%	-3,755,995	-28	288,080	113
\$20,001 to 30,000	9.3%	87.8%	2.9%	-10,085,823	-64	850,215	163
\$30,001 to 40,000	5.1%	91.1%	3.8%	-16,255,163	-108	1,500,433	240
\$40,001 to 50,000	4.5%	90.7%	4.8%	-19,220,171	-152	2,118,646	316
\$50,001 to 60,000	4.5%	89.5%	6.0%	-18,546,423	-190	2,441,226	372
\$60,001 to 70,000	4.5%	88.8%	6.8%	-17,778,339	-225	2,511,041	417
\$70,001 to 80,000	4.6%	88.1%	7.3%	-17,370,942	-264	2,508,071	459
\$80,001 to 90,000	4.4%	88.2%	7.4%	-17,554,008	-305	2,367,090	491
\$90,001 to 100,000	4.2%	88.5%	7.2%	-17,290,671	-347	2,089,594	512
\$100,001 to 125,000	4.4%	88.5%	7.1%	-39,733,420	-420	4,373,385	574
\$125,001 to 150,000	5.0%	87.9%	7.1%	-31,331,510	-539	2,987,386	634
\$150,001 to 175,000	5.6%	87.5%	6.9%	-23,539,320	-666	1,926,815	693
\$175,001 to 200,000	7.1%	86.7%	6.2%	-17,797,634	-801	1,123,785	712
\$200,001 to 250,000	8.6%	86.1%	5.3%	-25,703,331	-1,046	1,180,981	777
\$250,001 to 500,000	12.0%	85.3%	2.7%	-84,497,029	-2,621	1,107,764	1,101
\$500,001 to 1,000,000	19.6%	79.7%	0.8%	-66,350,915	-6,246	146,663	1,467
\$1,000,001 or more	31.7%	67.4%	0.9%	-90,671,531	-13,332	355,188	3,861
Composite Returns	23.6%	76.4%	0.0%	-5,815,742	-2,436	0	0
Totals	21.7%	74.2%	4.0%	-\$523,690,842	-\$424	\$30,003,250	\$446

Analysis Using Individual Return Data from Tax Year 2016
Tax Research and Program Analysis Section, Iowa Department of Revenue

Note: The 2017 federal law change is reflected in the baseline.

Table 10A. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2021

Resident Filers Adjusted Gross Income	Count of Returns by Estimated Change in Tax Liability			Estimated Change in State Income Tax and School Surtax Liability			
				Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
	Current Law	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Total	Average	Total
\$10,000 or less	87.3%	12.6%	0.1%	-\$378,639	-\$13	\$104,427	\$470
\$10,001 to 20,000	29.2%	69.5%	1.3%	-3,630,192	-29	268,779	115
\$20,001 to 30,000	6.4%	90.7%	2.8%	-9,758,099	-65	785,087	167
\$30,001 to 40,000	2.3%	94.1%	3.6%	-15,731,970	-110	1,379,240	250
\$40,001 to 50,000	1.7%	93.8%	4.4%	-18,625,765	-156	1,865,239	331
\$50,001 to 60,000	1.5%	93.1%	5.4%	-17,976,759	-197	2,109,379	397
\$60,001 to 70,000	1.3%	92.8%	5.9%	-17,218,227	-235	2,081,758	449
\$70,001 to 80,000	1.2%	92.6%	6.1%	-16,848,311	-276	2,011,201	497
\$80,001 to 90,000	1.0%	92.9%	6.0%	-17,064,491	-320	1,823,857	526
\$90,001 to 100,000	0.9%	93.2%	5.9%	-16,799,697	-366	1,587,029	548
\$100,001 to 125,000	0.9%	93.6%	5.5%	-38,628,309	-443	3,170,820	617
\$125,001 to 150,000	0.9%	93.5%	5.6%	-30,471,579	-576	2,164,198	688
\$150,001 to 175,000	1.0%	93.5%	5.5%	-22,819,964	-721	1,415,321	758
\$175,001 to 200,000	1.2%	93.7%	5.1%	-17,187,650	-884	850,293	807
\$200,001 to 250,000	1.3%	94.2%	4.5%	-24,641,392	-1,179	967,775	977
\$250,001 to 500,000	1.4%	96.0%	2.5%	-79,590,969	-3,133	969,341	1,438
\$500,001 to 1,000,000	2.0%	97.3%	0.7%	-60,311,246	-8,750	130,317	2,606
\$1,000,001 or more	2.3%	96.8%	0.8%	-73,313,871	-26,137	211,717	8,822
Resident Total	19.2%	77.3%	3.5%	-\$480,997,130	-\$422	\$23,895,778	\$462
Non-Residents Total	41.4%	50.5%	8.1%	-\$42,693,712	-\$441	\$6,107,472	\$392
All Tax Filers Total	21.7%	74.2%	4.0%	-\$523,690,842	-\$424	\$30,003,250	\$446

*Analysis Using Individual Return Data from Tax Year 2016
Tax Research and Program Analysis Section, Iowa Department of Revenue*

Note: The 2017 federal law change is reflected in the baseline.

Table 10B. Average Estimated Change in Iowa Tax Liability for Example Taxpayers Filing Iowa Returns HF 2489 with Proposed Amendment

