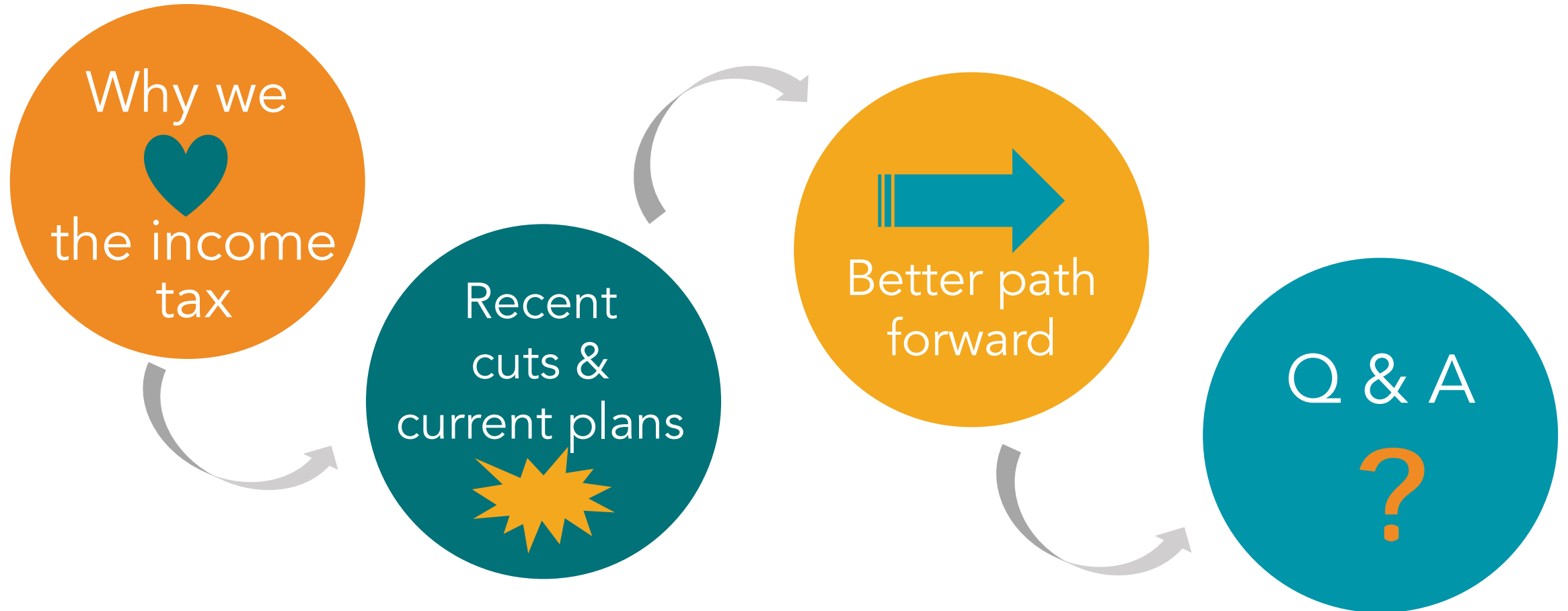


Our agenda today



Why we



the income
tax



INCOME TAX

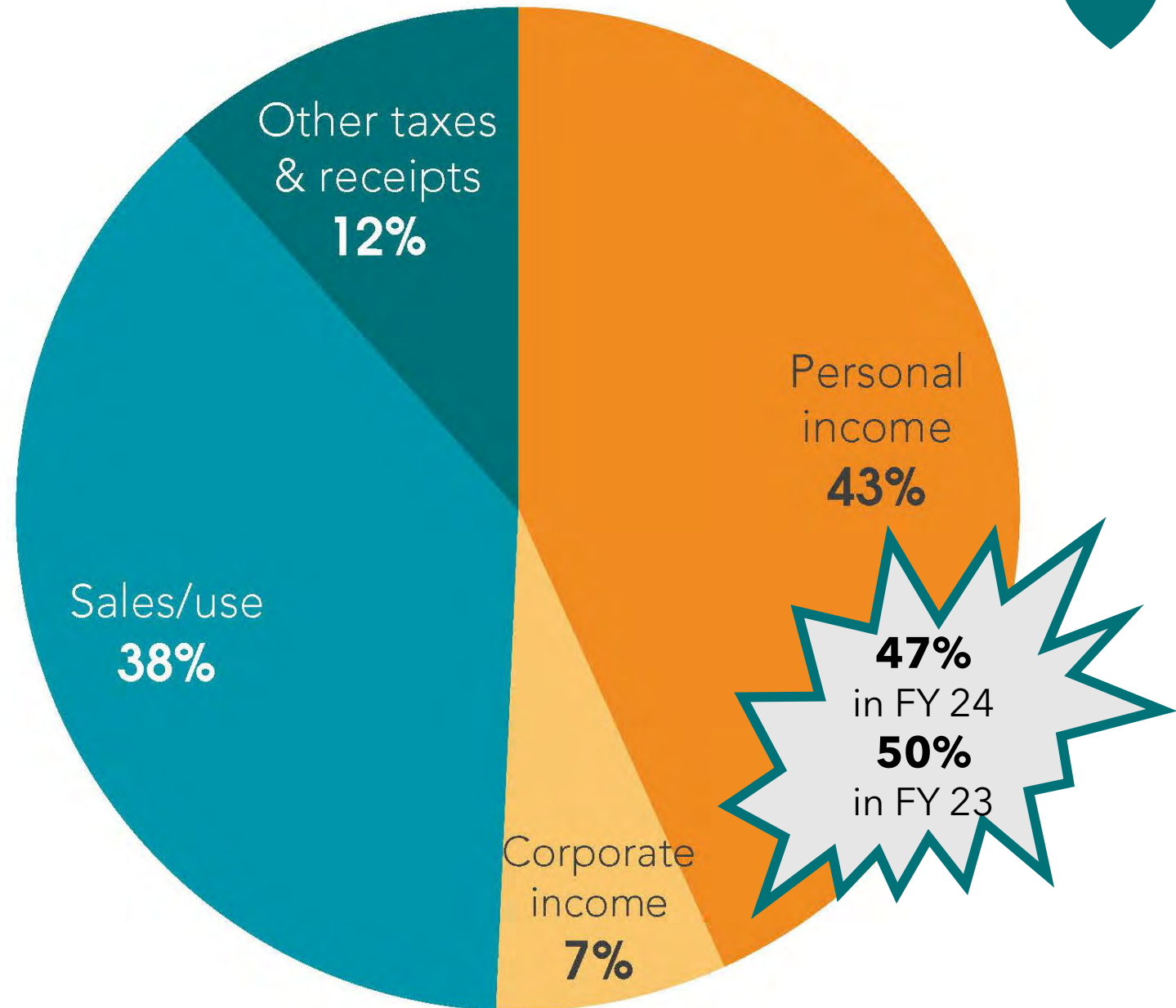
Critical part of state budget

Estimated FY 2025 General Fund revenue by source

\$11.5 Billion
(\$9.8 B available for appropriation)

Source: Governor's Budget,
Department of Management

Other includes inheritance tax, insurance premium tax,
franchise tax and fees.





