

April 11, 2018

This letter presents an estimate for an Iowa individual income tax proposal including the following changes:

- In tax year (TY) 2018, coupling matching HSB 671 (including Section 179 cap and investment limit increase to \$100,000/\$400,000)
- In TY 2019, additional coupling with provisions in the federal Tax Cuts and Jobs Act, tax rates will be reduced by 1% to 5.6% (see Table A below); allow 25% of the federal Qualified Business Income (QBI) deduction, and increase Iowa standard deductions to \$3,000/\$7,500 (for composite filers as well)
- The proposal would not couple with the repeal of like-kind exchanges (1031)
- In TY 2020, increase the Section 179 cap and investment limit to \$250,000/\$1,000,000 and further lower tax rates

**Table A. Tax Brackets and Rates Under Current Law and Under the Proposal**

	Iowa Current Law*			Proposed Tax Rates				
	Over	But Not Over	Tax Rates	2018	2019	Rates Change Percentage	2020	Rates Change Percentage
[1]	\$0	\$1,628	0.36%	No change	0.34%	-5.6%	0.32%	-11.1%
[2]	\$1,628	\$3,256	0.72%	No change	0.68%	-5.6%	0.65%	-9.7%
[3]	\$3,256	\$6,512	2.43%	No change	2.31%	-4.9%	2.20%	-9.5%
[4]	\$6,512	\$14,652	4.50%	No change	4.28%	-4.9%	4.10%	-8.9%
[5]	\$14,652	\$24,420	6.12%	No change	5.94%	-2.9%	5.60%	-8.5%
[6]	\$24,420	\$32,560	6.48%	No change	6.29%	-2.9%	6.10%	-5.9%
[7]	\$32,560	\$48,840	6.80%	No change	6.60%	-2.9%	6.58%	-3.2%
[8]	\$48,840	\$73,260	7.92%	No change	7.84%	-1.0%	7.82%	-1.3%
[9]	\$73,260 or more		8.98%	No change	8.89%	-1.0%	8.89%	-1.0%

\* Tax brackets are indexed under Iowa current law and the proposal. TY 2019 tax brackets are reported for TY 2019 and after.

The proposal includes revisions and conformity to federal law as follows:

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

- Expanded definition of qualified education expenses under the 529 education savings plans in 2017 federal law changes
- 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

- The exclusion of IRA distributions for 70 ½ year and older charitable contributions in 2015 federal law changes
- The option to itemize sales and use taxes in lieu of income taxes in 2015 federal law changes
- Raise the Section 179 limit to \$100,000/\$400,000 - up from \$25,000/\$200,000 – and allow shareholders or partners to depreciate expensing exceeding the Iowa cap, but not over the federal cap, 20 percent per year in subsequent five tax years

The proposal would make the additional coupling effective in TY **2019 and after**:

Additional coupling provisions include:

- 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
- Raise the Section 179 limit to \$250,000/\$1,000,000 and allow shareholders or partners to depreciate expensing exceeding the Iowa cap, but not over the federal cap, 20 percent per year in subsequent five tax years
- Allow 25% of the federal QBI

### **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 that impact individual income tax (including the change to the federal QBI enacted in March 2018), and other minor provisions for which data is available have been included in the baseline.

### **Revenue Impacts**

The distributional impacts of the proposal are presented in Tables 2-3 and 5-6 including the share of taxpayers expected to experience decreases and increases in total Iowa tax liability (including school surtax) for TY 2019 and TY 2020.

Statistics of example taxpayers for 2019 and 2020 are presented in Table 3B and 6B. 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 (ranges to target \$30,000, \$55,000, \$70,000, \$100,000, \$250,000, and \$500,000).

Table 7 presents the tax year impact and fiscal year impact for 2018-2020.

The last table presents the overall impact of the proposal, including the estimated impacts of modernizing the sales and use tax as written in HSB 671.

If you have any questions regarding this analysis, please call me at 281-0196.