Estimates for Tax Year 2021

Example Taxpayer Characteristics								Final Tax Liability			Percent Difference
Iowa Filing Status	Dependents	Age	Iowa Current AGI Group	Wages	Social Security ¹	Other Income ²	Current Law	Proposed Law	Difference		
(1)	Single	0	26-64	\$24,000-\$26,000	\$24,079	\$602	\$2,427	\$743	\$684	-\$59	-7.9%
(2)	Single	0	26-64	\$48,000-\$52,000	\$48,907	\$177	\$3,024	\$2,001	\$1,855	-\$146	-7.3%
(3)	Single	0	26-64	\$93,000-\$107,000	\$86,977	\$218	\$13,279	\$4,457	\$4,186	-\$271	-6.1%
(4)	Single	0	26-64	\$185,000-\$215,000	\$127,546	\$642	\$70,743	\$10,513	\$9,524	-\$989	-9.4%
(5)	Single	0	26-64	\$480,000-\$520,000	\$261,509	\$332	\$242,118	\$30,525	\$24,875	-\$5,650	-18.5%
(6)	Head of Household	1	26-64	\$24,000-\$26,000	\$24,630	\$178	\$1,600	\$142	\$88	-\$54	-38.0%
(7)	Head of Household	1	26-64	\$48,000-\$52,000	\$49,046	\$49	\$1,930	\$1,964	\$1,800	-\$164	-8.4%
(8)	Head of Household	1	26-64	\$93,000-\$107,000	\$87,933	\$6	\$10,529	\$4,539	\$4,224	-\$315	-6.9%
(9)	Head of Household	1	26-64	\$185,000-\$215,000	\$146,615	\$3	\$50,721	\$10,599	\$9,852	-\$747	-7.0%
(10)	Head of Household	2	26-64	\$24,000-\$26,000	\$24,707	\$148	\$1,579	-\$109	-\$166	-\$57	-52.3%
(11)	Head of Household	2	26-64	\$48,000-\$52,000	\$49,100	\$91	\$2,002	\$1,984	\$1,812	-\$172	-8.7%
(12)	Head of Household	2	26-64	\$93,000-\$107,000	\$88,857	\$27	\$10,001	\$4,667	\$4,353	-\$314	-6.7%
(13)	Head of Household	2	26-64	\$185,000-\$215,000	\$132,493	\$0	\$60,700	\$10,128	\$8,826	-\$1,302	-12.9%
(14)	Married	1	26-64	\$24,000-\$26,000	\$25,414	\$3,296	\$290	\$159	\$87	-\$72	-45.3%
(15)	Married	1	26-64	\$48,000-\$52,000	\$47,582	\$1,431	\$3,540	\$1,718	\$1,573	-\$145	-8.4%
(16)	Married	1	26-64	\$93,000-\$107,000	\$93,827	\$284	\$6,603	\$4,195	\$3,872	-\$323	-7.7%
(17)	Married	1	26-64	\$185,000-\$215,000	\$162,359	\$214	\$31,696	\$9,477	\$8,708	-\$769	-8.1%
(18)	Married	1	26-64	\$480,000-\$520,000	\$301,594	\$727	\$184,184	\$30,581	\$24,087	-\$6,494	-21.2%
(19)	Married	2	26-64	\$24,000-\$26,000	\$26,187	\$1,895	-\$198	-\$142	-\$232	-\$90	-63.4%
(20)	Married	2	26-64	\$48,000-\$52,000	\$48,683	\$637	\$2,793	\$1,689	\$1,490	-\$199	-11.8%
(21)	Married	2	26-64	\$93,000-\$107,000	\$95,854	\$128	\$5,591	\$4,346	\$3,999	-\$347	-8.0%
(22)	Married	2	26-64	\$185,000-\$215,000	\$172,243	\$51	\$25,299	\$9,494	\$8,674	-\$820	-8.6%
(23)	Married	2	26-64	\$480,000-\$520,000	\$334,748	\$225	\$160,095	\$30,500	\$24,788	-\$5,712	-18.7%
(24)	Single	0	<=25	less than \$35,000	\$15,368	\$26	\$42	\$428	\$393	-\$35	-8.2%
(25)	Married	0	<=25	less than \$35,000	\$26,368	\$50	-\$7,842	\$411	\$376	-\$35	-8.5%
(26)	Single	0	>=65	\$24,000-\$26,000	\$5,854	\$18,290	\$24,415	\$514	\$472	-\$42	-8.2%
(27)	Single	0	>=65	\$48,000-\$52,000	\$13,283	\$17,627	\$42,628	\$1,522	\$1,411	-\$111	-7.3%
(28)	Single	0	>=65	\$93,000-\$107,000	\$20,240	\$18,656	\$86,189	\$4,127	\$3,826	-\$301	-7.3%
(29)	Single	0	>=65	\$185,000-\$215,000	\$31,803	\$21,326	\$174,879	\$10,379	\$9,638	-\$741	-7.1%
(30)	Single	0	>=65	\$480,000-\$520,000	\$38,409	\$20,881	\$469,195	\$29,008	\$25,386	-\$3,622	-12.5%
(31)	Married	0	>=65	\$24,000-\$26,000	\$9,547	\$31,664	\$25,672	\$233	\$211	-\$22	-9.4%
(32)	Married	0	>=65	\$48,000-\$52,000	\$20,536	\$29,844	\$40,638	\$1,313	\$1,209	-\$104	-7.9%
(33)	Married	0	>=65	\$93,000-\$107,000	\$43,782	\$26,827	\$68,839	\$3,832	\$3,514	-\$318	-8.3%
(34)	Married	0	>=65	\$185,000-\$215,000	\$73,415	\$27,733	\$142,153	\$9,478	\$8,641	-\$837	-8.8%
(35)	Married	0	>=65	\$480,000-\$520,000	\$167,775	\$27,838	\$362,306	\$30,580	\$25,239	-\$5,341	-17.5%

Analysis Using Individual Return Data from Tax Year 2016.

Tax Research and Program Analysis Section, Iowa Department of Revenue

Results based on average outcomes for taxpayers forecasted to meet the characteristics of the various examples listed. The 2017 federal law change is reflected in the baseline.

1. Social Security benefits includes all benefits reported by the taxpayer, not just those subject to income tax.

2. Other income includes any pension income excluded from Iowa AGI.

Table 11. Tax Year 2023 Current Law and Proposed Law Tax Parameters

	<i>Current Law</i>	<i>Proposed Law</i>
Federal Tax Deduction	Unlimited	Eliminated (Transition Year)
Personal/Dependent/Aged Credits	\$40/40/20	No change
Minimum Filing Thresholds	\$9.0/\$13.5 K	Redefined Net Income Measure
Elderly Minimum Filing Thresholds	\$24/\$32 K	Redefined Net Income Measure
Itemized/Standard Deduction	\$2,220/\$5,460	Federal Deductions Utilized
Social Security Income	100% exclusion	No change
Pension/Other Retirement Exclusion	\$6/\$12 K	No change
Iowa Capital Gains Deduction	Unlimited	Allowed for Farmland Sales to Lineal Descendents
Alternate Tax Threshold	\$13.5 K/\$32 K elderly	Redefined Net Income Measure
Alternate Tax Rate	8.98%	6.50%
Iowa Earned Income Tax Credit	Refundable 15%	Coupling
AMT and Tax Credit	Allowed	Repealed
Section 179 Cap and Investment Limit	\$25K/\$200K	\$1.1M/\$2.74M
Iowa 529 Plans	Not Allowed for K-12	Allowed for K-12
Qualified Business Income Deduction	Not allowed	Allowed 100%

Tax Brackets and Rates

	<i>Over</i>	<i>But Not Over</i>	<i>Current Rates</i>	<i>Over</i>	<i>But Not Over</i>	<i>Tax Rates</i>
[1]	\$0	\$1,747	0.36%	\$0	\$6,000	4.40%
[2]	\$1,747	\$3,494	0.72%	\$6,000	\$30,000	4.82%
[3]	\$3,494	\$6,988	2.43%	\$30,000	\$75,000	5.70%
[4]	\$6,988	\$15,723	4.50%	\$75,000 or more		6.50%
[5]	\$15,723	\$26,205	6.12%			
[6]	\$26,205	\$34,940	6.48%			
[7]	\$34,940	\$52,410	6.80%			
[8]	\$52,410	\$78,615	7.92%			
[9]	\$78,615	or more	8.98%			

Proposal includes additional coupling as noted in the text.

Table 12. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2023

All Filers

Adjusted Gross Income Current Law	Returns Number Current	Total AGI Current	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
\$10,000 or less	251,460	-\$4,675,820,507	-\$9,684,198	-\$4,408,069	\$5,276,129	\$21	54.5%
\$10,001 to 20,000	194,010	2,867,247,719	5,978,851	-14,479,427	-20,458,278	-105	-342.2%
\$20,001 to 30,000	174,566	4,313,805,405	68,923,834	32,084,773	-36,839,061	-211	-53.4%
\$30,001 to 40,000	163,171	5,620,887,304	146,690,302	101,142,872	-45,547,430	-279	-31.1%
\$40,001 to 50,000	140,381	6,195,508,917	198,304,494	154,289,589	-44,014,905	-314	-22.2%
\$50,001 to 60,000	112,391	6,034,604,499	207,795,727	173,448,997	-34,346,730	-306	-16.5%
\$60,001 to 70,000	91,141	5,778,893,532	204,022,809	175,262,135	-28,760,674	-316	-14.1%
\$70,001 to 80,000	76,481	5,585,236,313	201,693,708	172,781,383	-28,912,325	-378	-14.3%
\$80,001 to 90,000	66,475	5,494,599,353	202,646,075	173,297,627	-29,348,448	-441	-14.5%
\$90,001 to 100,000	58,478	5,401,722,736	203,950,161	176,547,119	-27,403,042	-469	-13.4%
\$100,001 to 125,000	112,986	12,307,963,541	479,395,622	423,603,245	-55,792,377	-494	-11.6%
\$125,001 to 150,000	73,484	9,834,032,597	392,169,038	354,518,895	-37,650,143	-512	-9.6%
\$150,001 to 175,000	44,887	7,123,287,884	289,476,646	262,055,173	-27,421,473	-611	-9.5%
\$175,001 to 200,000	28,936	5,306,651,994	215,016,654	197,352,607	-17,664,047	-610	-8.2%
\$200,001 to 250,000	32,361	7,063,402,668	286,131,601	262,993,402	-23,138,199	-715	-8.1%
\$250,001 to 500,000	41,636	13,734,484,188	564,494,820	489,767,289	-74,727,531	-1,795	-13.2%
\$500,001 to 1,000,000	14,274	9,622,587,909	329,656,102	285,282,058	-44,374,044	-3,109	-13.5%
\$1,000,001 or more	10,679	93,757,360,776	495,641,545	449,687,042	-45,954,503	-4,303	-9.3%
Composite Returns	3,123	960,193,172	63,990,897	49,141,279	-14,849,618	-4,755	-23.2%
Totals	1,690,920	\$202,326,649,999	\$4,546,294,688	\$3,914,367,989	-\$631,926,699	-\$374	-13.9%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 12A. Estimated Change in Individual Income Tax Liability by Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2023