INCOME TAX

Critical to services lowans value

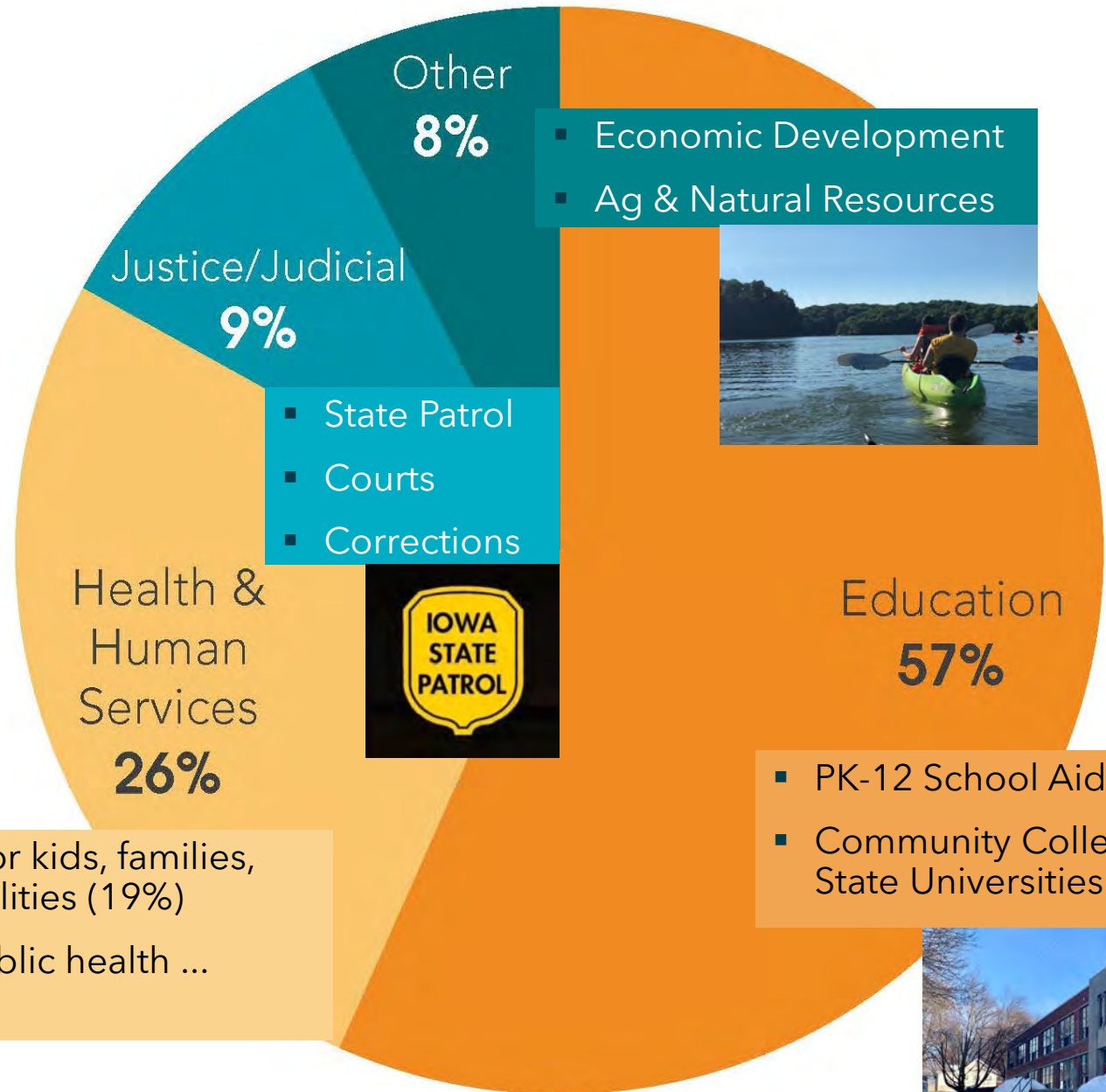
Governor's FY 2025 General Fund Budget

\$8.9 Billion
(of \$9.8 B available)

Source: Governor's Budget, Department of
Management



- Health coverage for kids, families, people with disabilities (19%)
- Social services, public health ...



- Economic Development
- Ag & Natural Resources



- State Patrol
- Courts
- Corrections



Education
57%

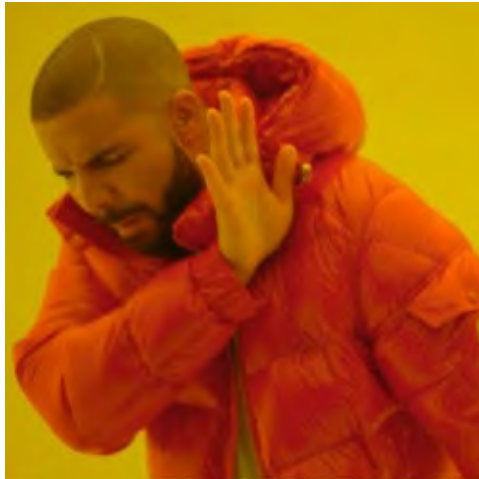
- PK-12 School Aid (42%)
- Community Colleges & State Universities





INCOME TAX

Our only progressive tax



Regressive tax

Higher-income people pay lower share of income in tax



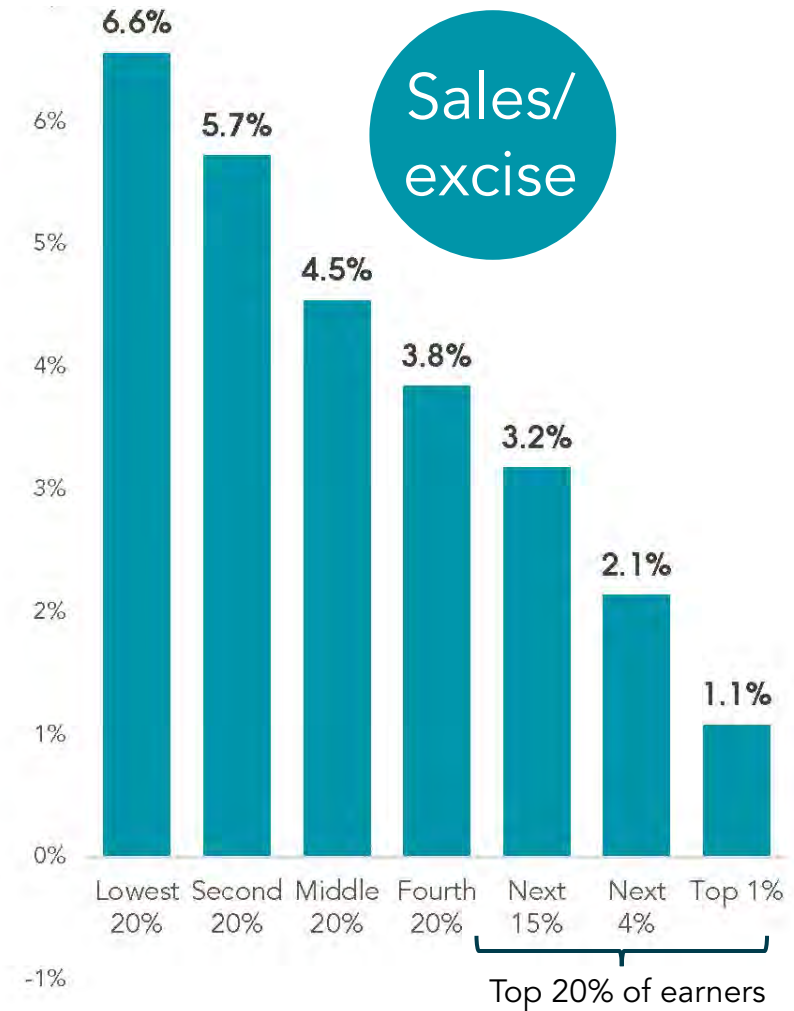
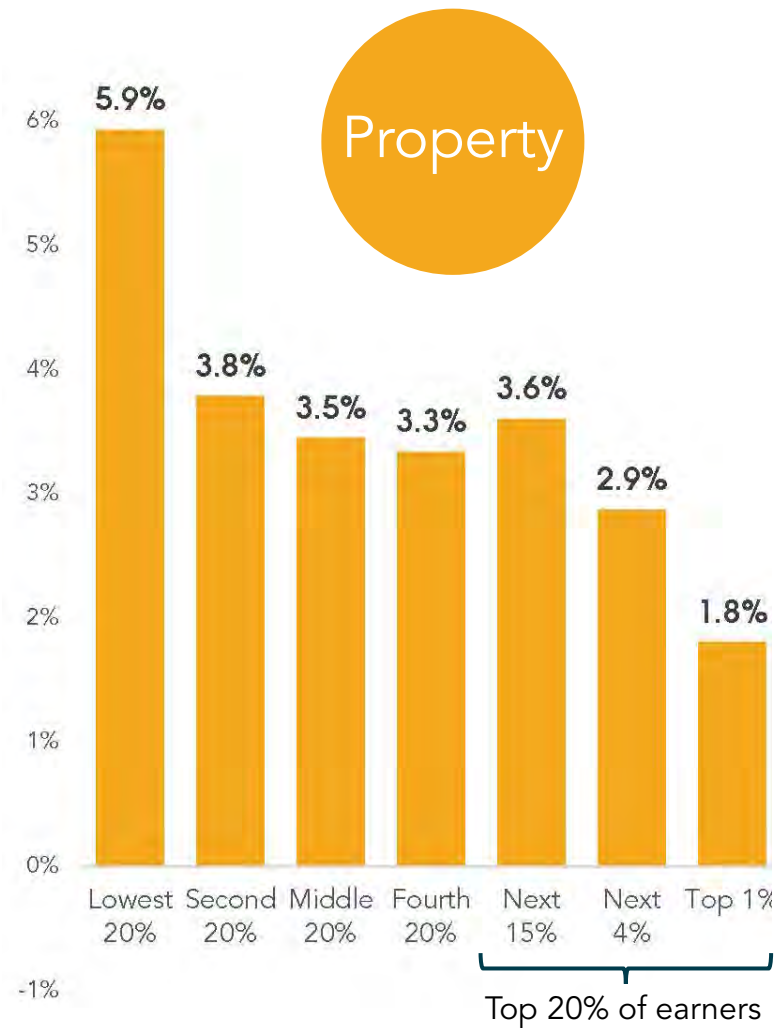
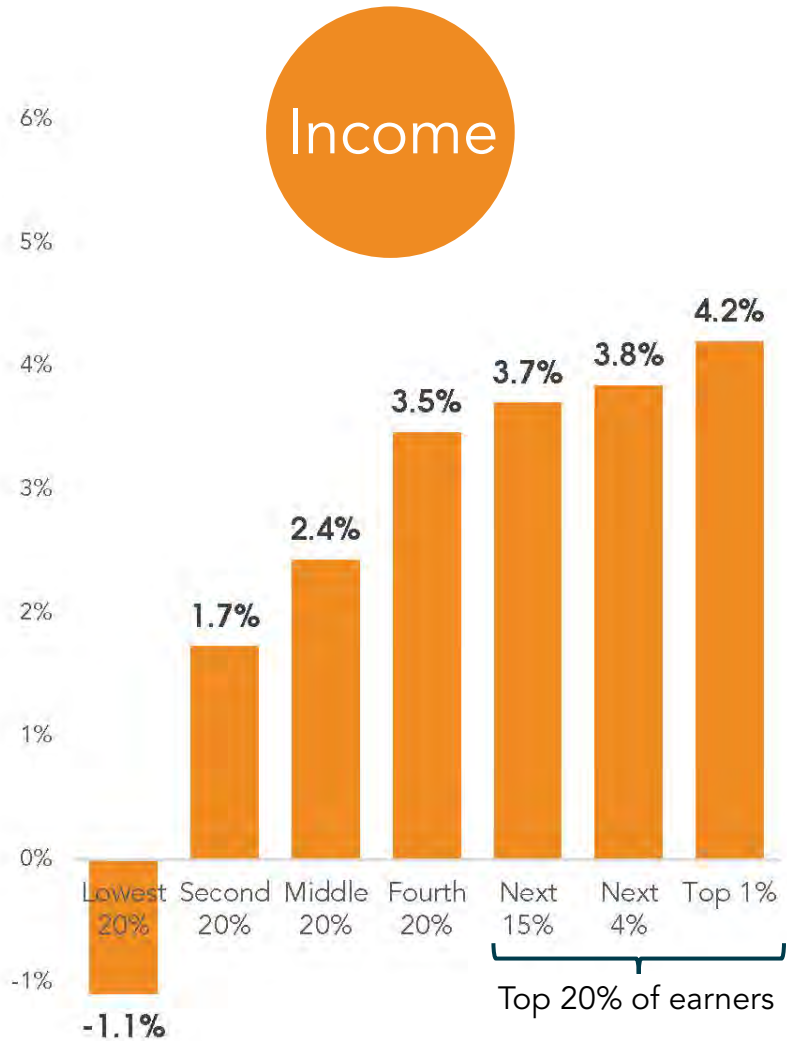
Progressive tax

