

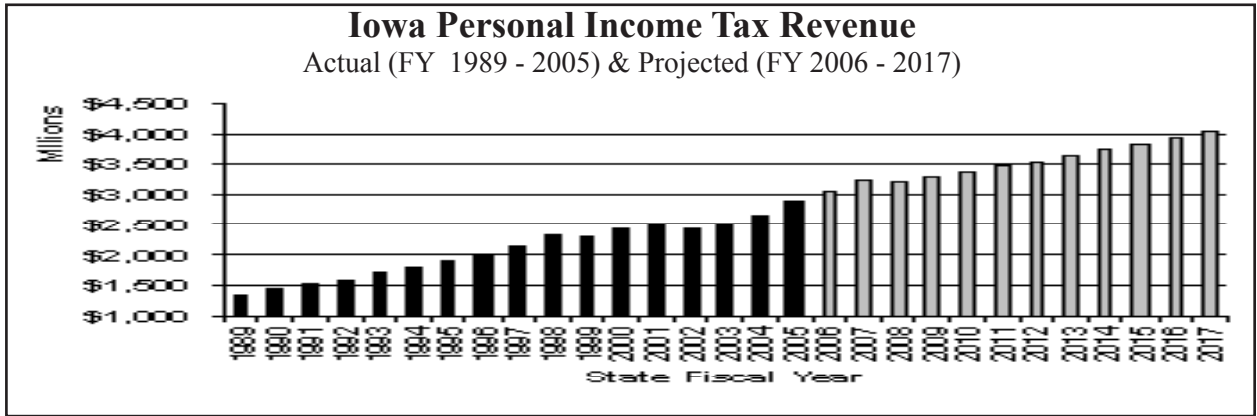
PUBLIC INTEREST INSTITUTE

FACT SHEET

Number 06-01

January 17, 2006

Issue at a Glance – Effects of a 50% Cut in State Income Tax



Iowa Personal Income Tax Revenue
Actual (FY89 - 05) & Projected (FY06 - 17)

State Fiscal Year	Revenue from Individual Income Taxes
SFY 1989	\$ 1,360,646,994.40
SFY 1990	\$ 1,446,746,147.31
SFY 1991	\$ 1,529,973,053.47
SFY 1992	\$ 1,593,376,172.95
SFY 1993	\$ 1,710,498,821.97
SFY 1994	\$ 1,801,622,025.40
SFY 1995	\$ 1,893,153,347.10
SFY 1996	\$ 2,024,030,947.22
SFY 1997	\$ 2,153,261,764.25
SFY 1998	\$ 2,337,939,228.15
SFY 1999	\$ 2,286,318,957.18
SFY 2000	\$ 2,426,817,861.99
SFY 2001	\$ 2,491,106,626.23
SFY 2002	\$ 2,440,436,240.96
SFY 2003	\$ 2,478,728,259.63
SFY 2004	\$ 2,665,657,317.90
SFY 2005	\$ 2,869,700,723.53
SFY 2006	\$ 3,044,752,467.67
SFY 2007	\$ 3,230,482,368.19
SFY 2008	\$ 3,200,923,454.52
SFY 2009	\$ 3,284,147,464.34
SFY 2010	\$ 3,369,535,298.41
SFY 2011	\$ 3,457,143,216.17
SFY 2012	\$ 3,547,028,939.79
SFY 2013	\$ 3,639,251,692.23
SFY 2014	\$ 3,733,872,236.23
SFY 2015	\$ 3,830,952,914.37
SFY 2016	\$ 3,930,557,690.14
SFY 2017	\$ 4,032,752,190.09

Iowa personal income tax rates were cut 10% beginning January 1, 1998. (State Fiscal Year 1998 runs from July 1, 1997 to June 30, 1998.) The tax cut resulted in a one-year dip in state personal income tax revenue, followed by an increase in state personal income tax revenue.

Projections (in gray above) show the amount of revenue collected from Iowa personal income taxes if the tax rates were cut 5% each year over the next 10 years, beginning in 2007.

The conclusion is that Iowa families will have more money in their pockets following the tax cuts, and so, too, will the state of Iowa.

This conclusion is in line with what happened to U.S. revenue following the income tax rate cuts in the Kennedy, Reagan, and Bush administrations.

Source: Data is from Iowa Department of Revenue and Finance, calculations by Public Interest Institute Staff. Projections for FY 2006 & 2007 take the previous year's revenue and increase it by 4.3% - the median growth rate between FY97 and FY05. Projections for the years following FY07 increase the revenue for each year by half of the rate of the increase in revenue following the one-time 10% tax cut enacted in 1997.

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