

Constitutional amendment would risk schools, safety and health by imposing minority rule on income-tax increases

Key points on SSB 1207

- The bill betrays fundamental democratic principles by making one “no” vote worth two “yes” votes.
- It will prevent majorities from funding popular services by giving a fringe minority veto power.
- It virtually locks in draconian income tax cuts that will shower benefits on the richest Iowans and decimate state services.

This bill would allow as few as 17 legislators to overrule the other 133.

Background

Iowa’s tax structure has long favored the wealthiest Iowans and corporations, and tax cuts passed last year are making inequities worse. The average millionaire will see a cut of \$62,000 a year. Those in the middle, with incomes between \$40,000 and \$60,000, will see an average cut of \$300, or about \$6 a week. Most with incomes under \$40,000 will see no cut at all.ⁱ

The eventual consequences will be cuts to schools, health, human services, public safety, child care and environmental protection. The tax bill’s impacts are phased in so the need to cut services will not be immediately apparent, but by FY 2028 official estimates put the cost at nearly \$2 billion a year, or over 20 percent of the current general fund.

A proposal to fully eliminate the income tax – and halve the general fund – is alive at the Capitol right now.

Perhaps sensing that such radical cuts will not be popular as they phase in, some legislators now want to make it difficult if not impossible for future legislatures to reverse them.

Bill basics

SSB 1207 would place on the statewide ballot a constitutional amendment that, if approved, would essentially lock in income tax cuts long after their proponents have left office.

It would allow a mere one-third minority in either the House or Senate to block any increase in income or corporate income tax rates. In our 150-member Legislature, it would take only 17 members of the Senate or 34 members of the House to stop a substantial majority from passing new initiatives that involve increasing income-tax rates – Iowa’s only tax based on ability to pay.

The restriction does not apply to income-tax cuts, or to increases in the sales tax or other fees and fines that tend to be borne more heavily, as a share of income, by lower- and middle-income lowans.

Here are the biggest problems with SSB 1207:

Problem 1: It betrays democratic principles of representative government.

- A two-thirds majority would be required to correct tax policy mistakes that were passed with simple majority votes, essentially making **one “no” vote worth two “yes” votes**.
- It permits current senators and representatives to **impose their will on future voters and the legislators they elect**.
- **It cements in place current policies that passed with simple majorities** – and that were not sufficiently popular to receive two-thirds majorities.

Problem 2: It would practically assure that Iowa’s upside-down tax system – favoring the wealthiest – will not be fixed in our lifetimes.

- It effectively **precludes increasing the personal or corporate income tax** to raise revenue necessary for services demanded by large majorities of lowans and their elected officials.
- **It incentivizes the use of the sales tax and fines and fees** that disproportionately affect lower-income lowans.

Problem 3: It threatens the public services lowans care about.

- It prevents the majority from adequately funding services by giving a veto to a fringe minority, including **the ability to correct problems** stemming from tax policies passed with a simple majority vote.
- It is an **assault on efforts to improve public education, environmental protection, public safety and other services** threatened by tax cuts passed in 2018, 2021 and 2022 – whose effects are yet to be fully seen.

Problem 4: It would force the state to look for different, worse, sources of revenue.

- It would make it **easier to raise the sales tax** than any other major tax.
- It would increase **reliance on other taxes, fines and fees more likely** as they would not be subject to the two-thirds requirement.
- It raises the possibility that Iowa would **reinstate the sales tax on groceries, prescription drugs and other currently exempt products**. Some legislators have tipped their hand on this, having voted last session to reinstate the sales tax to residential water service.

ⁱ All impacts are from the Iowa Department of Revenue analysis of the 2022 tax bill when fully implemented in 2026, with taxpayers classified by federal adjusted gross income.