Higher-income people pay a higher share of income in tax



INCOME TAX Our only progressive tax

Tax as share of family income, Iowa



Source: Institute on Taxation and Economic Policy (ITEP), "Who Pays? 7th Edition," January 2024

What do we know about states with no income tax?

Tend to rely on tax revenue connected to **natural resources** or **tourism**.




An aerial photograph of a tropical beach. On the left, a row of modern, multi-story high-rise buildings with glass facades and balconies runs along the coast. A lush green strip with many palm trees separates the buildings from the beach. The beach itself is wide and sandy, with numerous people, colorful umbrellas, and beach chairs scattered across it. The ocean is a vibrant turquoise color, with gentle waves lapping at the shore. The sky is a clear, bright blue with a few wispy white clouds.

What do we know about
states with no income tax?

Usually only “low tax” for rich people.

They are often “high tax” for low-income people
because they rely more on sales and property taxes.



ITEP Tax Inequality Index Ranking

RANK **1**

According to ITEP's Tax Inequality Index, Florida has the most regressive state and local tax system in the country.

When you hear a state is "low tax," ask, "low tax" for whom?

Recent cuts & current plans



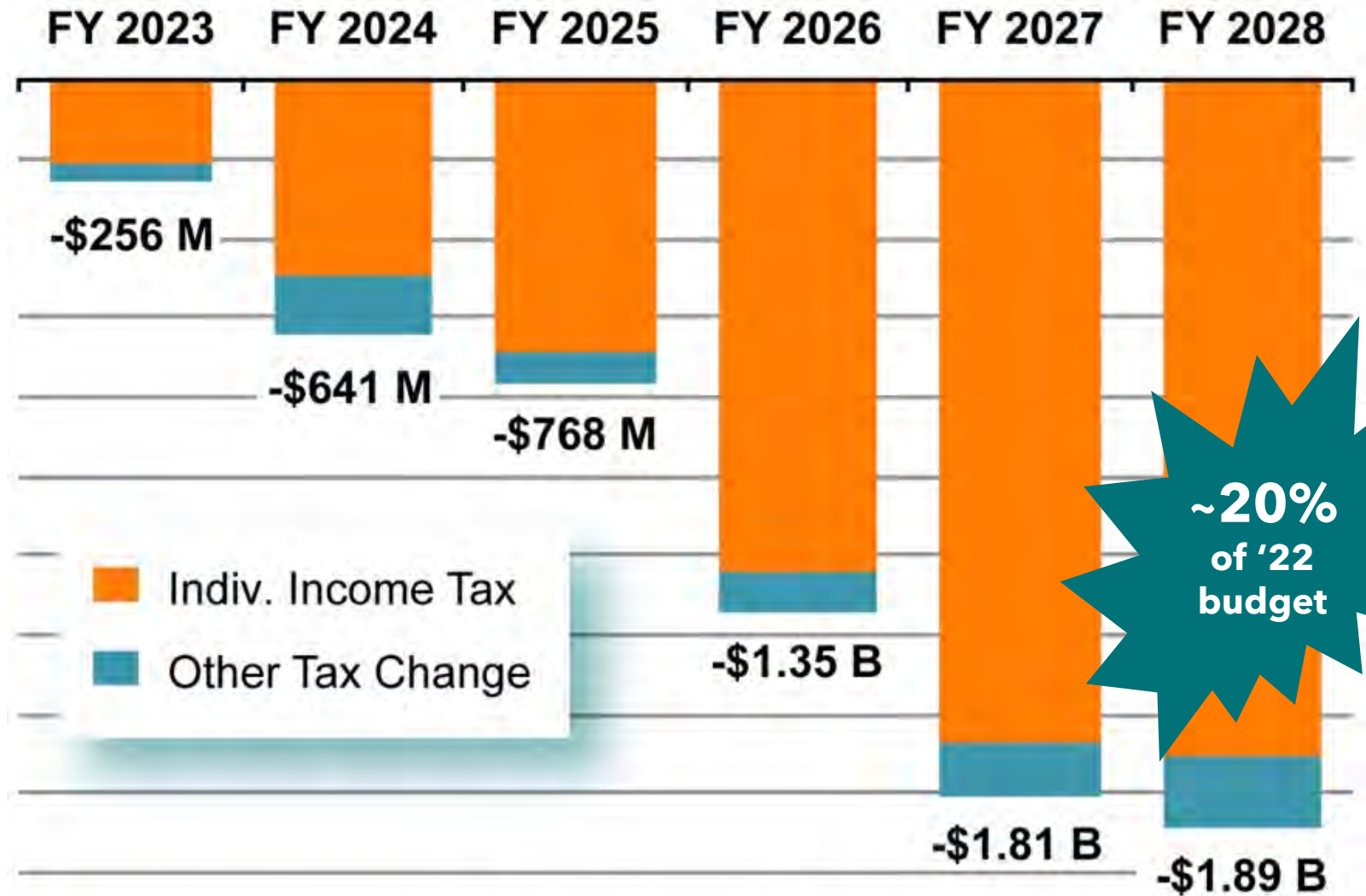


Recent tax cuts: **Budget pain is coming**

- Large package of **tax cuts passed in 2022** just phasing in
- Biggest feature: **3.9% single-rate personal income tax**
- When fully phased in, will be equivalent to about **20% of the budget** passed that year

A single-rate income tax doesn't mean a flat tax code. Instead, it guarantees a system where the **poor and middle class pay a greater percentage** of their income in taxes than the wealthy.

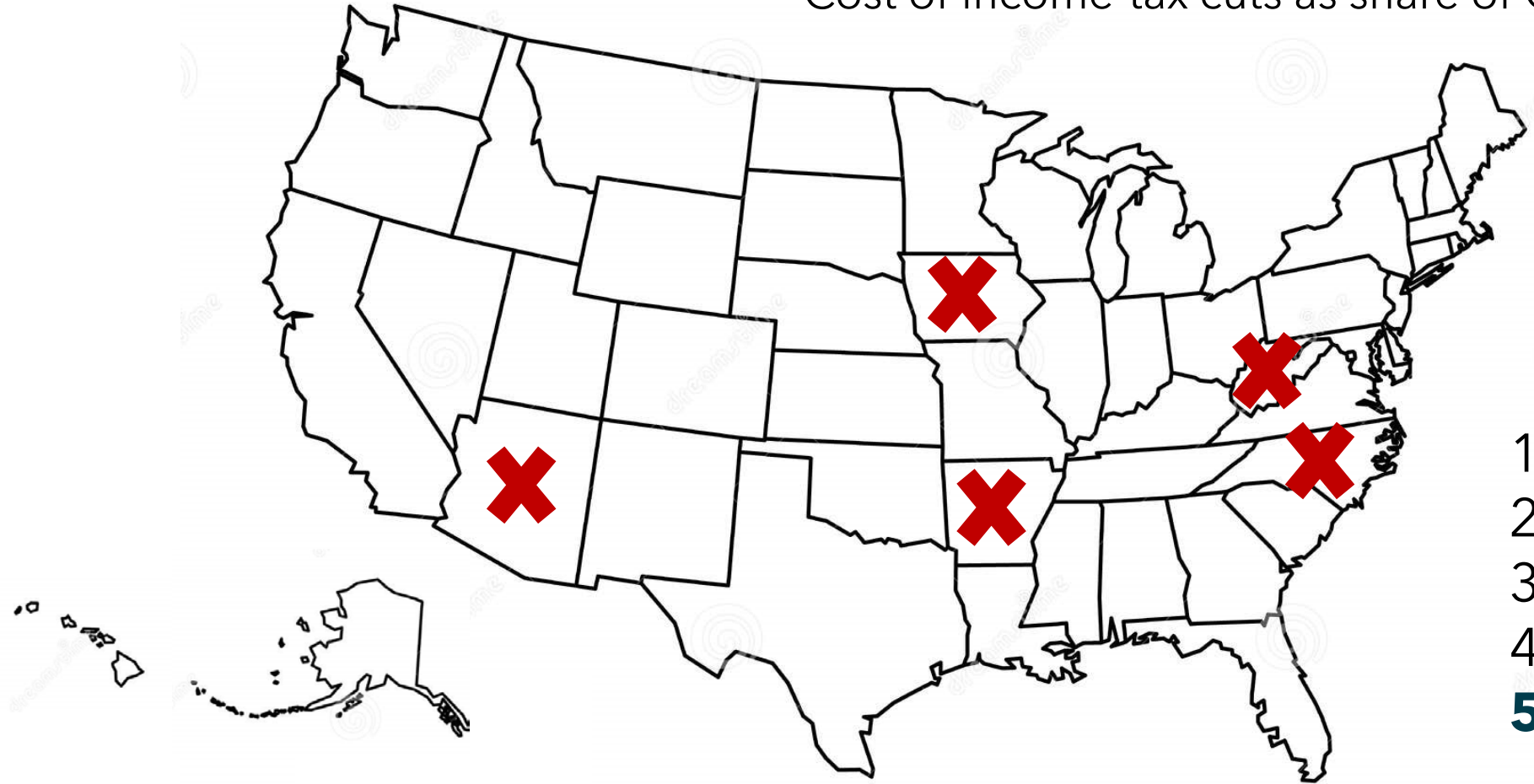
Projected revenue losses from 2022 bill to snowball ... without new cuts





