

Income/Franchise:

Iowa: New Rule Implements State Law that Contingently Reduces Corporate Income Tax Rates

Adopted New Rule section 701 – 51.10(422), Iowa Dept. of Rev. (eff. 11/9/22). The Iowa Department of Revenue (Department) adopted a new rule that implements statutory changes to Iowa's corporate income tax rates under legislation enacted earlier this year [see H.F. 2317 (2022), and *State Tax Matters*, Issue 2022-9, for more details on this new law], which adjusts Iowa's corporate income tax rate for a given year *so long as* net corporate income tax proceeds collected by Iowa exceed \$700 million in the immediately prior fiscal year. That is, if Iowa net corporate income tax receipts for the preceding fiscal year exceed \$700 million, Iowa law requires the Department to calculate the applicable corporate tax rates that would have generated \$700 million in net corporate income tax receipts in the preceding fiscal year, subject to some limitations. Specifically, the new rule describes the method the Department will use to determine the applicable Iowa corporate income tax rates.

URL: <https://www.legis.iowa.gov/docs/aco/bulletin/10-05-2022.pdf>

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

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/220304_5.html

Pursuant to this new Iowa law, Iowa Governor Kim Reynolds recently announced that for Fiscal Year 2022, net corporate income tax receipts exceeded \$850 million, triggering a drop of 14.2% in the top corporate tax rate to 8.4% from 9.8% [see *State Tax Matters*, Issue 2022-39, for more details on this announcement]. Similarly, the Department now lists the top corporate income tax rate effective for tax years beginning on or after January 1, 2023, as 8.4%. Please contact us with any questions.

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/220930_1.html

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