

PUBLIC INTEREST INSTITUTE

FACT SHEET

Number 07-02

September 28, 2007

After the Income Tax Cut: Iowa Personal Income Tax Collections

In 1997 the Iowa Legislature adopted a 10% cut in the state's personal income tax rates, bringing the top income tax rate down to 8.98%, and reducing all other tax rates by 10% as well. This income tax cut took effect in 1998. This year, the 10th anniversary of the tax cut, Public Interest Institute has examined the results of the tax cut.

- Looking at the amount of personal income tax collected by the State of Iowa, in constant dollars¹, the total amount collected in the ten years after the tax cut was higher than the total amount collected in the ten years prior to the tax cut — when the income tax rates were higher.
- The state results are similar to those on the national level, when tax collections rose following the Kennedy, Reagan, and Bush tax cuts.²

Iowa General Fund Receipts — Personal Income Tax

Fiscal Year	Amount collected	Fiscal Year	Amount collected
1988	\$2,174,730,000	1998	\$2,924,360,000
1989	\$2,298,010,000	1999	\$2,792,780,000
1990	\$2,303,880,000	2000	\$2,873,970,000
1991	\$2,334,110,000	2001	\$2,854,080,000
1992	\$2,356,910,000	2002	\$2,746,560,000
1993	\$2,448,990,000	2003	\$2,736,870,000
1994	\$2,508,720,000	2004	\$2,858,520,000
1995	\$2,562,730,000	2005	\$2,967,490,000
1996	\$2,656,380,000	2006	\$2,949,040,000
1997	<u>\$2,755,390,000</u>	2007	<u>\$3,085,900,000</u>
Total	\$24,399,850,000		\$28,789,570,000

*All figures are in 2007 dollars

Source: Iowa Fact Book, various years (Legislative Services Agency, Fiscal Services Division, previously known as the Legislative Fiscal Bureau)

¹ Constant dollars refers to the adjustment of dollar amounts for inflation, using a base year, to allow for a true “apples to apples” comparison. The base year is the latest year for which figures are available, 2007. Dollar amounts were then adjusted for inflation using the U.S. Department of Labor, Bureau of Labor Statistics’ Inflation Calculator, to reflect each year in 2007 dollars.

²For more on the results of national tax cuts, read “The Historical Success of Tax Cuts,” from the October 2006 *IOWA ECONOMIC SCORECARD* and “Should Congress Extend Bush Tax Cuts Beyond 2010? Yes: Extending tax-cuts will extend prosperity, growth,” from the June 2007 issue of *LIMITS*. Both publications are available on Public Interest Institute’s web site, www.limitedgovernment.org.

Contact: Dr. Donald P. Racheter, President

public.interest.institute@limitedgovernment.org Phone: 319-385-3462 Fax: 319-385-3799