Race to the bottom: Iowa 5th among tax-cutting states

Cost of income-tax cuts as share of GF revenue, 2024-28



1. North Carolina
2. West Virginia
3. Arizona
4. Arkansas
- 5. Iowa**

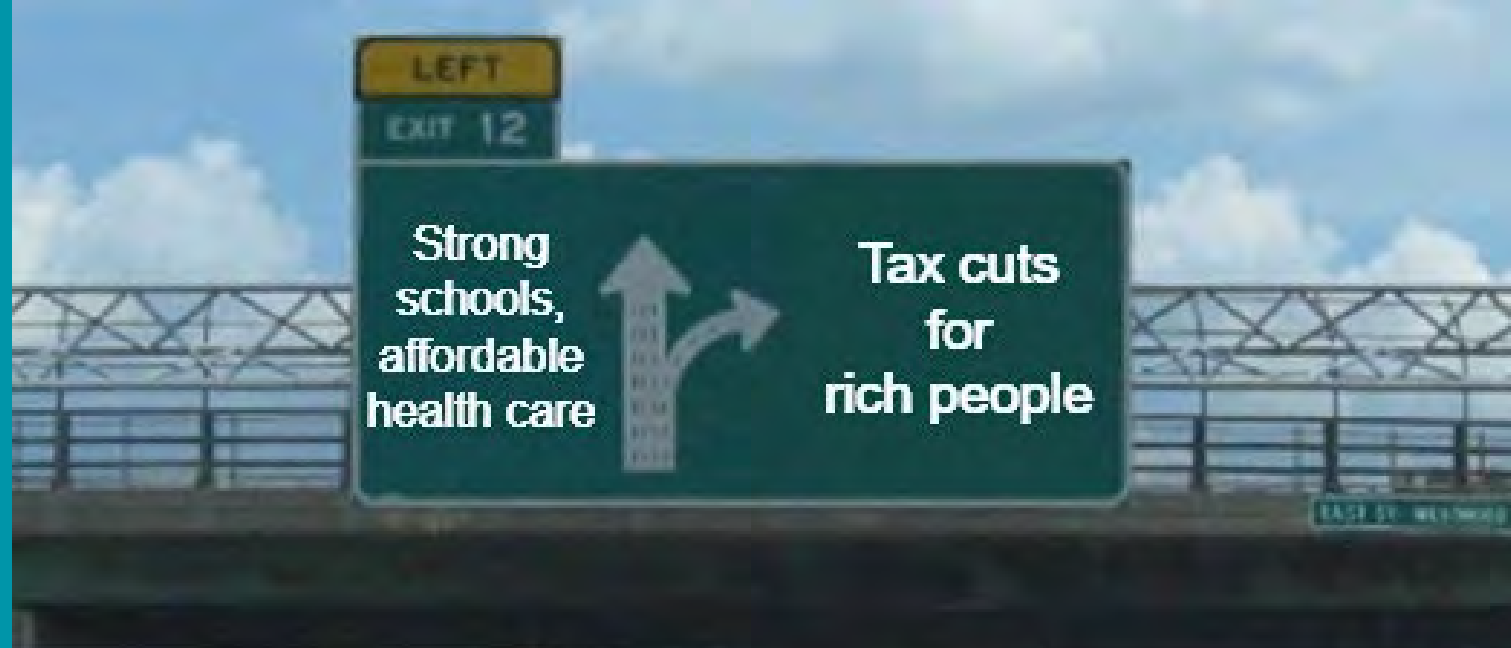
Source: Wesley Tharpe, "States' Recent Tax-Cut Spree Creates Big Risks for Families and Communities," Center on Budget and Policy Priorities, Nov. 2023

Meanwhile, in Iowa ...

Iowa Legislative Services Agency:

“Individual income tax revenue has declined in **16 of the past 17 months** when compared to the same month the previous year, and **growth is now negative over the past 12 months.**”

Twelve-month tax memo to Iowa legislators, March 14, 2024



Now tax cutters are back for more



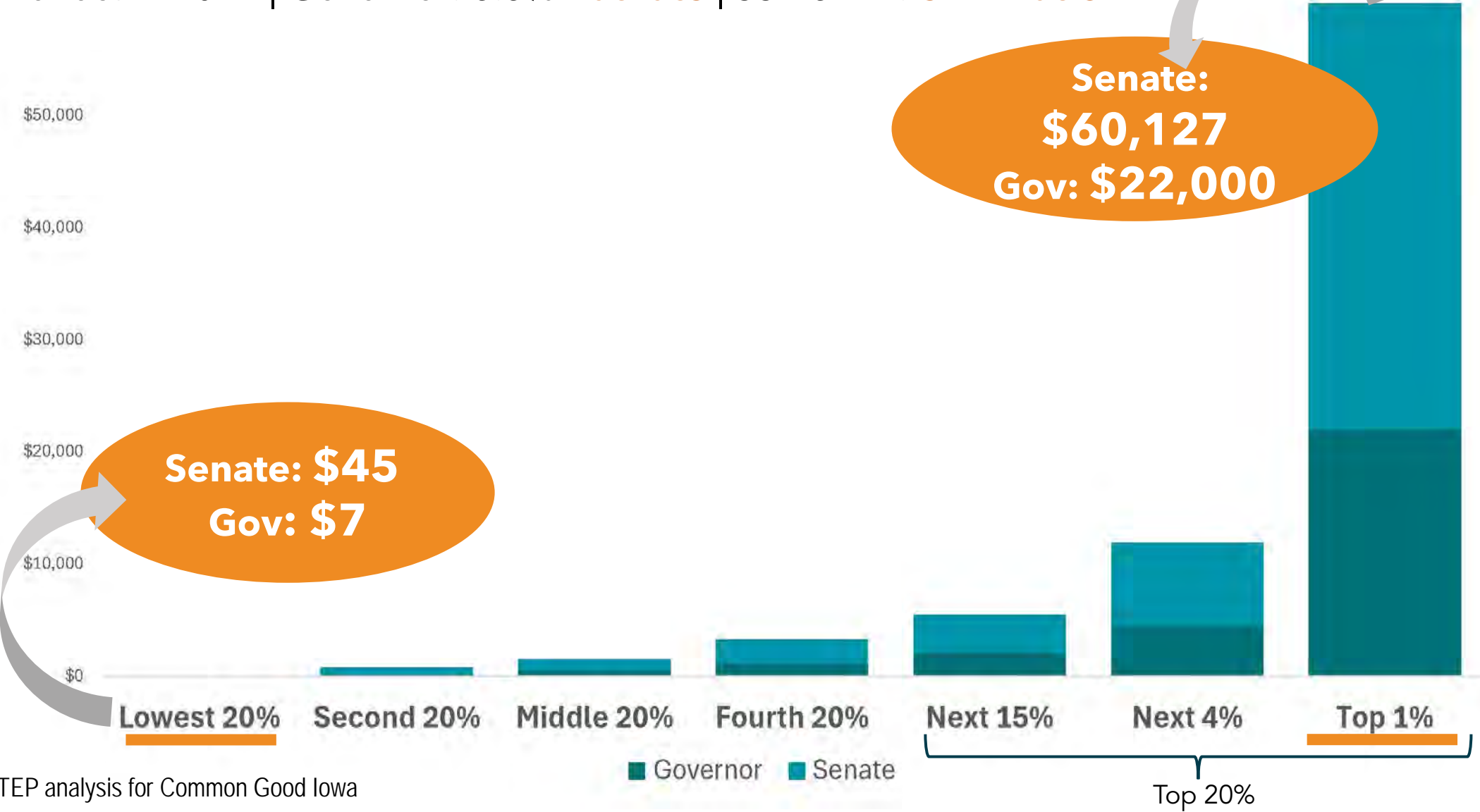
Legislative leaders

New tax plans would **deepen & accelerate cuts**

	2024	2025	2026	2027	After 2027
Current law (est. '22)	3 brackets: 5.7%, 4.82%, 4.4%	2 brackets: 4.82%, 4.4%	Flat rate: 3.9%	Flat rate: 3.9%	No additional changes in law
Governor's plan	Flat rate: 3.65%	Flat rate: 3.5%	Flat rate: 3.5%	Flat rate: 3.5%	No additional changes proposed
Senate plan	3 brackets: 5.7%, 4.82%, 3.9%	2 brackets: 4.82%, 3.9%	Flat rate: 3.775%	Flat rate: 3.65%	Additional cuts using money from Taxpayer Relief Fund until rate reaches 0%