Sincerely,

Amy Rehder Harris  
Administrator  
Tax Research and Program Analysis Section

**Table 1. Tax Year 2019 Current Law and Proposed Law Tax Parameters**

	<i>Current Law</i>	<i>Proposed Law</i>
<b>Federal Tax Deduction</b>	Unlimited	No change
<b>Personal/Dependent/Aged Credits</b>	\$40/40/20	No change
<b>Minimum Filing Thresholds</b>	\$9.0/\$13.5 K	No change
<b>Elderly Minimum Filing Thresholds</b>	\$24/\$32 K	No change
<b>Itemized/Standard Deduction</b>	\$2,070/\$5,090	Itemized coupling, \$3,000/\$7,500
<b>Social Security Income</b>	100% exclusion	No change
<b>Pension/Other Retirement Exclusion</b>	\$6/\$12 K	No change
<b>Iowa Capital Gains Deduction</b>	Unlimited	No change
<b>Alternate Tax Threshold</b>	\$13.5 K/\$32 K elderly	No change
<b>Alternate Tax Rate</b>	8.98%	8.89%
<b>Iowa Earned Income Tax Credit</b>	Refundable 15%	Coupling
<b>AMT and Tax Credit</b>	Allowed	No change
<b>Section 179 Maximum Investment Limit</b>	\$25K/\$200k	\$100K/\$400k
<b>Iowa 529 Plans</b>	Not Allowed for K-12	Allowed for K-12

*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%	0.34%
[2]	\$1,628	\$3,256	0.72%	0.68%
[3]	\$3,256	\$6,512	2.43%	2.31%
[4]	\$6,512	\$14,652	4.50%	4.28%
[5]	\$14,652	\$24,420	6.12%	5.94%
[6]	\$24,420	\$32,560	6.48%	6.29%
[7]	\$32,560	\$48,840	6.80%	6.60%
[8]	\$48,840	\$73,260	7.92%	7.84%
[9]	\$73,260	or more	8.98%	8.89%

Proposal includes additional coupling noted in text.

**Table 2. Estimated Change in Individual Income Tax Liability By Taxable Income Level Under Tax Reform Proposal of April 11, 2018**

*Estimates for Tax Year 2019*

All Filers

Iowa Taxable Income Current Law	Returns Number Current	Total AGI Current	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average <sup>a</sup>	Percentage
<b>\$10,000 or less</b>	263,864	-\$4,098,003,765	-\$9,895,566	-\$10,752,521	-\$856,955	-\$3	-8.7%
<b>\$10,001 to 20,000</b>	202,321	3,000,031,243	7,595,192	-302,025	-7,897,217	-39	-104.0%
<b>\$20,001 to 30,000</b>	184,463	4,584,288,008	83,288,579	67,957,741	-15,330,838	-83	-18.4%
<b>\$30,001 to 40,000</b>	166,630	5,777,466,551	161,883,069	145,563,802	-16,319,267	-98	-10.1%
<b>\$40,001 to 50,000</b>	136,492	6,068,290,365	200,820,130	187,198,359	-13,621,771	-100	-6.8%
<b>\$50,001 to 60,000</b>	105,519	5,729,398,954	199,564,601	189,457,963	-10,106,638	-96	-5.1%
<b>\$60,001 to 70,000</b>	86,117	5,523,996,205	197,678,513	189,425,565	-8,252,948	-96	-4.2%
<b>\$70,001 to 80,000</b>	72,860	5,393,940,763	197,919,936	191,018,010	-6,901,926	-95	-3.5%
<b>\$80,001 to 90,000</b>	63,380	5,323,145,865	200,915,677	194,430,889	-6,484,788	-102	-3.2%
<b>\$90,001 to 100,000</b>	53,988	5,073,194,509	195,741,378	189,964,744	-5,776,634	-107	-3.0%
<b>\$100,001 to 125,000</b>	100,406	11,129,316,777	441,131,797	429,355,235	-11,776,562	-117	-2.7%
<b>\$125,001 to 150,000</b>	59,840	8,130,911,931	330,289,142	321,523,175	-8,765,967	-146	-2.7%
<b>\$150,001 to 175,000</b>	36,189	5,825,780,897	238,090,649	231,616,939	-6,473,710	-179	-2.7%
<b>\$175,001 to 200,000</b>	22,768	4,229,139,504	171,670,020	166,418,981	-5,251,039	-231	-3.1%
<b>\$200,001 to 250,000</b>	25,492	5,640,605,267	231,537,312	223,421,563	-8,115,749	-318	-3.5%
<b>\$250,001 to 500,000</b>	34,448	11,546,136,746	477,541,044	432,748,987	-44,792,057	-1,300	-9.4%
<b>\$500,001 to 1,000,000</b>	12,434	8,475,659,522	283,211,720	248,512,395	-34,699,325	-2,791	-12.3%
<b>\$1,000,001 or more</b>	9,407	79,006,451,652	409,559,797	365,900,290	-43,659,507	-4,641	-10.7%
<b>Composite Returns</b>	3,123	807,100,989	52,597,680	49,169,499	-3,428,181	-1,098	-6.5%
<b>Totals</b>	<b>1,639,741</b>	<b>\$177,166,851,982</b>	<b>\$4,071,140,670</b>	<b>\$3,812,629,591</b>	<b>-\$258,511,079</b>	<b>-\$158</b>	<b>-6.3%</b>