Resident Filers

Adjusted Gross Income	Returns Number	Total AGI	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Current Law	Current	Current	Current	Proposed			
\$10,000 or less	232,056	-\$1,891,706,363	-\$9,231,733	-\$5,295,564	\$3,936,169	\$17	42.6%
\$10,001 to 20,000	177,886	2,628,578,241	5,748,083	-14,193,303	-19,941,386	-112	-346.9%
\$20,001 to 30,000	160,201	3,957,729,037	66,780,628	31,008,783	-35,771,845	-223	-53.6%
\$30,001 to 40,000	149,382	5,143,972,571	141,886,221	97,787,829	-44,098,392	-295	-31.1%
\$40,001 to 50,000	127,910	5,642,958,628	191,619,975	149,033,090	-42,586,885	-333	-22.2%
\$50,001 to 60,000	101,549	5,449,838,216	200,975,179	167,567,887	-33,407,292	-329	-16.6%
\$60,001 to 70,000	81,335	5,154,256,678	196,787,133	168,718,013	-28,069,120	-345	-14.3%
\$70,001 to 80,000	67,604	4,933,788,108	194,321,987	166,039,151	-28,282,836	-418	-14.6%
\$80,001 to 90,000	58,445	4,826,957,489	195,233,352	166,406,247	-28,827,105	-493	-14.8%
\$90,001 to 100,000	51,226	4,730,255,657	196,602,067	169,549,056	-27,053,011	-528	-13.8%
\$100,001 to 125,000	98,611	10,740,057,998	462,025,722	406,737,914	-55,287,808	-561	-12.0%
\$125,001 to 150,000	63,213	8,458,989,964	378,015,568	340,615,494	-37,400,074	-592	-9.9%
\$150,001 to 175,000	37,831	6,006,986,453	277,794,864	250,837,774	-26,957,090	-713	-9.7%
\$175,001 to 200,000	23,693	4,344,403,839	205,608,935	188,289,117	-17,319,818	-731	-8.4%
\$200,001 to 250,000	25,464	5,559,846,068	273,230,660	250,469,733	-22,760,927	-894	-8.3%
\$250,001 to 500,000	29,484	9,615,060,761	532,828,998	461,634,879	-71,194,119	-2,415	-13.4%
\$500,001 to 1,000,000	7,717	5,128,355,032	301,018,726	260,586,672	-40,432,054	-5,239	-13.4%
\$1,000,001 or more	3,136	7,600,433,777	397,864,690	360,288,527	-37,576,163	-11,982	-9.4%
Resident Total	1,496,744	\$98,030,762,155	\$4,209,111,055	\$3,616,081,299	-\$593,029,756	-\$396	-14.1%
Non-Residents Total	194,175	\$104,295,887,844	\$337,183,633	\$298,286,690	-\$38,896,943	-\$200	-11.5%
All Tax Filers Total	1,690,920	\$202,326,649,999	\$4,546,294,688	\$3,914,367,989	-\$631,926,699	-\$374	-13.9%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 13. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2023

All Filers Adjusted Gross Income Current Law	Count of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
\$10,000 or less	84.5%	11.7%	3.7%	-\$1,890,321	-\$64	\$7,333,222	\$783
\$10,001 to 20,000	28.8%	67.0%	4.1%	-23,509,569	-181	2,394,312	299
\$20,001 to 30,000	8.3%	82.4%	9.3%	-42,585,466	-296	4,526,465	280
\$30,001 to 40,000	4.3%	83.1%	12.6%	-53,961,071	-398	6,871,669	334
\$40,001 to 50,000	3.8%	80.0%	16.2%	-53,681,410	-478	8,155,402	358
\$50,001 to 60,000	3.7%	75.4%	20.9%	-44,869,523	-530	9,268,326	394
\$60,001 to 70,000	3.9%	71.8%	24.3%	-39,484,982	-603	9,607,580	433
\$70,001 to 80,000	3.8%	71.6%	24.6%	-39,157,830	-715	9,103,709	484
\$80,001 to 90,000	3.9%	73.0%	23.1%	-38,623,961	-796	8,097,116	527
\$90,001 to 100,000	3.7%	73.4%	22.9%	-35,915,759	-837	7,425,420	554
\$100,001 to 125,000	3.7%	71.1%	25.2%	-75,271,554	-937	17,288,928	606
\$125,001 to 150,000	4.2%	66.6%	29.2%	-53,925,390	-1,102	14,794,337	689
\$150,001 to 175,000	4.7%	65.1%	30.2%	-39,393,699	-1,348	10,972,563	810
\$175,001 to 200,000	5.4%	60.2%	34.3%	-27,591,036	-1,583	9,268,240	933
\$200,001 to 250,000	7.1%	57.1%	35.7%	-37,600,192	-2,033	13,587,577	1,175
\$250,001 to 500,000	10.2%	64.8%	24.9%	-97,832,962	-3,624	20,632,933	1,989
\$500,001 to 1,000,000	17.1%	58.9%	23.9%	-61,309,169	-7,287	15,542,865	4,550
\$1,000,001 or more	28.8%	40.2%	31.0%	-91,858,997	-21,372	44,766,510	13,541
Composite Returns	18.0%	59.7%	22.3%	-14,910,813	-7,995	61,195	88
Totals	19.8%	64.1%	16.1%	-\$873,373,704	-\$806	\$219,698,369	\$805