Average size of tax cut by income level

If in effect in 2024 | Governor: 3.5% **flat rate** | SSB 3141: **elimination**



Source: ITEP analysis for Common Good Iowa

Income-tax elimination threatens every service

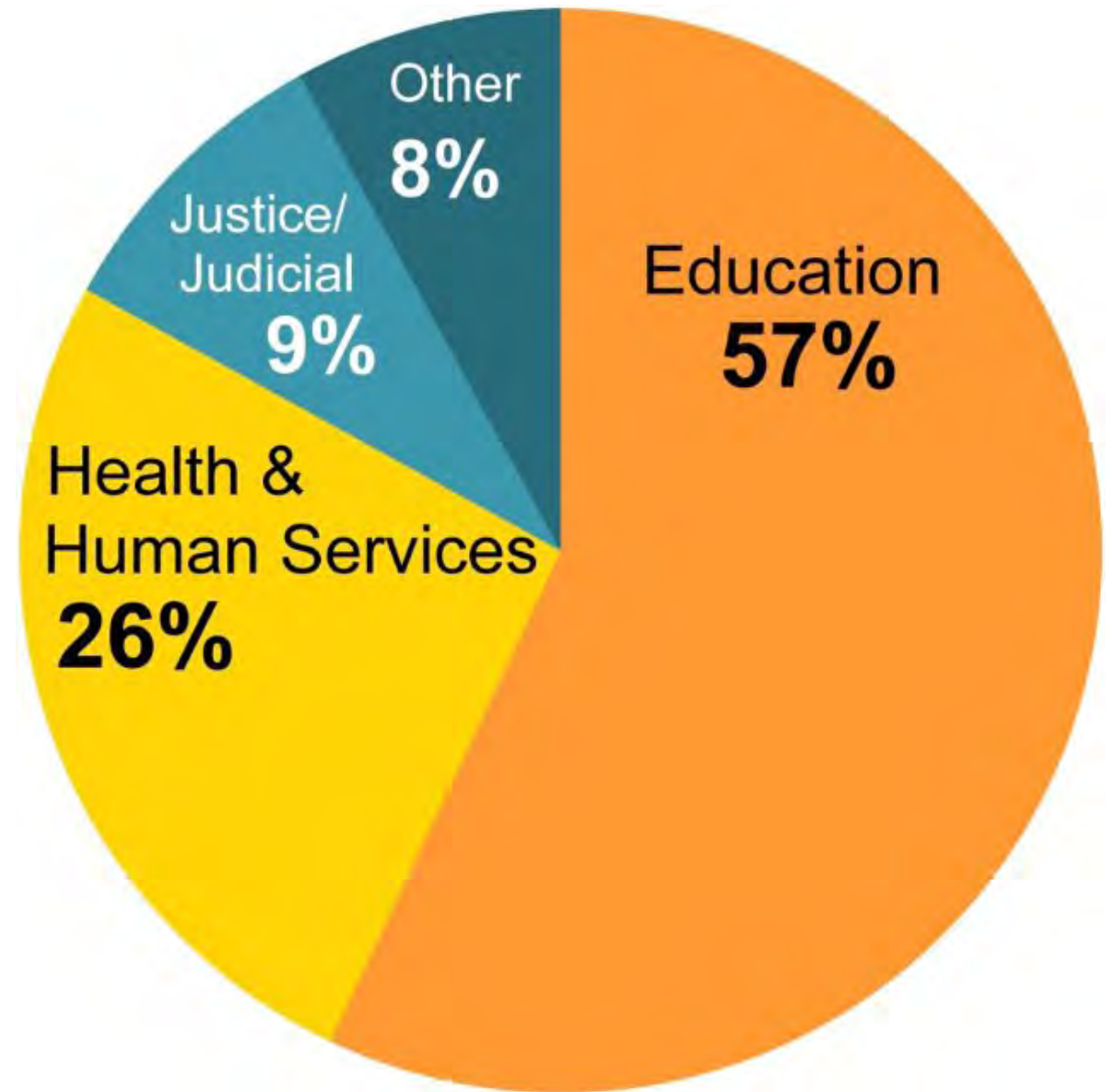
Governor's budget: All the context you need.

Personal income tax is 43% of General Fund resources.

Eliminate it and you have the eventual tough choice :

What to cut?

Where is the 43% coming out?



The threat is real. It is math.