*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 3. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability  
Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2019

All Filers Iowa Taxable Income Current Law	Share of Returns by Estimated Change in Tax Liability <sup>a</sup>			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	87.6%	12.3%	0.1%	-\$991,353	-\$30	\$112,905	\$553
\$10,001 to 20,000	31.4%	67.2%	1.4%	-8,395,803	-62	250,526	87
\$20,001 to 30,000	9.0%	87.8%	3.2%	-16,691,237	-103	862,940	145
\$30,001 to 40,000	4.9%	90.6%	4.5%	-18,509,185	-123	1,657,049	223
\$40,001 to 50,000	4.4%	89.5%	6.1%	-16,547,050	-136	2,469,146	294
\$50,001 to 60,000	4.4%	87.6%	8.0%	-13,370,188	-145	2,900,642	345
\$60,001 to 70,000	4.4%	86.5%	9.1%	-11,624,631	-156	3,058,069	390
\$70,001 to 80,000	4.4%	85.3%	10.3%	-10,299,266	-166	3,116,877	417
\$80,001 to 90,000	4.2%	85.7%	10.2%	-9,647,018	-178	2,893,400	449
\$90,001 to 100,000	4.3%	84.9%	10.8%	-8,726,996	-190	2,710,641	466
\$100,001 to 125,000	4.4%	84.5%	11.1%	-18,043,751	-213	5,779,352	520
\$125,001 to 150,000	5.0%	83.4%	11.6%	-13,023,259	-261	3,897,770	561
\$150,001 to 175,000	6.0%	82.3%	11.7%	-9,377,227	-315	2,651,237	628
\$175,001 to 200,000	7.5%	81.4%	11.1%	-7,014,995	-379	1,565,127	621
\$200,001 to 250,000	8.7%	81.0%	10.3%	-10,103,708	-489	1,698,375	648
\$250,001 to 500,000	12.6%	82.2%	5.3%	-47,610,403	-1,682	1,537,378	846
\$500,001 to 1,000,000	19.8%	78.4%	1.8%	-35,795,654	-3,671	268,830	1,206
\$1,000,001 or more	32.2%	64.6%	3.2%	-45,638,056	-7,505	1,238,418	4,156
Composite Returns	23.7%	76.3%	0.0%	-3,428,181	-1,439	0	0
<b>Totals</b>	<b>22.3%</b>	<b>72.1%</b>	<b>5.5%</b>	<b>-\$304,837,961</b>	<b>-\$258</b>	<b>\$38,668,682</b>	<b>\$427</b>

