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# Iowans Dodged a $97 Million Tax Increase in 2016!

Many Iowa taxpayers this near were nearly subjected to an income tax increase, had the Iowa Legislature and Governor Branstad not acted to "couple" Iowa tax law with federal tax law. Although state income taxes for the 2015 tax year were due on April 30, the coupling legislation did not become law until March, forcing many taxpayers to either delay their filing to wait and see if the Legislature and Governor would act or to file an amended state tax return after the coupling bill became law.

The Legislative Services Agency provides a "Fiscal Note" estimating the impact on the state budget of bills under consideration by the Iowa Legislature. According to the Fiscal Note for the coupling legislation, adopting coupling would decrease General Fund revenue by $97.6 million in Fiscal Year 2016, the fiscal year in which taxpayers would pay taxes owed for 2015.[1] To those of us who don't think in terms of the "cost" to the government of tax provisions, that means that if the Legislature and Governor had not adopted the coupling bill, Iowa taxpayers would have paid $97.6 million more to the Iowa Department of Revenue when filing their 2015 income taxes. In other words…**a $97.6 million tax increase**.

What exactly does "coupling" mean? In this case, it allows taxpayers to benefit from some of the same provisions when filing state taxes as they do when filing federal income taxes. For the 2015 tax year, the provisions coupled for individual income tax filers include the "deduction of educator expenses, tuition and fees deduction for higher education, election to deduct state sales/use tax as an itemized deduction in lieu of state income tax, treatment of mortgage insurance premiums as qualified residence income, [and] tax free distribution from an IRA to certain charities for individuals 70 ½ and older."[2]

The largest piece of the coupling bill was the provision to couple with Section 179 of the federal tax code. "This provision allows business taxpayers (including corporate taxpayers and business entities taxed through the individual income tax) to write off additional depreciation in the year a qualified depreciable asset is placed in service. Since the provision accelerates the claiming of depreciation, the provision reduces taxes owed in the first year, but increases taxes owed in later years."[3] Section 179 expensing accounts for $77.8 million out of the $97.6 million tax increase that would have hit Iowa taxpayers without the coupling legislation.

The state has traditionally coupled with federal tax law, and many business owners, farmers, and other taxpayers acted in 2015 assuming that coupling would be enacted for that tax year as well. "Coupling with the federal tax code benefitted more than 177,000 taxpayers in 2014."[4] Delaying this decision and creating uncertainty for Iowa taxpayers is not fair to the business owners, teachers, farmers, and others impacted by coupling legislation. If you are tired of this uncertainty, contact your State Representative and State Senator and encourage them to make tax coupling permanent.

Endnotes:

[1] Jeff Robinson, "HF 2433 Fiscal Note," Legislative Services Agency, Fiscal Services Division, March 14, 2016, <https://www.legis.iowa.gov/docs/publications/FN/780438.pdf> accessed June 13, 2016.

[2] "House File 2433," Iowa Department of Revenue, <https://tax.iowa.gov/house-file-2433> accessed June 13, 2016.

[3] Robinson.

[4] James Q. Lynch, "Iowa tax coupling to benefit 'tens of thousands'," *Cedar Rapids Gazette*, March 10, 2016, <http://www.thegazette.com/subject/news/iowa-tax-coupling-to-benefit-tens-of-thousands-20160310> accessed June 14, 2016.

Contact: Amy K. Frantz Public.Interest.Institute@LimitedGovernment.org Phone: 319-385-3462