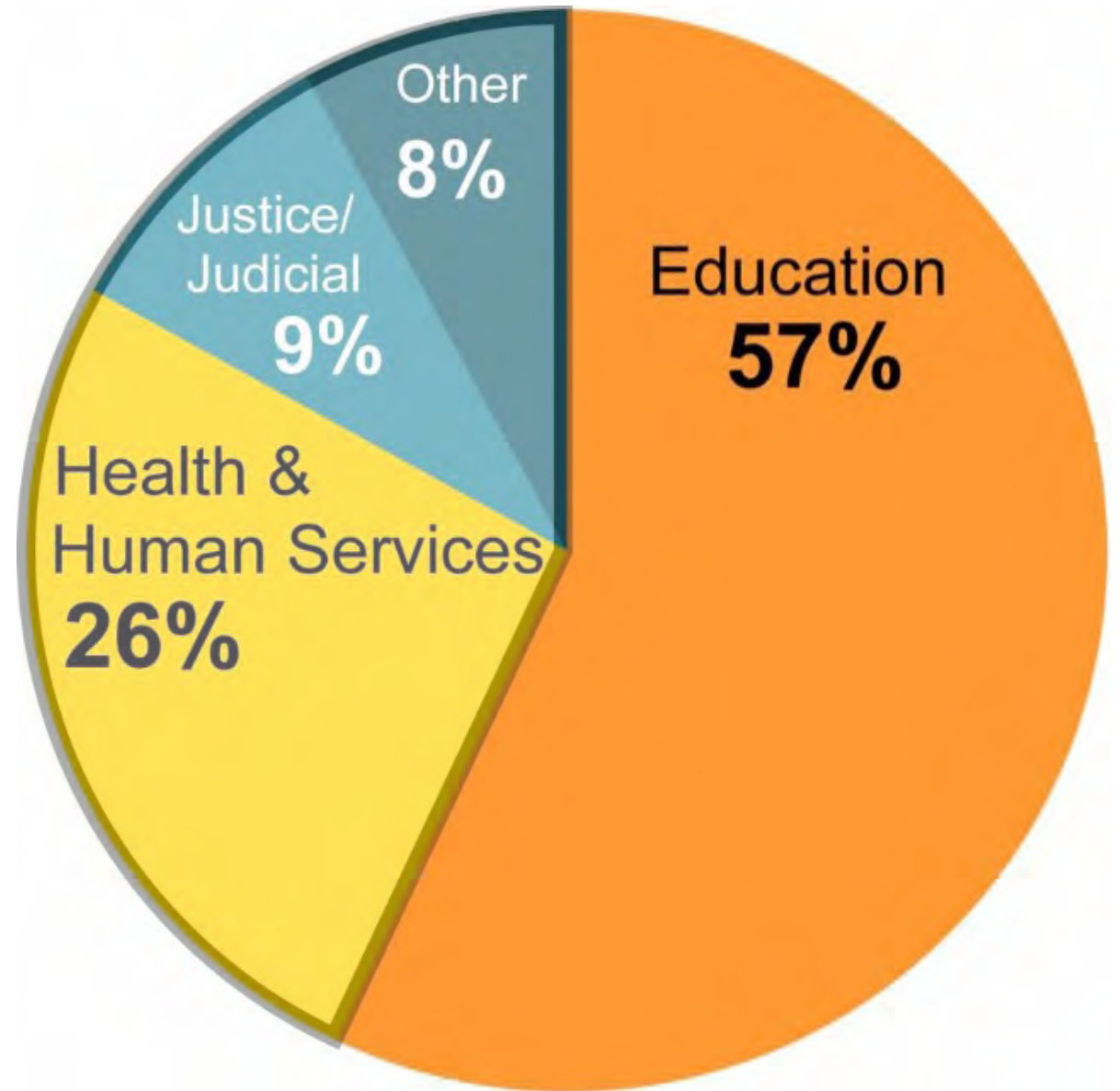
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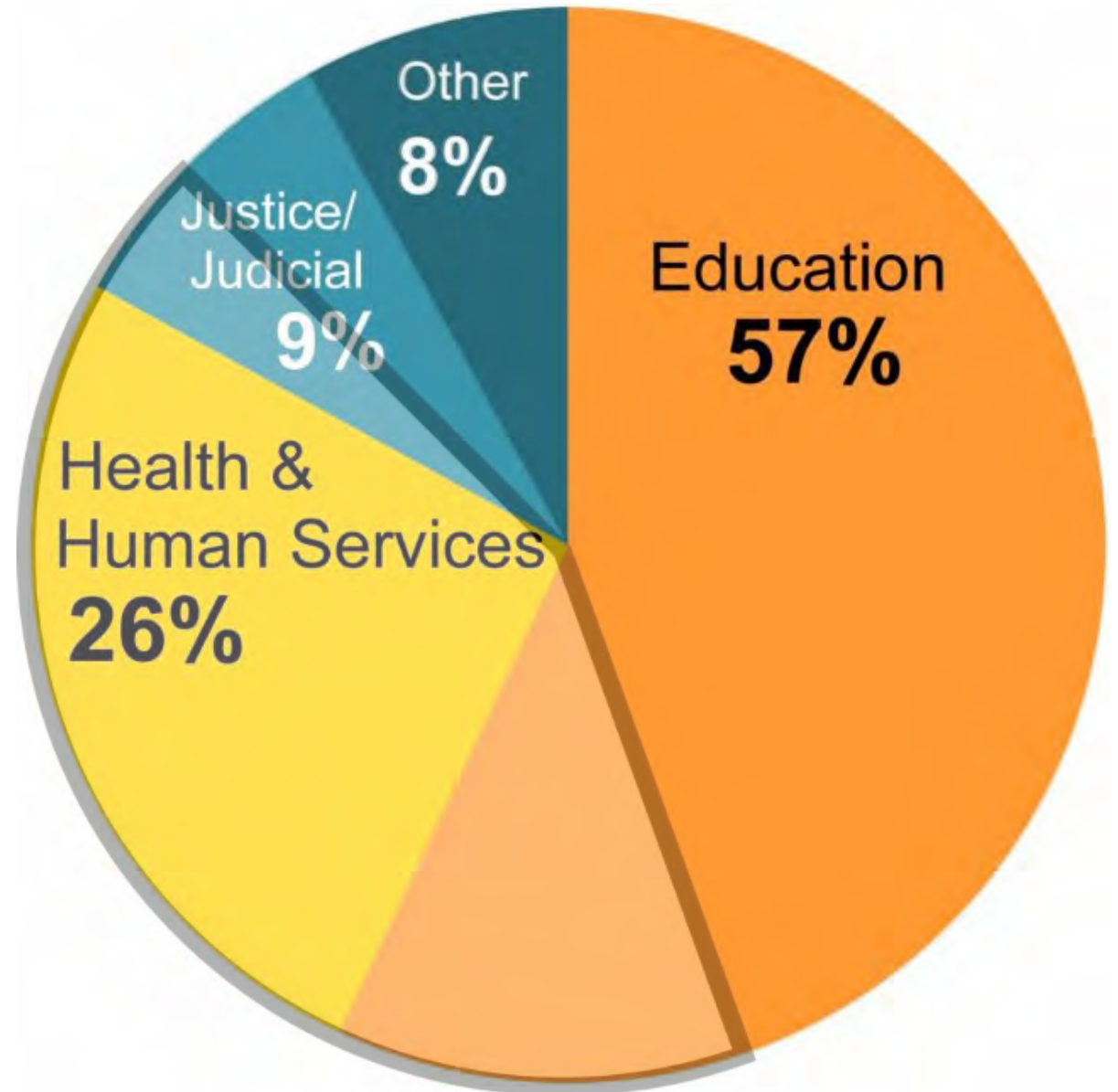
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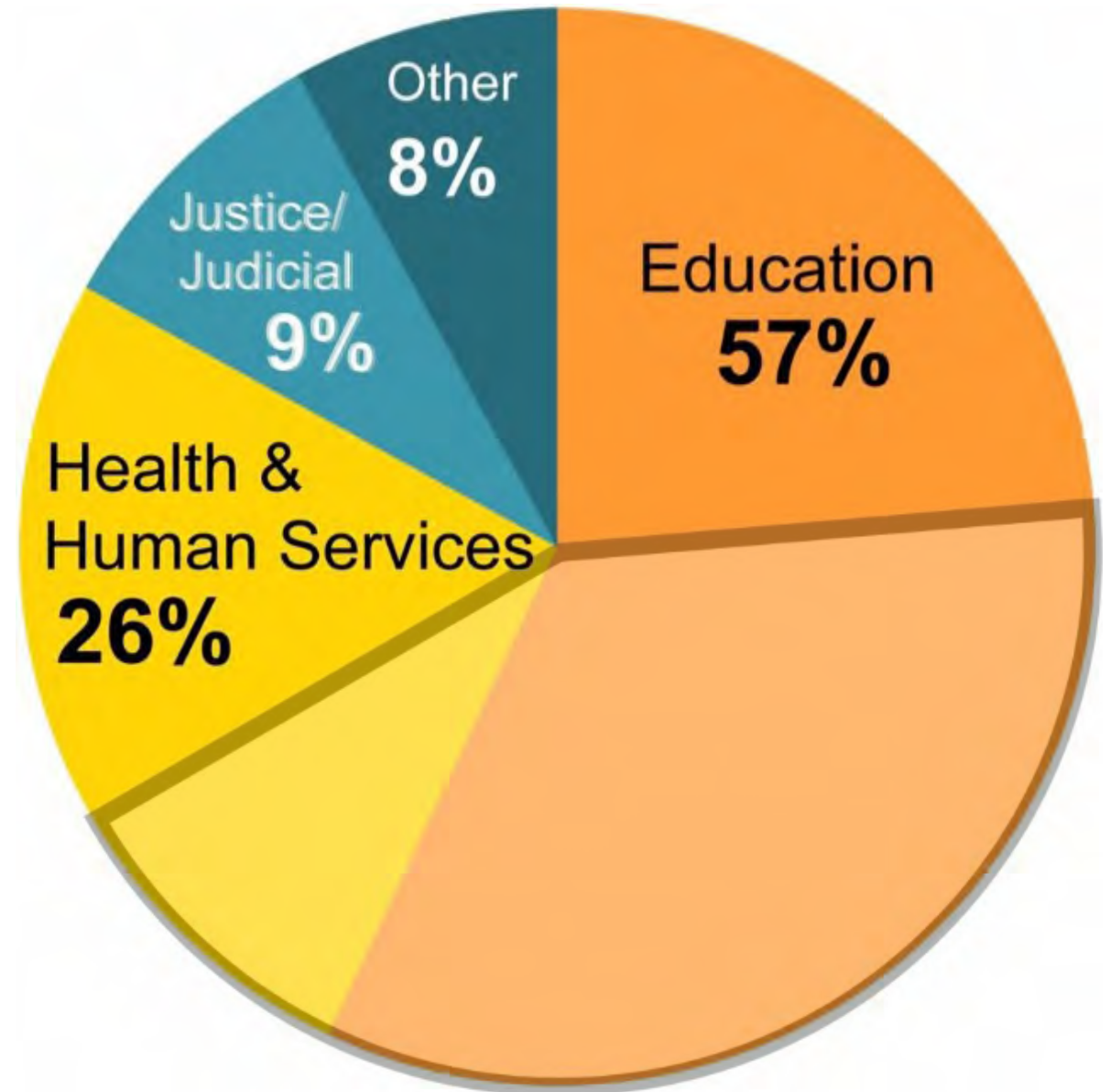
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As if that were not enough ...

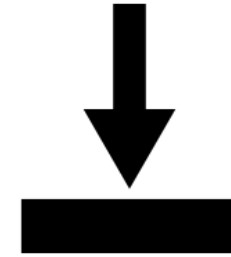
Proposed **constitutional amendment** would lock in bad policy by requiring **2/3 supermajorities** to override

- **Veto power to superminority** against budget fix
 - **One 'no' vote is worth two 'yes' votes**
- **New pressure to increase sales and property taxes,** and fees and fines – increased inequities
- **Cements inequities** into lowa taxes by allowing only single-rate income tax