**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 4. Tax Year 2020 Current Law and Proposed Law Tax Parameters**

	<i>Current Law</i>	<i>Proposed Law</i>
<b>Federal Tax Deduction</b>	Unlimited	No change
<b>Personal/Dependent/Aged Credits</b>	\$40/40/20	No change
<b>Minimum Filing Thresholds</b>	\$9.0/\$13.5 K	No change
<b>Elderly Minimum Filing Thresholds</b>	\$24/\$32 K	No change
<b>Itemized/Standard Deduction</b>	\$2,110/\$5,190	Itemized coupling, \$3,060/\$7,640
<b>Social Security Income</b>	100% exclusion	No change
<b>Pension/Other Retirement Exclusion</b>	\$6/\$12 K	No change
<b>Iowa Capital Gains Deduction</b>	Unlimited	No change
<b>Alternate Tax Threshold</b>	\$13.5 K/\$32 K elderly	No change
<b>Alternate Tax Rate</b>	8.98%	8.98%
<b>Iowa Earned Income Tax Credit</b>	Refundable 15%	Coupling
<b>AMT and Tax Credit</b>	Allowed	No change
<b>Section 179 Maximum Investment Limit</b>	\$25K/\$200k	\$250K/\$1M
<b>Iowa 529 Plans</b>	Not Allowed for K-12	Allowed for K-12

*Tax Brackets and Rates*

	<i>Over</i>	<i>But Not Over</i>	<i>Current Rates</i>	<i>Proposed Rates</i>
[1]	\$0	\$1,659	0.36%	0.32%
[2]	\$1,659	\$3,318	0.72%	0.65%
[3]	\$3,318	\$6,636	2.43%	2.20%
[4]	\$6,636	\$14,931	4.50%	4.10%
[5]	\$14,931	\$24,885	6.12%	5.60%
[6]	\$24,885	\$33,180	6.48%	6.10%
[7]	\$33,180	\$49,770	6.80%	6.58%
[8]	\$49,770	\$74,655	7.92%	7.82%
[9]	\$74,655	or more	8.98%	8.89%

Proposal includes additional coupling noted in text.

**Table 5. Estimated Change in Individual Tax Liability By Adjusted Gross Income Under Tax Reform Proposal of April 11, 2018**

*Estimates for Tax Year 2020*

All Filers

Iowa Taxable Income Proposed Law	Returns Number Current	Total AGI Current	Total Tax Liability		Change in Tax Liability		
			Current	Proposed	Total	Average <sup>a</sup>	Percentage
<b>\$10,000 or less</b>	259,186	-\$4,207,037,194	-\$9,766,820	-\$10,657,677	-\$890,857	-\$3	-9.1%
<b>\$10,001 to 20,000</b>	199,566	\$2,956,537,543	\$6,873,919	-\$2,521,486	-\$9,395,405	-\$47	-136.7%
<b>\$20,001 to 30,000</b>	182,189	\$4,522,749,267	\$79,675,762	\$59,473,226	-\$20,202,536	-\$111	-25.4%
<b>\$30,001 to 40,000</b>	165,928	\$5,745,096,525	\$158,168,971	\$133,622,416	-\$24,546,555	-\$148	-15.5%
<b>\$40,001 to 50,000</b>	138,112	\$6,128,402,531	\$201,184,303	\$178,857,967	-\$22,326,336	-\$162	-11.1%
<b>\$50,001 to 60,000</b>	107,402	\$5,813,606,617	\$201,945,545	\$184,472,562	-\$17,472,983	-\$163	-8.7%
<b>\$60,001 to 70,000</b>	87,583	\$5,597,337,418	\$199,618,516	\$184,704,694	-\$14,913,822	-\$170	-7.5%
<b>\$70,001 to 80,000</b>	73,747	\$5,439,088,920	\$198,734,793	\$185,771,717	-\$12,963,076	-\$176	-6.5%
<b>\$80,001 to 90,000</b>	64,655	\$5,406,173,112	\$202,297,620	\$189,988,231	-\$12,309,389	-\$190	-6.1%
<b>\$90,001 to 100,000</b>	55,080	\$5,154,080,166	\$198,080,057	\$186,913,868	-\$11,166,189	-\$203	-5.6%
<b>\$100,001 to 125,000</b>	103,874	\$11,465,195,731	\$451,956,593	\$428,993,497	-\$22,963,096	-\$221	-5.1%
<b>\$125,001 to 150,000</b>	63,443	\$8,595,308,497	\$347,220,449	\$331,089,042	-\$16,131,407	-\$254	-4.6%
<b>\$150,001 to 175,000</b>	38,277	\$6,146,600,586	\$250,794,101	\$239,488,949	-\$11,305,152	-\$295	-4.5%
<b>\$175,001 to 200,000</b>	24,274	\$4,498,760,885	\$182,269,373	\$174,006,479	-\$8,262,894	-\$340	-4.5%
<b>\$200,001 to 250,000</b>	27,138	\$5,987,070,655	\$244,725,952	\$232,319,903	-\$12,406,049	-\$457	-5.1%
<b>\$250,001 to 500,000</b>	36,255	\$12,115,698,843	\$500,900,698	\$445,495,538	-\$55,405,160	-\$1,528	-11.1%
<b>\$500,001 to 1,000,000</b>	12,882	\$8,770,047,706	\$294,159,147	\$250,393,768	-\$43,765,379	-\$3,397	-14.9%
<b>\$1,000,001 or more</b>	9,772	\$84,249,401,279	\$434,027,561	\$381,120,068	-\$52,907,493	-\$5,414	-12.2%
<b>Composite Returns</b>	3,123	\$785,661,062	\$50,611,018	\$47,037,726	-\$3,573,292	-\$1,144	-7.1%
<b>Totals</b>	<b>1,652,486</b>	<b>\$185,169,780,150</b>	<b>\$4,193,477,558</b>	<b>\$3,820,570,488</b>	<b>-\$372,907,070</b>	<b>-\$226</b>	<b>-8.9%</b>