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

Table 13A. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2023

Resident Filers Adjusted Gross Income	Count of Returns by Estimated Change in Tax Liability ^a			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
Current Law							
\$10,000 or less	84.0%	12.3%	3.7%	-\$1,807,812	-\$64	\$5,910,638	\$687
\$10,001 to 20,000	26.5%	69.2%	4.2%	-22,765,420	-185	2,167,091	287
\$20,001 to 30,000	5.5%	84.9%	9.5%	-41,315,392	-304	4,323,457	283
\$30,001 to 40,000	1.5%	85.5%	12.9%	-52,124,425	-408	6,483,994	335
\$40,001 to 50,000	1.2%	82.3%	16.5%	-51,787,992	-492	7,690,001	364
\$50,001 to 60,000	1.0%	77.9%	21.1%	-43,293,090	-547	8,631,331	403
\$60,001 to 70,000	1.0%	74.7%	24.3%	-37,968,798	-625	8,782,950	445
\$70,001 to 80,000	0.8%	75.1%	24.1%	-37,572,521	-740	8,147,884	500
\$80,001 to 90,000	0.8%	77.1%	22.2%	-36,997,605	-821	6,992,103	540
\$90,001 to 100,000	0.6%	77.8%	21.6%	-34,358,019	-862	6,217,716	562
\$100,001 to 125,000	0.6%	75.5%	23.9%	-71,693,433	-963	14,215,400	603
\$125,001 to 150,000	0.6%	70.9%	28.5%	-50,949,203	-1,137	12,068,222	670
\$150,001 to 175,000	0.7%	69.4%	29.9%	-36,913,946	-1,406	8,957,412	791
\$175,001 to 200,000	0.7%	64.1%	35.2%	-25,557,705	-1,683	7,579,138	909
\$200,001 to 250,000	1.0%	61.3%	37.7%	-34,818,758	-2,230	11,183,425	1,164
\$250,001 to 500,000	1.1%	72.5%	26.4%	-89,988,211	-4,212	16,321,565	2,093
\$500,001 to 1,000,000	1.6%	71.9%	26.5%	-54,453,738	-9,806	12,629,333	6,179
\$1,000,001 or more	1.8%	58.3%	39.9%	-73,325,635	-40,091	34,611,488	27,689
Resident Total	17.4%	66.9%	15.7%	-\$797,691,703	-\$797	\$182,913,148	\$777
Non-Residents Total	38.1%	42.4%	19.4%	-\$75,682,001	-\$919	\$36,785,221	\$975
All Tax Filers Total	19.8%	64.1%	16.1%	-\$873,373,704	-\$806	\$219,698,369	\$805

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

Table 13B. Average Estimated Change in Iowa Tax Liability for Example Taxpayers Filing Iowa Returns HF 2489 with Proposed Amendment

Estimates for Tax Year 2023

Example Taxpayer Characteristics								Final Tax Liability			Percent Difference
Iowa Filing Status	Dependents	Age	Iowa Current AGI Group	Wages	Social Security ¹	Other Income ²	Current Law	Proposed Law	Difference		
(1)	Single	0	26-64	\$24,000-\$26,000	\$23,698	\$748	\$2,839	\$723	\$562	-\$161	-22.3%
(2)	Single	0	26-64	\$48,000-\$52,000	\$49,240	\$196	\$2,939	\$1,975	\$1,820	-\$155	-7.8%
(3)	Single	0	26-64	\$93,000-\$107,000	\$88,948	\$224	\$12,115	\$4,436	\$4,509	\$73	1.6%
(4)	Single	0	26-64	\$185,000-\$215,000	\$129,206	\$475	\$68,893	\$10,283	\$9,805	-\$478	-4.6%
(5)	Single	0	26-64	\$480,000-\$520,000	\$213,416	\$369	\$279,455	\$31,362	\$27,519	-\$3,843	-12.3%
(6)	Head of Household	1	26-64	\$24,000-\$26,000	\$24,654	\$188	\$1,773	\$94	-\$269	-\$363	-386.2%
(7)	Head of Household	1	26-64	\$48,000-\$52,000	\$50,013	\$52	\$1,976	\$1,933	\$1,435	-\$498	-25.8%
(8)	Head of Household	1	26-64	\$93,000-\$107,000	\$90,587	\$10	\$8,859	\$4,522	\$4,268	-\$254	-5.6%
(9)	Head of Household	1	26-64	\$185,000-\$215,000	\$145,602	\$0	\$52,504	\$10,131	\$9,685	-\$446	-4.4%
(10)	Head of Household	2	26-64	\$24,000-\$26,000	\$24,936	\$158	\$1,802	-\$188	-\$556	-\$368	-195.7%
(11)	Head of Household	2	26-64	\$48,000-\$52,000	\$50,482	\$67	\$1,814	\$1,913	\$1,397	-\$516	-27.0%
(12)	Head of Household	2	26-64	\$93,000-\$107,000	\$89,837	\$72	\$9,239	\$4,627	\$4,284	-\$343	-7.4%
(13)	Head of Household	2	26-64	\$185,000-\$215,000	\$134,112	\$0	\$61,516	\$10,300	\$9,746	-\$554	-5.4%
(14)	Married	1	26-64	\$24,000-\$26,000	\$25,576	\$3,284	\$186	\$105	-\$324	-\$429	-408.6%
(15)	Married	1	26-64	\$48,000-\$52,000	\$47,423	\$1,956	\$3,916	\$1,703	\$991	-\$712	-41.8%
(16)	Married	1	26-64	\$93,000-\$107,000	\$95,371	\$339	\$6,302	\$4,147	\$3,463	-\$684	-16.5%
(17)	Married	1	26-64	\$185,000-\$215,000	\$166,428	\$216	\$28,066	\$9,411	\$8,673	-\$738	-7.8%
(18)	Married	1	26-64	\$480,000-\$520,000	\$286,721	\$515	\$194,789	\$29,859	\$23,425	-\$6,434	-21.5%
(19)	Married	2	26-64	\$24,000-\$26,000	\$29,125	\$1,995	-\$2,468	-\$197	-\$608	-\$411	-208.6%
(20)	Married	2	26-64	\$48,000-\$52,000	\$48,886	\$848	\$3,598	\$1,647	\$893	-\$754	-45.8%
(21)	Married	2	26-64	\$93,000-\$107,000	\$97,992	\$148	\$5,682	\$4,291	\$3,582	-\$709	-16.5%
(22)	Married	2	26-64	\$185,000-\$215,000	\$175,795	\$58	\$23,280	\$9,377	\$8,828	-\$549	-5.9%
(23)	Married	2	26-64	\$480,000-\$520,000	\$346,643	\$163	\$149,813	\$30,330	\$24,997	-\$5,333	-17.6%
(24)	Single	0	<=25	less than \$35,000	\$15,479	\$28	-\$31	\$438	\$275	-\$163	-37.2%
(25)	Married	0	<=25	less than \$35,000	\$26,348	\$58	-\$9,341	\$395	\$84	-\$311	-78.7%
(26)	Single	0	>=65	\$24,000-\$26,000	\$6,338	\$19,389	\$24,246	\$501	\$418	-\$83	-16.6%
(27)	Single	0	>=65	\$48,000-\$52,000	\$13,138	\$18,812	\$43,266	\$1,510	\$1,533	\$23	1.5%
(28)	Single	0	>=65	\$93,000-\$107,000	\$22,648	\$19,831	\$84,804	\$4,060	\$4,104	\$44	1.1%
(29)	Single	0	>=65	\$185,000-\$215,000	\$33,652	\$22,582	\$175,137	\$10,251	\$9,972	-\$279	-2.7%
(30)	Single	0	>=65	\$480,000-\$520,000	\$37,508	\$23,893	\$470,314	\$30,973	\$26,469	-\$4,504	-14.5%
(31)	Married	0	>=65	\$24,000-\$26,000	\$9,530	\$33,381	\$26,277	\$236	\$27	-\$209	-88.6%
(32)	Married	0	>=65	\$48,000-\$52,000	\$20,962	\$31,945	\$40,878	\$1,271	\$883	-\$388	-30.5%
(33)	Married	0	>=65	\$93,000-\$107,000	\$45,619	\$28,581	\$68,224	\$3,749	\$3,092	-\$657	-17.5%
(34)	Married	0	>=65	\$185,000-\$215,000	\$78,340	\$28,816	\$139,595	\$9,383	\$8,149	-\$1,234	-13.2%
(35)	Married	0	>=65	\$480,000-\$520,000	\$154,326	\$29,912	\$377,153	\$30,023	\$25,640	-\$4,383	-14.6%

Analysis Using Individual Return Data from Tax Year 2016.