Surpluses can defer the pain – **for a while**



Strong economic activity boosted by **federal pandemic aid**



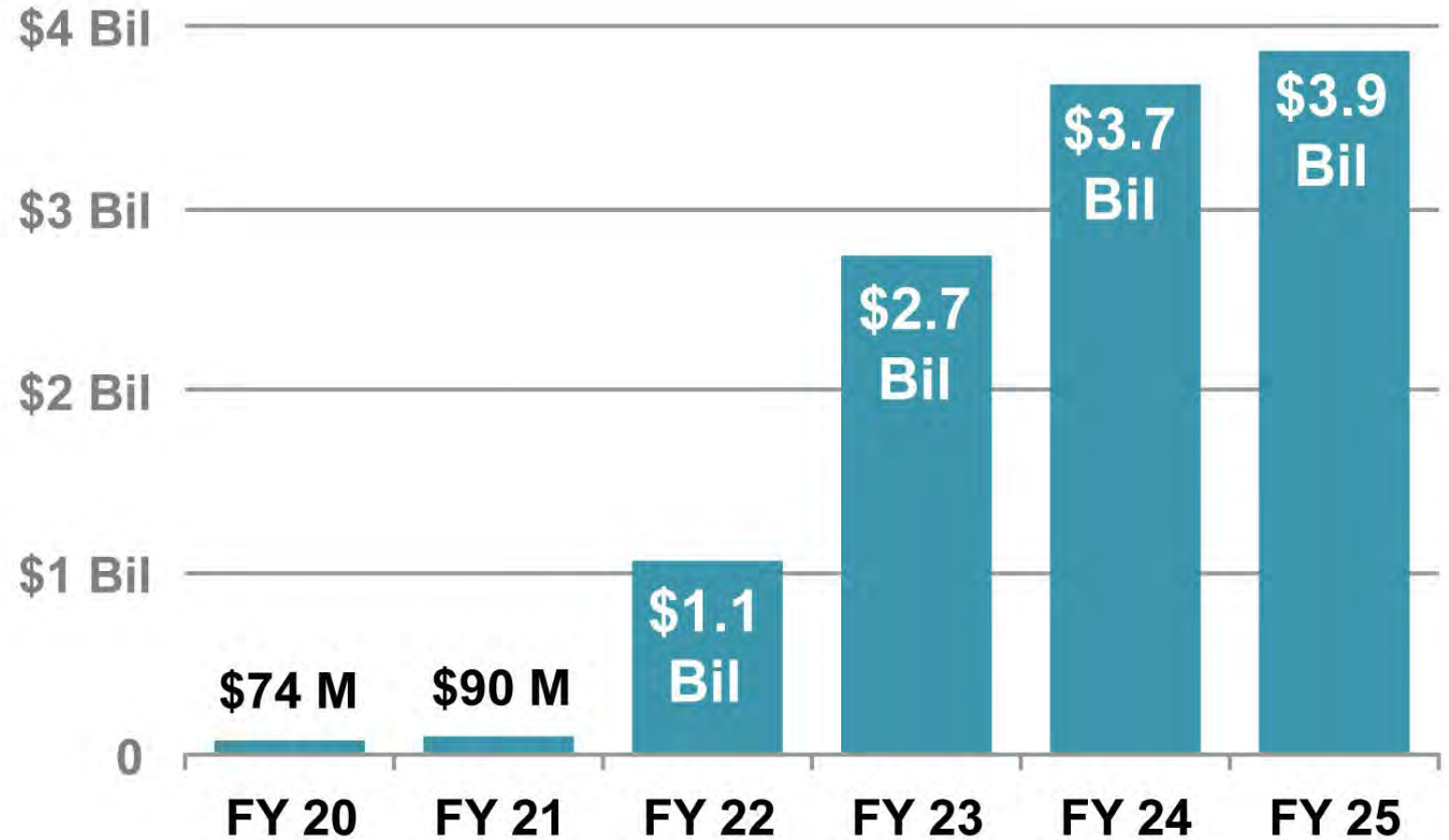
State lawmakers **holding down investments** in services

Surplus dollars are **one-time dollars**.
When they're gone, they're gone.

Misusing
surpluses to
divert taxpayer
money to the
rich:

Surplus
dollars feed
tax-cut slush
fund

Taxpayer Relief Fund grows fast



Fairfield school board approves \$1.1 million budget cut

Andy Hallman
Feb. 21, 2024 2:53 pm

We already have a taste of what budget cuts look like across Iowa

The Scarlet & Black

Nearly \$1 million in budget cuts planned for Grinnell-Newburg schools

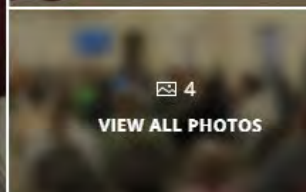
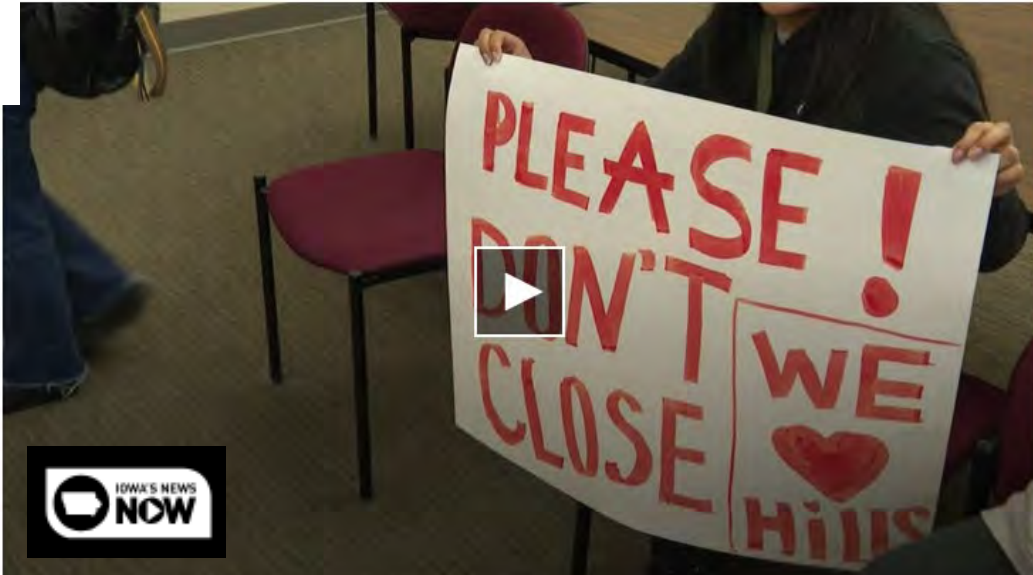
 Nina Baker, Staff Writer

March 2, 2024



Iowa City school board considers budget cuts, potential closure of Hills Elementary

Sedrick Bolton III | Tue, February 27th 2024 at 10:34 PM



Teachers, staff jobs could be a part of a \$3 million budget cut for West Des Moines schools

EDUCATION

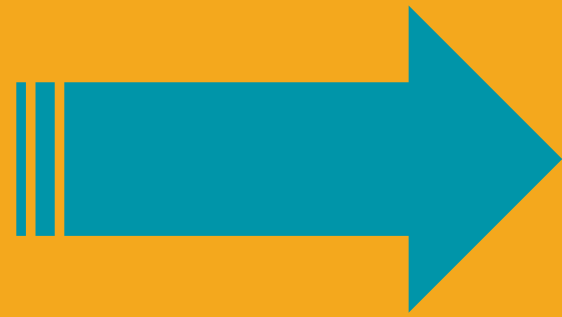
Des Moines Public Schools says it must slash \$14 million from coming budget. What gets cut?

 Samantha Hernandez
Des Moines Register

Published 6:33 a.m. CT Feb. 8, 2024 | Updated 12:50 p.m. CT Feb. 8, 2024



4
VIEW ALL PHOTOS



Better path
forward

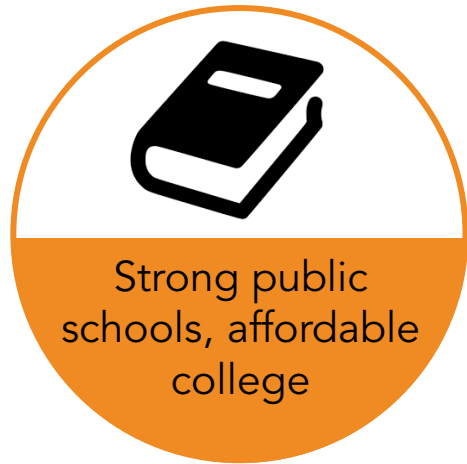
A red shovel is stuck upright in a hole in the ground. The shovel's head is at the bottom of the hole, and its handle extends upwards. The hole is dug into dark, rich soil. At the top of the hole, a bright sun is shining, creating a lens flare effect against a blue sky with scattered white clouds. The sun is positioned in the upper left corner of the frame. The overall scene is a metaphor for stopping digging and looking up.

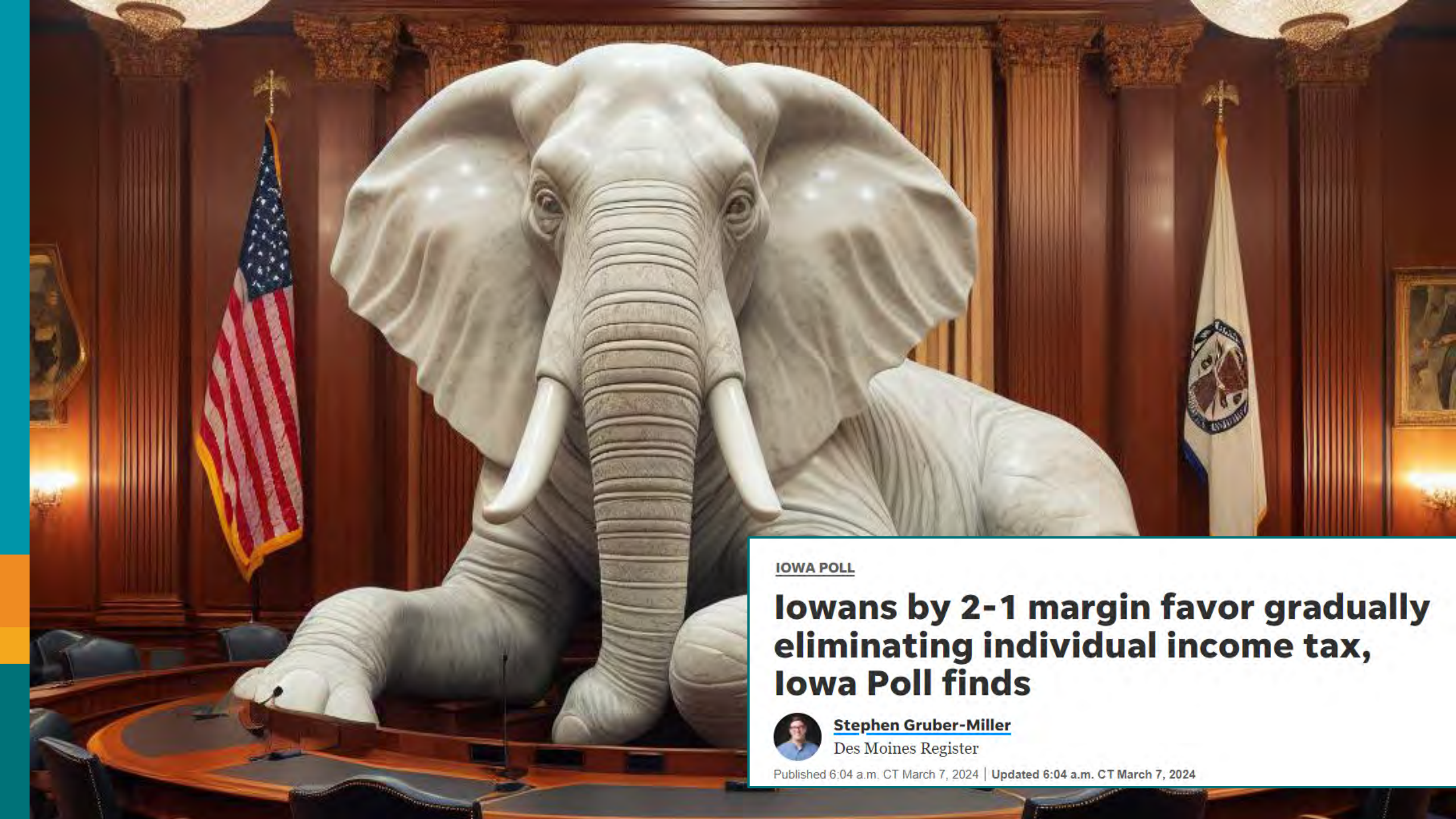
First, stop digging.