*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 6. Estimated Distribution of Taxpayers Experiencing Decreases and Increases in Total Tax Liability Under Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2020

All Filers Iowa Taxable Income Proposed Law	Share of Returns by Estimated Change in Tax Liability <sup>a</sup>			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	87.7%	12.2%	0.1%	-\$1,029,488	-\$33	\$115,799	\$633
\$10,001 to 20,000	31.5%	67.6%	1.0%	-\$9,903,363	-\$73	\$210,440	\$111
\$20,001 to 30,000	9.1%	88.5%	2.3%	-\$21,571,292	-\$134	\$708,872	\$167
\$30,001 to 40,000	5.0%	91.7%	3.3%	-\$26,684,876	-\$175	\$1,333,538	\$244
\$40,001 to 50,000	4.5%	91.0%	4.5%	-\$25,058,323	-\$199	\$1,981,486	\$316
\$50,001 to 60,000	4.4%	89.5%	6.1%	-\$20,507,880	-\$213	\$2,421,287	\$372
\$60,001 to 70,000	4.4%	88.5%	7.1%	-\$18,010,872	-\$232	\$2,550,926	\$408
\$70,001 to 80,000	4.5%	87.4%	8.1%	-\$16,142,857	-\$250	\$2,689,131	\$448
\$80,001 to 90,000	4.3%	87.5%	8.2%	-\$15,305,876	-\$271	\$2,519,201	\$477
\$90,001 to 100,000	4.2%	87.3%	8.5%	-\$13,945,583	-\$290	\$2,346,943	\$500
\$100,001 to 125,000	4.4%	86.9%	8.7%	-\$28,869,688	-\$320	\$5,026,863	\$554
\$125,001 to 150,000	5.0%	85.8%	9.2%	-\$20,282,334	-\$372	\$3,546,149	\$609
\$150,001 to 175,000	5.8%	84.6%	9.6%	-\$14,122,209	-\$436	\$2,409,629	\$658
\$175,001 to 200,000	7.4%	83.1%	9.5%	-\$10,086,550	-\$500	\$1,538,316	\$665
\$200,001 to 250,000	8.7%	82.6%	8.7%	-\$14,439,929	-\$644	\$1,605,761	\$683
\$250,001 to 500,000	12.3%	82.8%	4.9%	-\$58,677,539	-\$1,955	\$1,598,067	\$897
\$500,001 to 1,000,000	19.7%	78.5%	1.8%	-\$45,175,674	-\$4,468	\$282,330	\$1,238
\$1,000,001 or more	32.0%	65.6%	2.4%	-\$54,876,621	-\$8,556	\$1,003,902	\$4,272
Composite Returns	24.6%	75.4%	0.0%	-\$3,573,292	-\$1,517	\$0	\$0
<b>Totals</b>	<b>22.0%</b>	<b>73.6%</b>	<b>4.4%</b>	<b>-\$418,264,246</b>	<b>-\$344</b>	<b>\$33,888,640</b>	<b>\$469</b>