Tax Research and Program Analysis Section, Iowa Department of Revenue

Results based on average outcomes for taxpayers forecasted to meet the characteristics of the various examples listed. The 2017 federal law change is reflected in the baseline.

1. Social Security benefits includes all benefits reported by the taxpayer, not just those subject to income tax.

2. Other income includes any pension income excluded from Iowa AGI.

Table 14. Tax Year 2024 Current Law and Proposed Law Tax Parameters

	<i>Current Law</i>	<i>Proposed Law</i>	<i>Tax Brackets and Rates</i>			
Federal Tax Deduction	Unlimited	Eliminated				
Personal/Dependent/Aged Credits	\$40/40/20	No change				
Minimum Filing Thresholds	\$9.0/\$13.5 K	Redefined Net Income Measure				
Elderly Minimum Filing Thresholds	\$24/\$32 K	Redefined Net Income Measure				
Itemized/Standard Deduction	\$2,260/\$5,560	Federal Deductions Utilized				
Social Security Income	100% exclusion	No change				
Pension/Other Retirement Exclusion	\$6/\$12 K	No change				
Iowa Capital Gains Deduction	Unlimited	Eliminated				
Alternate Tax Threshold	\$13.5 K/\$32 K elderly	Redefined Net Income Measure				
Alternate Tax Rate	8.98%	6.50%				
Iowa Earned Income Tax Credit	Refundable 15%	Coupling				
AMT and Tax Credit	Allowed	Repealed				
Section 179 Cap and Investment Limit	\$25K/\$200K	\$1.12 M/\$2.8 M				
Iowa 529 Plans	Not Allowed for K-12	Allowed for K-12				
Qualified Business Income Deduction	Not allowed	Allowed 100%				

	<i>Over</i>	<i>But Not Over</i>	<i>Current Rates</i>	<i>Over</i>	<i>But Not Over</i>	<i>Tax Rates</i>
[1]	\$0	\$1,780	0.36%	\$0	\$6,114	4.40%
[2]	\$1,780	\$3,560	0.72%	\$6,114	\$30,570	4.82%
[3]	\$3,560	\$7,120	2.43%	\$30,570	\$76,425	5.70%
[4]	\$7,120	\$16,020	4.50%	\$76,425 or more		6.50%
[5]	\$16,020	\$26,700	6.12%			
[6]	\$26,700	\$35,600	6.48%			
[7]	\$35,600	\$53,400	6.80%			
[8]	\$53,400	\$80,100	7.92%			
[9]	\$80,100	or more	8.98%			

Proposal includes additional coupling as noted in the text.

Table 15. Estimated Change in Individual Income Tax Liability By Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2024

All Filers

Iowa Taxable Income	Returns Number	Total AGI	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
Proposed Law	Current	Current	Current	Proposed	Total	Average ^a	Percentage
\$10,000 or less	247,311	-4,655,482,715	-9,567,280	-7,702,631	\$1,864,649	\$8	19.5%
\$10,001 to 20,000	192,033	2,834,934,761	5,999,448	-17,669,731	-23,669,179	-123	-394.5%
\$20,001 to 30,000	171,389	4,228,761,781	65,263,515	19,593,483	-45,670,032	-266	-70.0%
\$30,001 to 40,000	161,436	5,554,596,722	142,001,128	80,938,206	-61,062,922	-378	-43.0%
\$40,001 to 50,000	140,357	6,186,609,311	195,745,730	132,697,988	-63,047,742	-449	-32.2%
\$50,001 to 60,000	114,114	6,118,806,246	209,934,453	155,961,020	-53,973,433	-473	-25.7%
\$60,001 to 70,000	91,893	5,815,840,807	204,819,967	159,349,494	-45,470,473	-495	-22.2%
\$70,001 to 80,000	77,431	5,642,974,431	202,993,941	158,995,315	-43,998,626	-568	-21.7%
\$80,001 to 90,000	66,975	5,522,769,446	202,805,220	158,697,475	-44,107,745	-659	-21.7%
\$90,001 to 100,000	59,430	5,475,211,188	205,269,139	162,685,444	-42,583,695	-717	-20.7%
\$100,001 to 125,000	115,960	12,589,472,239	487,891,443	397,551,213	-90,340,230	-779	-18.5%
\$125,001 to 150,000	77,281	10,294,603,611	408,655,825	343,882,295	-64,773,530	-838	-15.9%
\$150,001 to 175,000	48,107	7,602,319,727	307,442,735	260,927,453	-46,515,282	-967	-15.1%
\$175,001 to 200,000	30,909	5,643,713,777	229,306,048	197,081,311	-32,224,737	-1,043	-14.1%
\$200,001 to 250,000	34,743	7,552,423,964	304,548,073	264,698,168	-39,849,905	-1,147	-13.1%
\$250,001 to 500,000	44,207	14,515,376,318	597,440,080	489,457,971	-107,982,109	-2,443	-18.1%
\$500,001 to 1,000,000	14,810	9,970,605,121	344,201,546	279,354,039	-64,847,507	-4,379	-18.8%
\$1,000,001 or more	11,032	96,535,216,796	518,810,466	446,291,261	-72,519,205	-6,574	-14.0%
Composite Returns	3,123	1,004,496,200	67,242,840	53,139,381	-14,103,459	-4,516	-21.0%
Totals	1,702,540	208,433,249,728	4,690,804,317	3,735,929,155	-\$954,875,162	-\$561	-20.4%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 15A. Estimated Change in Individual Income Tax Liability by Adjusted Gross Income Level Under HF 2489 with Proposed Amendment

Estimates for Tax Year 2024

Resident Filers

Iowa Taxable Income Proposed Law	Returns Number Current	Total AGI Current	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average ^a	Percentage
\$10,000 or less	228,399	-\$1,937,161,119	-\$9,106,971	-\$7,671,848	\$1,435,123	\$6	15.8%
\$10,001 to 20,000	176,185	2,600,531,459	5,777,363	-17,272,813	-23,050,176	-131	-399.0%
\$20,001 to 30,000	157,291	3,879,690,135	63,220,521	18,841,470	-44,379,051	-282	-70.2%
\$30,001 to 40,000	147,893	5,086,241,859	137,382,437	78,197,378	-59,185,059	-400	-43.1%
\$40,001 to 50,000	127,954	5,637,327,191	189,094,839	128,054,403	-61,040,436	-477	-32.3%
\$50,001 to 60,000	103,327	5,537,450,303	203,050,518	150,595,141	-52,455,377	-508	-25.8%
\$60,001 to 70,000	82,188	5,198,050,216	197,628,641	153,409,034	-44,219,607	-538	-22.4%
\$70,001 to 80,000	68,555	4,992,252,734	195,538,541	152,668,632	-42,869,909	-625	-21.9%
\$80,001 to 90,000	58,931	4,855,314,410	195,278,936	152,267,559	-43,011,377	-730	-22.0%
\$90,001 to 100,000	52,163	4,802,976,190	197,976,786	156,271,703	-41,705,083	-800	-21.1%
\$100,001 to 125,000	101,271	10,991,213,387	470,193,881	381,425,717	-88,768,164	-877	-18.9%
\$125,001 to 150,000	66,728	8,886,491,985	394,054,456	330,419,115	-63,635,341	-954	-16.1%
\$150,001 to 175,000	40,657	6,428,082,221	294,979,901	249,690,395	-45,289,506	-1,114	-15.4%
\$175,001 to 200,000	25,544	4,663,330,679	219,595,422	188,389,552	-31,205,870	-1,222	-14.2%
\$200,001 to 250,000	27,461	5,969,715,124	290,868,206	252,167,391	-38,700,815	-1,409	-13.3%
\$250,001 to 500,000	31,593	10,252,099,344	564,053,388	461,261,881	-102,791,507	-3,254	-18.2%
\$500,001 to 1,000,000	8,108	5,376,199,719	315,237,347	255,545,051	-59,692,296	-7,362	-18.9%
\$1,000,001 or more	3,286	7,949,845,648	416,586,725	355,260,781	-61,325,944	-18,663	-14.7%
Resident Total	1,507,535	\$101,169,651,486	\$4,341,410,937	\$3,439,520,542	-\$901,890,395	-\$598	-20.8%
Non-Residents Total	195,004	\$107,263,598,242	\$349,393,380	\$296,408,613	-\$52,984,767	-\$272	-15.2%
All Tax Filers Total	1,702,540	\$208,433,249,728	\$4,690,804,317	\$3,735,929,155	-\$954,875,162	-\$561	-20.4%

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. The average change in tax liability is computed over all households, not just those experiencing a change under this proposal.