No more tax cuts that make our system more unfair and force extreme cuts to services.

Be ready to reverse past cuts to protect services.

Instead, invest in making Iowa a better place to live, work and raise a family





IOWA POLL

lowans by 2-1 margin favor gradually eliminating individual income tax, Iowa Poll finds



Stephen Gruber-Miller
Des Moines Register

Published 6:04 a.m. CT March 7, 2024 | Updated 6:04 a.m. CT March 7, 2024



Respondents were asked if they favor or oppose “gradually [reducing] the state’s individual income tax rate until it is eliminated.”



No context, no sense of tradeoffs

But look at how one respondent fills in context and tradeoffs

- Wants to help people who struggle
- Doesn't want to raise other taxes
- Doesn't want to see programs cut
- Expects lawmakers to be responsible

Her comments suggest way to talk taxes

██████████, a 64-year-old poll respondent from Anamosa who agreed to a follow-up interview, said getting rid of the income tax would help people who are struggling with the cost of groceries and other goods.

“If there’s a way to get rid of the state income tax that is fiscally responsible, without raising everything else, like property taxes and that kind of stuff, I would be for it,” she said.

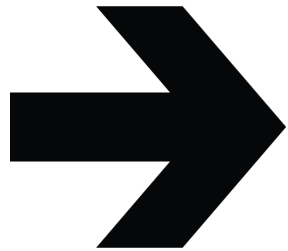
Still, ██████████ said she doesn’t want to see state programs cut as a result.

“They would have to make sure their ducks are in a row and whatever state programs that we have stay before they got rid of the state income tax,” she said.

Talk taxes in context of services – and fairness

- Income-tax cuts will **blow a hole in the state budget**
 - The result: painful, unpopular cuts to services that help lowans thrive
 - Proponents deny what we all know: You can't get something for nothing
- Income-tax cuts **rig our tax system against working lowans**
 - Income-tax cuts are a giveaway to the wealthy
 - Will force working families to shoulder more of the burden
- Amendment would **make it difficult to fix damage**
 - Make one "yes" vote to fix a budget mess worth two "no" votes
 - Increase pressure to raise sales and property taxes

Lawmakers need to hear your voice now



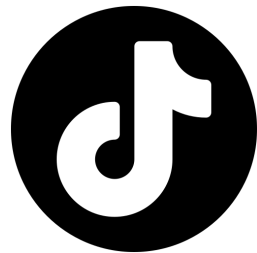
Contact

via phone or email



Write

letters to the editor



Share

via social media



Show up

at events



Tax-cut defense toolkit

9-Mar	Sat	10:00am	11:00am	Denison	Legislative Coffee
9-Mar	Sat	10:00am	11:00am	Storm Lake	Legislative Forum
9-Mar	Sat	10:00am	11:00am	Greene County	Meet Your Legislator
16-Mar	Sat	8:00am	9:00am	Eldridge	Area Legislators
16-Mar	Sat	8:00am	9:00am	Creston	Area Legislators
16-Mar	Sat	9:00am	10:30am	Council Bluffs	Rep. Vondran
16-Mar	Sat	9:00am	10:00am	Arlington	Sen. Shipley
16-Mar	Sat	9:00am	10:00am	Hampton	Area Legislators
16-Mar	Sat	10:00am	11:00am	Estherville	Rep. Johnson
16-Mar	Sat	10:00am	11:00am	Elk Horn	Area Legislators
16-Mar	Sat	10:00am	11:00am	Cornling	Sen. Rowley; Rep. Stone
16-Mar	Sat	10:00am	11:30am	Linn County	Rep. Holt, Rep. Best
16-Mar	Sat	10:00am	11:00am	Jasper County	Sen. T. Shipley
16-Mar	Sat	11:30am	12:30pm	Monona	Area Legislators
18-Mar	Mon	8:00pm	9:00pm	Des Moines	Rep. Kniff McCulla
22-Mar	Fri	8:00am	9:00am	Quad Cities	Rep. Osmundson
22-Mar	Fri	8:00am	9:00am	Corydon	Rep. Baeth
22-Mar	Fri	9:00am	10:00am	Ankeny	Area Legislators
22-Mar	Fri	10:00am	11:00am	Chariton	Area Legislators
22-Mar	Fri	Noon	1:00pm	Osceola	Rep. Matson
22-Mar	Fri	Noon	1:00pm	Jones County	Area Legislators
22-Mar	Fri	Noon	1:00pm	Monticello	Area Legislators
22-Mar	Fri	2:00pm	3:00pm	Leon	Area Legislators
22-Mar	Fri	2:00pm	3:15pm	Iowa City	Area Legislators
22-Mar	Fri	4:30pm	5:30pm	Cedar Rapids	Sen. Koelker; Rep. Bradley

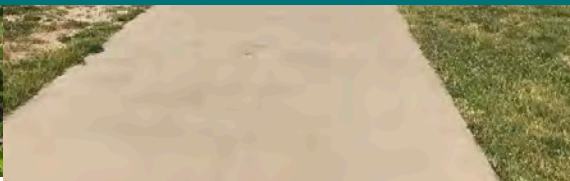


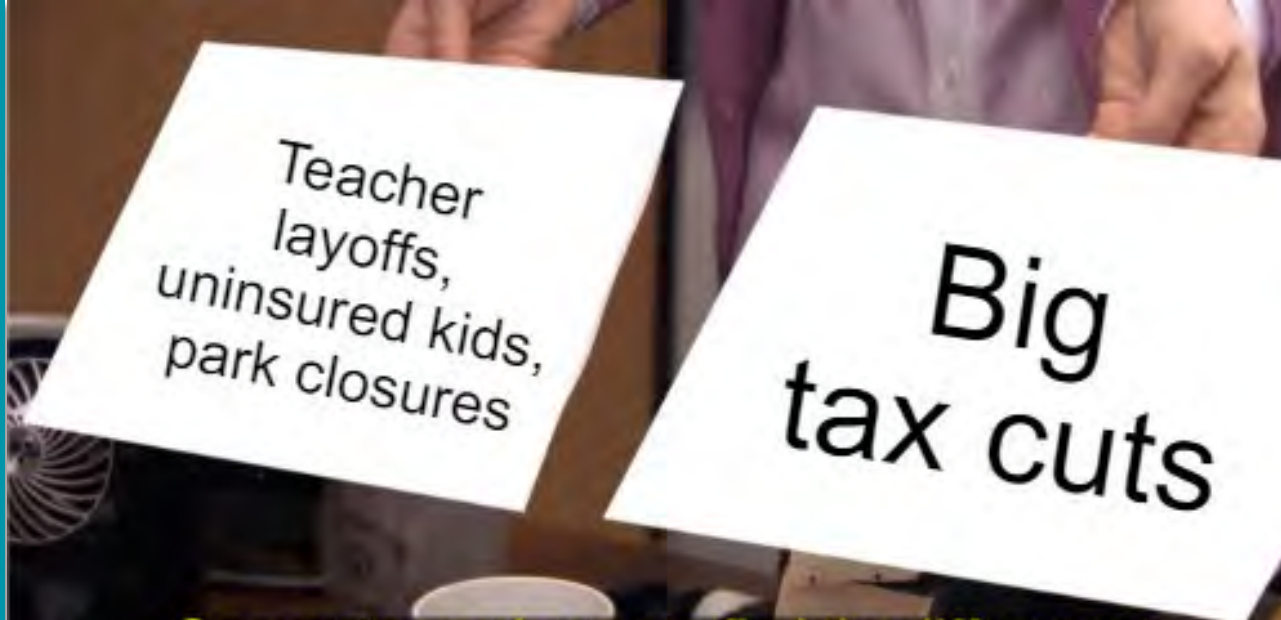


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Thank you

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