

# The Iowa Taxpayer

KEY FIGURES AT A GLANCE\*

**\$21.3<sub>B</sub>**

TOTAL COST OF GOVERNMENT

**\$6,571**

PER CAPITA COST OF GOVERNMENT

**\$9.8<sub>B</sub>**

TOTAL BUSINESS TAXES

**4.2%**

EFFECTIVE BUSINESS TAX RATE

## Tax Competitiveness Rankings<sup>†</sup>

**17<sup>th</sup>**

OVERALL STATE TAX COMPETITIVENESS

**11<sup>th</sup>**

INDIVIDUAL INCOME TAX

**11<sup>th</sup>**

SALES TAX

**25<sup>th</sup>**

CORPORATE TAX

**33<sup>rd</sup>**

PROPERTY TAX

**35<sup>th</sup>**

UNEMPLOYMENT INSURANCE TAX

## Tax Burden & Administration

TOTAL TAX BURDEN AS % OF PERSONAL INCOME<sup>^</sup>

**9.23%**

Iowa ranks **17th highest** nationally in tax burden relative to personal income

LOW TAX BURDEN RANK<sup>#</sup>

**33<sup>rd</sup>**

Iowa ranks 33<sup>rd</sup> for lowest overall tax burden among all 50 states

STATE TAX ADMINISTRATION GRADE

**C+**

COST — BEST & WORST OF STATE TAX ADMINISTRATION, DEC. 2023

# Iowa Business Tax Snapshot

## BUSINESS SHARE OF ALL TAXES\*

# 46.1%

Businesses carry nearly half of Iowa's total tax burden

## EFFECTIVE BUSINESS TAX RATE RANK\*

# 19<sup>th</sup>

Iowa ranks 19th nationally in effective business tax rate

## BUSINESS SHARE OF STATE TAXES\*

# 39.9%

Portion of state-level taxes borne by Iowa businesses in FY24

## BUSINESS SHARE OF LOCAL TAXES\*

# 56.1%

More than half of local tax revenue comes from Iowa businesses

## Business Tax Trends

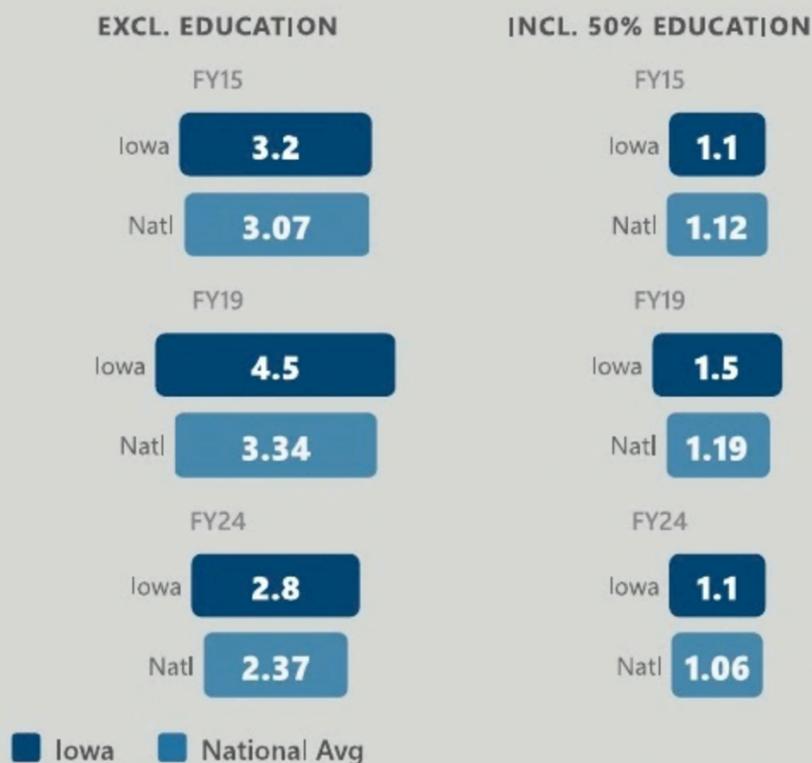
### Business Taxes per Employee\*

Iowa vs. National average — FY15, FY19, FY24



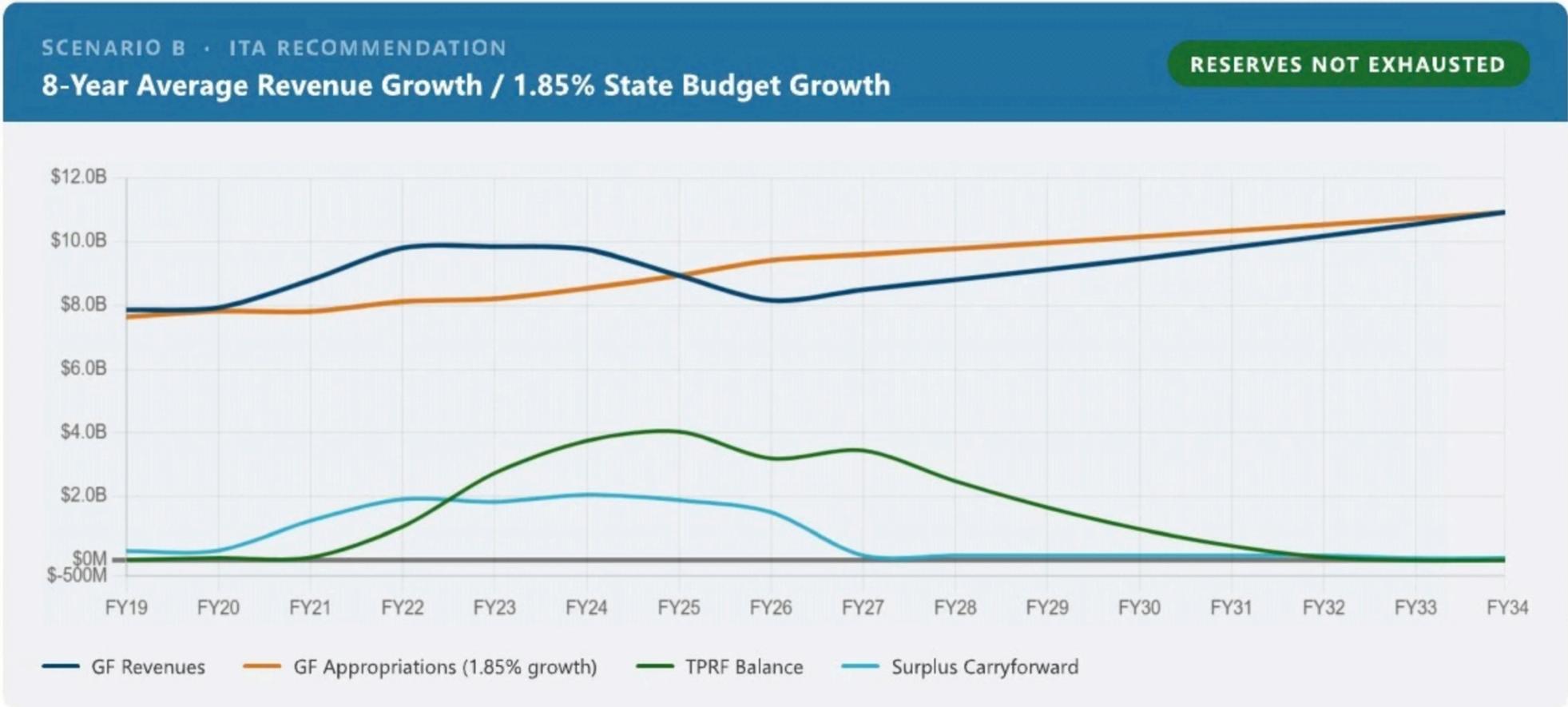
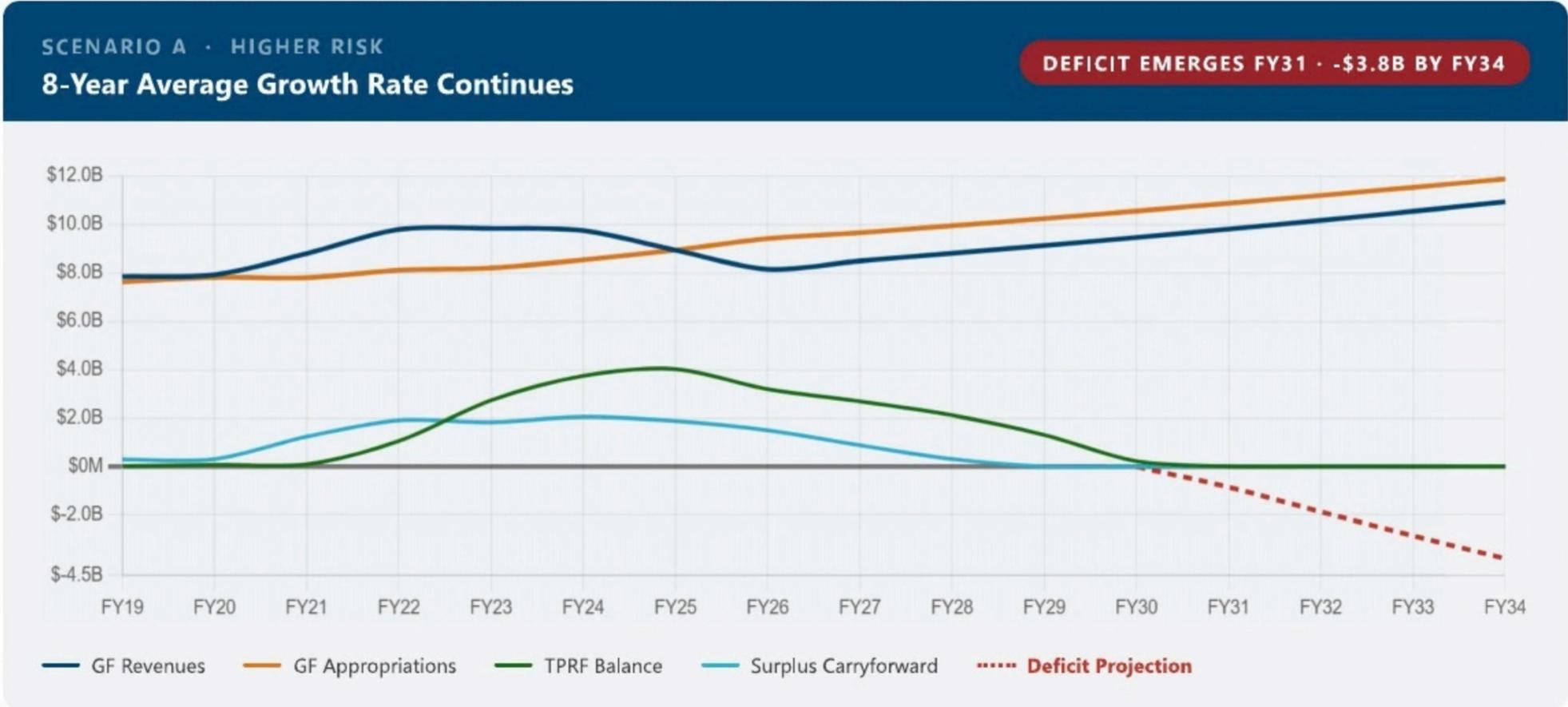
### Tax:Benefit Ratio for Businesses\*