Note: The 2017 federal law change is reflected in the baseline.

Table 16. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability HF 2489 with Proposed Amendment

Estimates for Tax Year 2024

All Filers Iowa Taxable Income Proposed Law	Count of Returns by Estimated Change in Tax Liability			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
\$10,000 or less	87.2%	11.7%	1.1%	-\$1,862,419	-\$64	\$3,792,017	\$1,345
\$10,001 to 20,000	29.3%	68.2%	2.5%	-26,035,128	-199	1,595,947	326
\$20,001 to 30,000	8.9%	84.2%	6.9%	-50,449,729	-349	3,267,589	276
\$30,001 to 40,000	4.5%	86.1%	9.4%	-68,011,537	-489	4,897,275	323
\$40,001 to 50,000	3.8%	84.4%	11.8%	-70,944,259	-599	5,743,361	346
\$50,001 to 60,000	3.8%	81.4%	14.8%	-62,204,161	-670	6,311,029	373
\$60,001 to 70,000	3.9%	78.4%	17.7%	-53,706,450	-745	6,551,978	404
\$70,001 to 80,000	3.9%	77.8%	18.3%	-51,914,634	-862	6,243,235	441
\$80,001 to 90,000	4.0%	79.4%	16.7%	-51,306,413	-965	5,515,027	494
\$90,001 to 100,000	3.9%	81.1%	15.0%	-49,439,499	-1,026	5,217,098	585
\$100,001 to 125,000	3.8%	80.3%	16.0%	-105,589,042	-1,134	11,829,591	640
\$125,001 to 150,000	4.1%	77.7%	18.2%	-77,027,727	-1,282	9,874,967	703
\$150,001 to 175,000	4.7%	76.0%	19.2%	-56,020,138	-1,532	7,898,575	853
\$175,001 to 200,000	5.2%	72.4%	22.5%	-39,792,216	-1,779	6,466,834	931
\$200,001 to 250,000	6.9%	68.0%	25.1%	-51,411,779	-2,175	10,179,163	1,168
\$250,001 to 500,000	9.7%	73.0%	17.3%	-127,609,135	-3,957	16,206,830	2,119
\$500,001 to 1,000,000	16.6%	66.8%	16.6%	-78,386,791	-7,922	11,618,613	4,717
\$1,000,001 or more	27.5%	45.6%	26.8%	-112,438,323	-22,336	38,159,308	12,883
Composite Returns	17.8%	59.9%	22.3%	-14,167,338	-7,572	63,879	92
Totals	20.0%	68.9%	11.2%	-\$1,148,316,718	-\$979	\$161,432,316	\$850

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

a. Share of Returns by Estimated Change in Tax Liability may not equal 100% due to rounding.

Note: The 2017 federal law change is reflected in the baseline.

**Table 16A. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability
HF 2489 with Proposed Amendment**

Estimates for Tax Year 2024

Resident Filers Iowa Taxable Income Proposed Law	Count of Returns by Estimated Change in Tax Liability			Estimated Change in State Income Tax and School Surtax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
\$10,000 or less	86.7%	12.2%	1.1%	-\$1,780,199	-\$64	\$3,280,007	\$1,295
\$10,001 to 20,000	27.0%	70.5%	2.6%	-25,233,104	-203	1,413,050	311
\$20,001 to 30,000	6.1%	86.8%	7.1%	-48,983,802	-359	3,092,600	278
\$30,001 to 40,000	1.8%	88.6%	9.6%	-65,862,191	-503	4,625,722	326
\$40,001 to 50,000	1.2%	86.9%	11.9%	-68,563,975	-617	5,370,382	352
\$50,001 to 60,000	1.2%	84.1%	14.8%	-60,183,053	-693	5,807,975	381
\$60,001 to 70,000	1.1%	81.6%	17.3%	-51,817,622	-773	5,914,016	417
\$70,001 to 80,000	1.0%	81.5%	17.5%	-50,010,341	-895	5,467,652	455
\$80,001 to 90,000	0.9%	83.6%	15.4%	-49,347,874	-1,002	4,652,835	511
\$90,001 to 100,000	0.8%	85.8%	13.4%	-47,625,923	-1,064	4,282,183	615
\$100,001 to 125,000	0.7%	85.4%	13.9%	-101,415,590	-1,172	9,228,230	657
\$125,001 to 150,000	0.8%	83.0%	16.2%	-73,573,072	-1,328	7,558,501	701
\$150,001 to 175,000	0.8%	81.6%	17.6%	-52,996,738	-1,597	6,101,084	852
\$175,001 to 200,000	0.8%	77.7%	21.4%	-37,352,339	-1,881	5,045,824	921
\$200,001 to 250,000	1.0%	74.1%	25.0%	-48,119,387	-2,366	8,035,878	1,172
\$250,001 to 500,000	1.1%	82.4%	16.5%	-118,543,817	-4,553	12,332,114	2,362
\$500,001 to 1,000,000	1.6%	83.1%	15.3%	-70,571,234	-10,471	8,958,160	7,242
\$1,000,001 or more	1.7%	69.0%	29.2%	-91,186,168	-40,188	28,100,361	29,241
Resident Total	17.6%	72.0%	10.4%	-\$1,063,166,429	-\$980	\$129,266,574	\$824
Non-Residents Total	38.0%	45.1%	16.9%	-\$85,150,289	-\$969	\$32,165,742	\$974
All Tax Filers Total	20.0%	68.9%	11.2%	-\$1,148,316,718	-\$979	\$161,432,316	\$850

*Analysis Using Individual Return Data from Tax Year 2016
Tax Research and Program Analysis Section, Iowa Department of Revenue
Note: The 2017 federal law change is reflected in the baseline.*

Table 16B. Average Estimated Change in Iowa Tax Liability for Example Taxpayers Filing Iowa Returns HF 2489 with Proposed Amendment

