

PUBLIC INTEREST INSTITUTE

FACT SHEET

Number 07-03

September 28, 2007

After the Income Tax Cut: Per Capita Personal Income

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 per capita personal income for Iowa, in constant dollars¹, the total amount of per capita personal income in the nine years after the tax cut was higher than the total amount of per capita personal income in the nine years prior to the tax cut.

Per Capita Personal Income, Iowa

Year	PCPI	Year	PCPI
1989	\$26,982	1998	\$30,550
1990	\$26,822	1999	\$30,395
1991	\$26,353	2000	\$31,085
1992	\$27,063	2001	\$30,847
1993	\$26,112	2002	\$31,457
1994	\$27,616	2003	\$31,252
1995	\$27,686	2004	\$32,964
1996	\$28,937	2005	\$32,692
1997	<u>\$29,672</u>	2006	<u>\$33,236</u>
Total	\$247,242		\$284,478

*All figures are in 2006 dollars

Source: US Department of Commerce, Bureau of Economic Analysis

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, 2006. 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 2006 dollars.

Contact: Dr. Donald P. Rachefer, President

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