Excl. education / incl. 50% education — Over 1.0 = businesses pay more than they receive



# State Budget Outlook

Under current 8-year average growth trends, appropriations outpace revenues beginning around **FY25**, exhausting the TPRF surplus and producing a structural deficit exceeding **\$3.8 billion by FY34**. The ITA-recommended 1.85% budget growth path, applied to the same revenue projections, preserves a carryforward surplus through FY34 while keeping the TPRF intact through FY33.



\* Council on State Taxation (COST), FY24 State and Local Business Tax Burden Study

† Tax Foundation, 2026 State Tax Competitiveness Index

^ WalletHub, Tax Burden by State

# U.S. News and World Report, Best States



## GUIDING PRINCIPLES OF SOUND TAX POLICY

ITA has established these guiding principles of sound tax policy to assist legislators and regulators in undertaking tax reform or in making any changes to tax law.

### NEUTRAL

The tax system should exert minimal impact on the spending and decision-making of businesses and individuals.

### COMPETITIVE

A sound tax structure should support our state's economic growth initiatives and help create a good business climate.

### FAIR

The tax code should be fair and equitable. Horizontal equity is achieved when similarly situated taxpayers are treated the same.

### SIMPLE

Tax law should clearly and plainly define what taxpayers must pay and when. Statutes and regulations should be transparent and encompass ease in understanding, compliance and administration.

### CONSISTENT

Iowans deserve consistency, certainty and predictability in the tax code. A stable, diversified tax structure helps achieve a more predictable revenue flow.



## SOUND BUDGETING PRINCIPLES

A sound budget development process does the following:

**ACCURATELY** determines revenue and expenses, including:

- NOT diverting funds statutorily authorized for a specific objective to other purposes;
- NOT shifting program funding to property taxes or fees.

**ALIGNS** expenses and revenue in the same fiscal year, including:

- NOT establishing new automatic, or "standing," appropriations;
- NOT creating multi-year accelerating commitments;
- NOT creating new programs for a partial fiscal year.

**USES** one-time or time-limited revenue for one-time, not ongoing, expenses.

## BASIC PRINCIPLES

Growth and prosperity depend on an attractive business climate to support creating jobs, expanding tax revenues and maintaining services for all Iowa citizens. Policymakers are encouraged to do all they can within state government to control spending and avoid unnecessarily increasing the tax burden of Iowans.

### ACCOUNTABILITY

Government agencies and officials must be accountable and accessible to their employers-the taxpayers.

### EFFICIENCY

ITA supports a performance-based budgeting process encouraging a full review of all state programs to promote funding of those programs necessary to achieve measurable results.

### EQUITY

Equity requires comparable tax policies and principles for similarly situated taxpayers.

### PROMOTION OF GROWTH

Tax policy must support the state's economic growth initiatives and goals.

### SIMPLICITY

Tax law and administrative rules must be clear and concise to allow for cost-effective compliance by taxpayers.

### STABILITY

Iowa's tax structure must be predictable and stable for both taxpayers and governments.

### TAXPAYER INVOLVEMENT

Taxpayer involvement in the regulatory and legislative development process will lead to better and more thoughtful tax policy.