Estimates for Tax Year 2024

Example Taxpayer Characteristics								Final Tax Liability			Percent Difference
Iowa Filing Status	Dependents	Age	Iowa Current AGI Group	Wages	Social Security ¹	Other Income ²	Current Law	Proposed Law	Difference		
(1)	Single	0	26-64	\$24,000-\$26,000	\$23,418	\$857	\$2,917	\$710	\$481	-\$229	-32.3%
(2)	Single	0	26-64	\$48,000-\$52,000	\$48,933	\$232	\$3,032	\$1,963	\$1,663	-\$300	-15.3%
(3)	Single	0	26-64	\$93,000-\$107,000	\$89,372	\$226	\$11,557	\$4,412	\$4,181	-\$231	-5.2%
(4)	Single	0	26-64	\$185,000-\$215,000	\$134,180	\$588	\$63,050	\$10,247	\$9,199	-\$1,048	-10.2%
(5)	Single	0	26-64	\$480,000-\$520,000	\$231,872	\$690	\$255,080	\$30,248	\$25,689	-\$4,559	-15.1%
(6)	Head of Household	1	26-64	\$24,000-\$26,000	\$24,462	\$215	\$2,087	\$64	-\$390	-\$454	-709.4%
(7)	Head of Household	1	26-64	\$48,000-\$52,000	\$50,187	\$73	\$2,098	\$1,916	\$1,180	-\$736	-38.4%
(8)	Head of Household	1	26-64	\$93,000-\$107,000	\$91,766	\$9	\$8,134	\$4,501	\$3,833	-\$668	-14.8%
(9)	Head of Household	1	26-64	\$185,000-\$215,000	\$146,926	\$138	\$50,384	\$9,796	\$8,869	-\$927	-9.5%
(10)	Head of Household	2	26-64	\$24,000-\$26,000	\$24,837	\$201	\$2,010	-\$224	-\$715	-\$491	-219.2%
(11)	Head of Household	2	26-64	\$48,000-\$52,000	\$51,121	\$65	\$1,641	\$1,866	\$1,055	-\$811	-43.5%
(12)	Head of Household	2	26-64	\$93,000-\$107,000	\$90,909	\$104	\$9,327	\$4,626	\$3,707	-\$919	-19.9%
(13)	Head of Household	2	26-64	\$185,000-\$215,000	\$142,274	\$0	\$54,531	\$10,485	\$9,360	-\$1,125	-10.7%
(14)	Married	1	26-64	\$24,000-\$26,000	\$25,787	\$3,507	\$234	\$75	-\$371	-\$446	-594.7%
(15)	Married	1	26-64	\$48,000-\$52,000	\$48,191	\$1,835	\$3,381	\$1,692	\$818	-\$874	-51.7%
(16)	Married	1	26-64	\$93,000-\$107,000	\$96,226	\$359	\$6,146	\$4,121	\$3,209	-\$912	-22.1%
(17)	Married	1	26-64	\$185,000-\$215,000	\$168,063	\$168	\$26,723	\$9,313	\$8,233	-\$1,080	-11.6%
(18)	Married	1	26-64	\$480,000-\$520,000	\$307,848	\$289	\$175,248	\$30,357	\$22,828	-\$7,529	-24.8%
(19)	Married	2	26-64	\$24,000-\$26,000	\$28,374	\$1,612	-\$1,997	-\$229	-\$659	-\$430	-187.8%
(20)	Married	2	26-64	\$48,000-\$52,000	\$49,989	\$948	\$2,771	\$1,585	\$622	-\$963	-60.8%
(21)	Married	2	26-64	\$93,000-\$107,000	\$99,066	\$175	\$5,672	\$4,259	\$3,141	-\$1,118	-26.3%
(22)	Married	2	26-64	\$185,000-\$215,000	\$179,307	\$55	\$21,925	\$9,296	\$8,263	-\$1,033	-11.1%
(23)	Married	2	26-64	\$480,000-\$520,000	\$347,951	\$169	\$147,523	\$30,379	\$23,560	-\$6,819	-22.4%
(24)	Single	0	<=25	less than \$35,000	\$15,711	\$29	-\$14	\$443	\$241	-\$202	-45.6%
(25)	Married	0	<=25	less than \$35,000	\$26,498	\$64	-\$9,826	\$388	\$50	-\$338	-87.1%
(26)	Single	0	>=65	\$24,000-\$26,000	\$6,446	\$20,019	\$24,269	\$504	\$347	-\$157	-31.2%
(27)	Single	0	>=65	\$48,000-\$52,000	\$13,636	\$19,378	\$42,970	\$1,513	\$1,401	-\$112	-7.4%
(28)	Single	0	>=65	\$93,000-\$107,000	\$24,019	\$20,123	\$84,127	\$4,059	\$3,821	-\$238	-5.9%
(29)	Single	0	>=65	\$185,000-\$215,000	\$35,844	\$23,292	\$174,239	\$10,285	\$9,322	-\$963	-9.4%
(30)	Single	0	>=65	\$480,000-\$520,000	\$56,732	\$27,196	\$450,684	\$29,627	\$26,479	-\$3,148	-10.6%
(31)	Married	0	>=65	\$24,000-\$26,000	\$9,598	\$34,520	\$26,563	\$228	\$18	-\$210	-92.1%
(32)	Married	0	>=65	\$48,000-\$52,000	\$20,993	\$32,843	\$41,110	\$1,232	\$706	-\$526	-42.7%
(33)	Married	0	>=65	\$93,000-\$107,000	\$45,634	\$29,454	\$68,388	\$3,710	\$2,806	-\$904	-24.4%
(34)	Married	0	>=65	\$185,000-\$215,000	\$80,814	\$29,609	\$138,038	\$9,309	\$7,551	-\$1,758	-18.9%
(35)	Married	0	>=65	\$480,000-\$520,000	\$172,734	\$30,421	\$362,872	\$29,353	\$22,542	-\$6,811	-23.2%

Analysis Using Individual Return Data from Tax Year 2016.

Tax Research and Program Analysis Section, Iowa Department of Revenue

Results based on average outcomes for taxpayers forecasted to meet the characteristics of the various examples listed. The 2017 federal law change is reflected in the baseline.

1. Social Security benefits includes all benefits reported by the taxpayer, not just those subject to income tax.

2. Other income includes any pension income excluded from Iowa AGI.

Table 17. Translation of Tax Year Individual Income Estimated Impact to Fiscal Year Estimate Under HF 2489 with Proposed Amendment

Millions of Dollars							
<u>Tax Year Estimates</u>	TY 2018	TY 2019	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Tax Component Shares							
Withholding	-1.301	-267.531	-280.623	-294.402	-309.203	-382.707	-613.984
Estimate Payments	-4.335	-28.013	-32.585	-36.000	-39.198	-26.271	-41.151
Final Payments	-26.846	-74.122	-100.310	-103.183	-104.685	-177.440	-226.205
Refunds	-11.535	-29.060	-43.684	-45.844	-50.080	-45.509	-73.535
Totals	-\$44.016	-\$398.726	-\$457.202	-\$479.429	-\$503.165	-\$631.927	-\$954.875
Year-Over-Year Change	NA	-\$354.709	-\$58.477	-\$22.227	-\$23.736	-\$128.761	-\$322.948
<i>School Surtax Change</i>	-\$1.761	-\$11.772	-\$13.745	-\$14.258	-\$14.796	-\$21.749	-\$32.009
Share of Taxpayers with Higher Tax Liability Under the Proposal	0.0%	4.0%	4.1%	4.0%	4.0%	16.1%	11.2%
Fiscal Year Estimates							
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Withholding	-0.078	-130.173	-273.841	-287.264	-301.536	-344.632	-494.182
Estimate Payments	-0.546	-14.406	-29.746	-33.880	-37.212	-34.299	-31.911
Final Payments	0.000	-26.414	-73.361	-99.889	-103.137	-104.661	-176.269
Refunds	0.000	-11.370	-28.809	-43.475	-45.813	-50.019	-45.574
Totals	-\$0.624	-\$182.362	-\$405.757	-\$464.508	-\$487.698	-\$533.610	-\$747.936
Year-Over-Year Change	NA	-\$181.738	-\$223.395	-\$58.751	-\$23.190	-\$45.913	-\$214.325

Analysis Using Individual Return Data from Tax Year 2016

Tax Research and Program Analysis Section, Iowa Department of Revenue

Translation to fiscal year based on observed payment streams of taxpayers affected by the proposed policy change.

Note: The 2017 federal law change is reflected in the baseline.

