

Income/Franchise:

Iowa: New Law Includes Possible Corporate Income Tax Rate Reductions if Revenue Goals are Met

H.F. 2317, signed by gov. 3/1/22. Contingent on net corporate income tax proceeds collected by Iowa exceeding \$700 million in the immediately prior fiscal year, new law would adjust Iowa's corporate income tax rate for that current year "in such a way that when combined with all the other rates...the tax rates would have generated net corporate income tax receipts that equal" \$700 million in the preceding fiscal year. However, this corporate income tax rate adjustment shall *not* be reduced below Iowa's current lowest corporate income tax rate of 5.5%. Furthermore, this "historic tax reform bill" includes annual Iowa individual income tax rate reductions for tax years 2023 through 2025 and establishes a single individual income tax bracket and rate for tax year 2026 and thereafter. Specifically, the new law lowers the top individual income tax rate from 6.5% to 6% for tax year 2023, then to 5.70% for tax year 2024, then to 4.82% for tax year 2025, and finally to 3.90% for tax year 2026 and thereafter. The number of individual income tax brackets and the bracket income levels also are reduced under the new law. Please contact us with any questions.

URL: <https://www.legis.iowa.gov/legislation/BillBook?ga=89&ba=HF%202317>

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