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 6B. Average Estimated Change in Iowa Tax Liability for Example Taxpayers Filing Iowa Returns  
Tax Reform Proposal of April 11, 2018**

Estimates for Tax Year 2020

Example Taxpayer Characteristics								Final Tax Liability			Percent Difference
Iowa Filing Status	Dependents	Age	Iowa Current AGI Group	Wages	Social Security <sup>1</sup>	Other Income <sup>2</sup>	Current Law	Proposed Law	Difference		
(1)	Single	0	26-64	\$24,000-\$26,000	\$23,946	\$562	\$2,324	\$738	\$628	-\$110	-14.9%
(2)	Single	0	26-64	\$48,000-\$52,000	\$48,487	\$181	\$2,990	\$2,001	\$1,850	-\$151	-7.5%
(3)	Single	0	26-64	\$93,000-\$107,000	\$86,555	\$213	\$13,520	\$4,480	\$4,344	-\$136	-3.0%
(4)	Single	0	26-64	\$185,000-\$215,000	\$126,243	\$546	\$71,603	\$10,500	\$10,000	-\$500	-4.8%
(5)	Single	0	26-64	\$480,000-\$520,000	\$268,238	\$1,106	\$234,331	\$31,370	\$26,250	-\$5,120	-16.3%
(6)	Head of Household	1	26-64	\$24,000-\$26,000	\$24,474	\$179	\$1,460	\$164	-\$21	-\$185	-112.8%
(7)	Head of Household	1	26-64	\$48,000-\$52,000	\$48,509	\$58	\$2,035	\$1,969	\$1,725	-\$244	-12.4%
(8)	Head of Household	1	26-64	\$93,000-\$107,000	\$87,545	\$33	\$10,927	\$4,561	\$4,342	-\$219	-4.8%
(9)	Head of Household	1	26-64	\$185,000-\$215,000	\$143,095	\$124	\$55,208	\$10,880	\$10,498	-\$382	-3.5%
(10)	Head of Household	2	26-64	\$24,000-\$26,000	\$24,424	\$166	\$1,388	-\$84	-\$269	-\$185	-220.2%
(11)	Head of Household	2	26-64	\$48,000-\$52,000	\$48,719	\$79	\$1,940	\$2,001	\$1,758	-\$243	-12.1%
(12)	Head of Household	2	26-64	\$93,000-\$107,000	\$88,496	\$28	\$10,565	\$4,704	\$4,480	-\$224	-4.8%
(13)	Head of Household	2	26-64	\$185,000-\$215,000	\$132,544	\$0	\$62,206	\$10,359	\$9,527	-\$832	-8.0%
(14)	Married	1	26-64	\$24,000-\$26,000	\$24,957	\$3,473	\$557	\$165	-\$9	-\$174	-105.5%
(15)	Married	1	26-64	\$48,000-\$52,000	\$47,253	\$1,279	\$3,454	\$1,737	\$1,540	-\$197	-11.3%
(16)	Married	1	26-64	\$93,000-\$107,000	\$93,240	\$263	\$6,488	\$4,213	\$3,954	-\$259	-6.1%
(17)	Married	1	26-64	\$185,000-\$215,000	\$161,122	\$213	\$33,258	\$9,529	\$9,093	-\$436	-4.6%
(18)	Married	1	26-64	\$480,000-\$520,000	\$309,422	\$468	\$182,178	\$31,289	\$26,261	-\$5,028	-16.1%
(19)	Married	2	26-64	\$24,000-\$26,000	\$26,161	\$1,547	-\$530	-\$118	-\$305	-\$187	-158.5%
(20)	Married	2	26-64	\$48,000-\$52,000	\$47,925	\$582	\$2,890	\$1,708	\$1,462	-\$246	-14.4%
(21)	Married	2	26-64	\$93,000-\$107,000	\$95,099	\$123	\$5,510	\$4,372	\$4,103	-\$269	-6.2%
(22)	Married	2	26-64	\$185,000-\$215,000	\$171,343	\$47	\$25,842	\$9,537	\$9,083	-\$454	-4.8%
(23)	Married	2	26-64	\$480,000-\$520,000	\$334,015	\$212	\$159,815	\$30,749	\$26,569	-\$4,180	-13.6%
(24)	Single	0	<=25	less than \$35,000	\$15,598	\$25	\$57	\$425	\$351	-\$74	-17.4%
(25)	Married	0	<=25	less than \$35,000	\$26,627	\$47	-\$7,286	\$420	\$322	-\$98	-23.3%
(26)	Single	0	>=65	\$24,000-\$26,000	\$5,573	\$17,523	\$24,443	\$523	\$456	-\$67	-12.8%
(27)	Single	0	>=65	\$48,000-\$52,000	\$13,669	\$17,115	\$42,085	\$1,531	\$1,419	-\$112	-7.3%
(28)	Single	0	>=65	\$93,000-\$107,000	\$18,843	\$18,259	\$87,260	\$4,168	\$3,993	-\$175	-4.2%
(29)	Single	0	>=65	\$185,000-\$215,000	\$28,074	\$20,510	\$177,466	\$10,507	\$10,176	-\$331	-3.2%
(30)	Single	0	>=65	\$480,000-\$520,000	\$62,045	\$20,511	\$447,527	\$28,590	\$24,938	-\$3,652	-12.8%
(31)	Married	0	>=65	\$24,000-\$26,000	\$9,546	\$30,982	\$25,360	\$230	\$171	-\$59	-25.7%
(32)	Married	0	>=65	\$48,000-\$52,000	\$20,473	\$28,910	\$40,236	\$1,331	\$1,188	-\$143	-10.7%
(33)	Married	0	>=65	\$93,000-\$107,000	\$43,127	\$25,996	\$68,828	\$3,844	\$3,590	-\$254	-6.6%
(34)	Married	0	>=65	\$185,000-\$215,000	\$72,661	\$27,062	\$141,943	\$9,570	\$9,129	-\$441	-4.6%
(35)	Married	0	>=65	\$480,000-\$520,000	\$160,246	\$27,476	\$365,413	\$30,158	\$25,481	-\$4,677	-15.5%

