

May 4, 2018

Dear Legislator,

On behalf of the undersigned organizations and our thousands of members across Iowa, we strongly urge you to pass pro-growth, comprehensive tax reform. Our groups applaud the recently-announced compromise struck between Governor Reynolds and legislative leaders because it provides a much-needed boost to the state economy and increases take-home pay for taxpayers, but urge you to reduce the revenue growth trigger from 4 percent to 2.5 percent.

This proposal not only marks the first time in decades that Iowa can substantially reform its tax code, but could also be the largest tax relief and reform package in state history.

Iowa's tax code needs improvement now more than ever. The state's top individual income tax rate is the second-highest in the Midwest and among the highest in the nation. A significant reduction of the top rate to 6.5 percent, down from the current rate of 8.98 percent, would, along with tax bracket consolidation, give overburdened taxpayers relief and larger paychecks to better manage their finances. Importantly, this proposal phases out federal deductibility to ensure taxpayers are not hit with a higher state tax liability.

By implementing these changes, Iowans would be given much-deserved relief through massive tax savings. For example, an individual filer earning \$25,000 will see a 22 percent reduction, an individual filer earning \$48,000 with one child will see a 25 percent cut, and joint filers earning \$75,000 with two children will see a 25 percent cut. These savings, coupled with positive changes made to the federal tax code, will put Iowa taxpayers on a promising path for success.

Furthermore, the compromise strives to make the Hawkeye State a better place to start and expand a business. Iowa's current 12 percent top marginal corporate tax rate is uncompetitive and outdated, giving it the undesired title of the highest rate in the nation. While the corporate rate only drops to 9.8 percent, a 2.2 percentage-point cut is a step in the right direction and leaves open the possibility for future reductions. Business owners and farmers will also benefit from an expanded depreciation deduction and Qualified Business Income deduction.

We view this proposal as an historic opportunity to give Iowans the simpler, fairer tax code that they deserve. However, the impact of these reforms could be limited if the final version includes a trigger at 4 percent revenue growth, rather than a much more reasonable rate of 2.5 percent. Iowans shouldn't have to wait for 4 percent growth to keep more of their income. We are confident that more money in the pockets of taxpayers, instead of government coffers, will bolster strong economic and revenue growth in the years to come. We strongly urge you to reconsider this trigger level so that



your hard work reforming the Iowa tax code can reach its full potential for Iowa taxpayers.

We hope to be a helpful resource as you advance a tax reform package that delivers pro-growth tax relief to individuals, families, and businesses. Please do not hesitate to reach out to our organizations during this process, and we applaud your work on this issue.

Sincerely,

Pete Sepp, President  
National Taxpayers Union

Drew Klein, Iowa State Director  
Americans for Prosperity

David Williams, President  
Taxpayers Protection Alliance

Tom Schatz, President  
Council for Citizens Against Government Waste

Grover Norquist, President  
Americans for Tax Reform

Adam Brandon, President  
FreedomWorks