Table 18. Estimated State Tax Year Fiscal Year Impact for Corporation Income Tax Under HF 2489 with Proposed Amendment

Proposal includes the elimination of federal deductibility and the alternative minimum tax in tax year 2021, the elimination of the alternative minimum tax in tax year 2021, and a new tax rate table.

Tax Liability Compared to Current Law

Form Year	Change	Percentage Change
2020	\$0	0.00%
2021	-\$74,520,936	-13.09%
2022	-\$75,069,682	-12.99%
2023	-\$77,282,488	-12.96%
2024	-\$79,073,517	-12.94%
2025	-\$80,193,571	-12.98%
2026	-\$81,799,497	-13.03%
2027	-\$82,605,104	-12.98%

Changes from Current Law

State Fiscal Year	Payments	Refunds	Net Cash Change	Percentage Net Cash Change	Change to Credits Carried Forward
2020	\$0	\$0	\$0	0.00%	\$0
2021	-\$17,449,972	-\$54,673	-\$17,395,299	-3.13%	-\$5,530,878
2022	-\$68,309,061	-\$1,510,745	-\$66,798,316	-11.45%	-\$21,648,418
2023	-\$85,717,122	-\$6,540,393	-\$79,176,729	-13.26%	-\$27,158,217
2024	-\$89,398,189	-\$11,293,109	-\$78,105,080	-12.74%	-\$28,316,731
2025	-\$91,985,865	-\$12,887,376	-\$79,098,489	-12.62%	-\$29,124,395
2026	-\$93,595,425	-\$13,200,975	-\$80,394,450	-12.66%	-\$29,630,294
2027	-\$95,208,921	-\$13,475,227	-\$81,733,694	-12.68%	-\$30,125,065

Analysis using data from form years 1990-2015, available as of December 2017.

Tax Research and Program Analysis Section, Iowa Department of Revenue

The model uses relationships between tax liability and State fiscal year receipts and refunds to translate form year liability

Table 19. Estimated Distribution of Corporation Income Taxpayers Experiencing Decreases and Increases in State Tax Liability Under HF 2489 with Proposed Amendment

Iowa Pre-NOL Income Current Law	Share of Returns by Estimated Change in Iowa Tax Liability ^a			Estimated Change in State Income Tax Liability			
	Taxpayers with No Change	Taxpayers with Decrease	Taxpayers with Increase	Taxpayers with Tax Liability Decrease		Taxpayers with Tax Liability Increase	
				Total	Average	Total	Average
Zero or Unknown	56.8%	0.0%	0.1%	\$0	\$0	\$384,375	\$29,567
\$1 to \$250,000	1.7%	30.7%	4.6%	-\$2,944,590	-\$404	\$96,475	\$88
\$250,001 to \$1,000,000	0.0%	3.5%	0.1%	-\$5,604,697	-\$6,704	\$599,630	\$39,975
\$1,000,001 or More	0.0%	2.4%	0.0%	-\$75,147,697	-\$1,156,118	\$3,542,987	\$262
Total	58.6%	36.6%	4.8%	-\$83,696,984	-\$59,192	\$4,623,467	\$316

Analysis using data from form years 1990-2015, available as of December 2017.

Tax Research and Program Analysis Section, Iowa Department of Revenue

^a. Sum of share of returns by estimated change in tax liability may not equal to 100% due to rounding.

Table 20. Estimated Sales and Use Tax Impact Under HF 2489 with Proposed Amendment

	Millions					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Digital Goods	\$11.8	\$26.2	\$28.8	\$31.1	\$33.6	\$35.6
Ride Sharing	\$3.5	\$10.8	\$13.4	\$15.5	\$17.8	\$18.7
Subscription Services	\$9.5	\$21.8	\$24.0	\$25.9	\$27.9	\$29.3
Online Sellers	\$10.2	\$24.2	\$25.2	\$26.1	\$27.0	\$27.9
Online Marketplaces	\$17.4	\$42.2	\$44.1	\$45.6	\$47.2	\$48.6
Manufacturing Definition	\$13.8	\$13.9	\$14.4	\$14.9	\$15.5	\$16.1
OTC Websites	\$0.6	\$1.4	\$1.4	\$1.5	\$1.6	\$1.7
Total	\$66.7	\$140.4	\$151.4	\$160.6	\$170.6	\$177.8

Source: Tax Research and Program Analysis Section, Iowa Department of Revenue

Note: Sales tax changes effective January 1, 2019 except the change in manufacturing definition that is assumed effective July 1, 2018.

Estimate includes only Statewide 6% tax or 5% State excise tax in the case of OTC Websites.

Table 21. Forecasted Total Impact of HF 2489 with Proposed Amendment on Net Tax Revenues by Fiscal Year

Tax Type	Millions						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Individual Income Tax Changes	-\$0.8	-\$186.0	-\$408.9	-\$471.5	-\$494.8	-\$540.7	-\$753.3
Corporation Income Tax Changes	\$0.0	\$25.6	\$20.8	\$5.2	-\$41.4	-\$48.3	-\$44.9
Income Tax Credits	\$0.6	\$4.5	\$9.1	\$11.4	\$11.6	\$9.0	\$7.1
Sales and Use (General Fund Only)	\$0.0	\$55.7	\$117.2	\$126.4	\$134.1	\$142.5	\$148.5
School Surtax Change	\$0.0	-\$1.8	-\$11.8	-\$13.7	-\$14.3	-\$14.8	-\$21.7
LOST Change	\$0.0	\$8.7	\$18.3	\$19.7	\$20.9	\$22.3	\$23.2
SAVE Transfer Change	\$0.0	\$11.0	\$23.2	\$25.0	\$26.5	\$28.2	\$29.4
Total General Fund Change in Net Receipts	-\$0.2	-\$100.2	-\$261.7	-\$328.5	-\$390.5	-\$437.5	-\$642.6

Source: Tax Research and Program Analysis Section, Iowa Department of Revenue

LOST change assumes all taxpayers collect local option taxes on all items considered sold at retail in the State. The above estimate does not include potential increased local hotel/motel taxes.

Individual and corporation income tax changes include coupling estimates completed outside the models.

Table 22. Forecasted Total Impact of HF 2489 with Proposed Amendment on Net Tax Revenues by Tax Year

Tax Type	Millions						
	TY 2018	TY 2019	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Individual Income Tax Changes	-\$46.9	-\$402.0	-\$463.2	-\$486.5	-\$510.3	-\$639.1	-\$966.0
Corporation Income Tax Changes	\$0.0	\$22.2	\$21.2	-\$48.1	-\$44.9	-\$41.6	-\$40.4
Income Tax Credits	\$7.3	\$9.9	\$12.1	\$12.3	\$10.6	\$9.1	\$9.6
Sales and Use (General Fund Only)	\$5.7	\$114.6	\$122.3	\$130.6	\$138.7	\$145.8	\$145.0
School Surtax Change	-\$1.8	-\$11.8	-\$13.7	-\$14.3	-\$14.8	-\$21.7	-\$32.0
LOST Change	\$0.9	\$17.9	\$19.1	\$20.4	\$21.7	\$22.8	\$22.6
SAVE Transfer Change	\$1.1	\$22.7	\$24.2	\$25.8	\$27.4	\$28.8	\$28.7
Total General Fund Change in Net Receipts	-\$33.9	-\$255.3	-\$307.6	-\$391.6	-\$405.9	-\$525.9	-\$851.9

Source: Tax Research and Program Analysis Section, Iowa Department of Revenue

LOST change assumes all taxpayers collect local option taxes on all items considered sold at retail in the State. The above estimate does not include potential increased local hotel/motel taxes.

Individual and corporation income tax changes include coupling estimates completed outside the models.