**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 7. Translation of Tax Year Estimated Impact to Fiscal Year Estimated Impact  
Tax Reform Proposal of April 11, 2018**

Millions of Dollars			
<b><u>Tax Year Estimates</u></b>	<b>TY 2018</b>	<b>TY 2019</b>	<b>TY 2020</b>
<b>Tax Component Shares</b>			
Withholding	-1.589	-168.371	-248.023
Estimate Payments	-5.533	-19.718	-23.956
Final Payments	-32.119	-51.334	-71.056
Refunds	-13.028	-19.088	-29.873
<b>Totals</b>	<b>-\$52.269</b>	<b>-\$258.511</b>	<b>-\$372.907</b>
<b>Year-Over-Year Change</b>	NA	-\$206.242	-\$114.396
<i>School Surtax Change</i>	-\$2.065	-\$7.658	-\$11.469
<b><u>Fiscal Year Estimates</u></b>			
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Withholding	-0.095	-82.649	-206.763
Estimate Payments	-0.697	-12.309	-21.324
Final Payments	0.000	-31.602	-51.025
Refunds	0.000	-12.842	-19.002
<b>Totals</b>	<b>-\$0.792</b>	<b>-\$139.401</b>	<b>-\$298.113</b>
<b>Year-Over-Year Change</b>	NA	-\$138.609	-\$158.712

***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.

**State and Local Revenue Impact**

Projected Change Compared to Current Law  
(In Millions)

**State General Fund Revenue Impact**

<u>Item</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Individual Income Tax	\$ -0.8	\$ -139.4	\$ -298.1
Ind. Income Other Coupling	-0.2	-3.6	-4.4
Corporate Income Tax			
Corp. Income Other Coupling			
Sales/Use Tax (State portion)	0.0	44.3	105.7
<u>Tax Credit Changes</u>			
General Fund Revenue Impact	\$ -1.0	\$ -98.7	\$ -196.8

**Local Government Revenue Impact**

<u>Item</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
School Income Surtax			
School Infrastructure (SAVE) Fund			
Local Option Sales Tax			
Moneys and Credits Tax			
Local Government Revenue Impact	\$ 0.0	\$ 0.0	\$ 0.0