

Figure 2. Impact of Two Income Tax Cuts, Fully Phased In, Coupled with Freeze in Phaseout of Utility Sales Tax – Tax Change as a Percent of Income

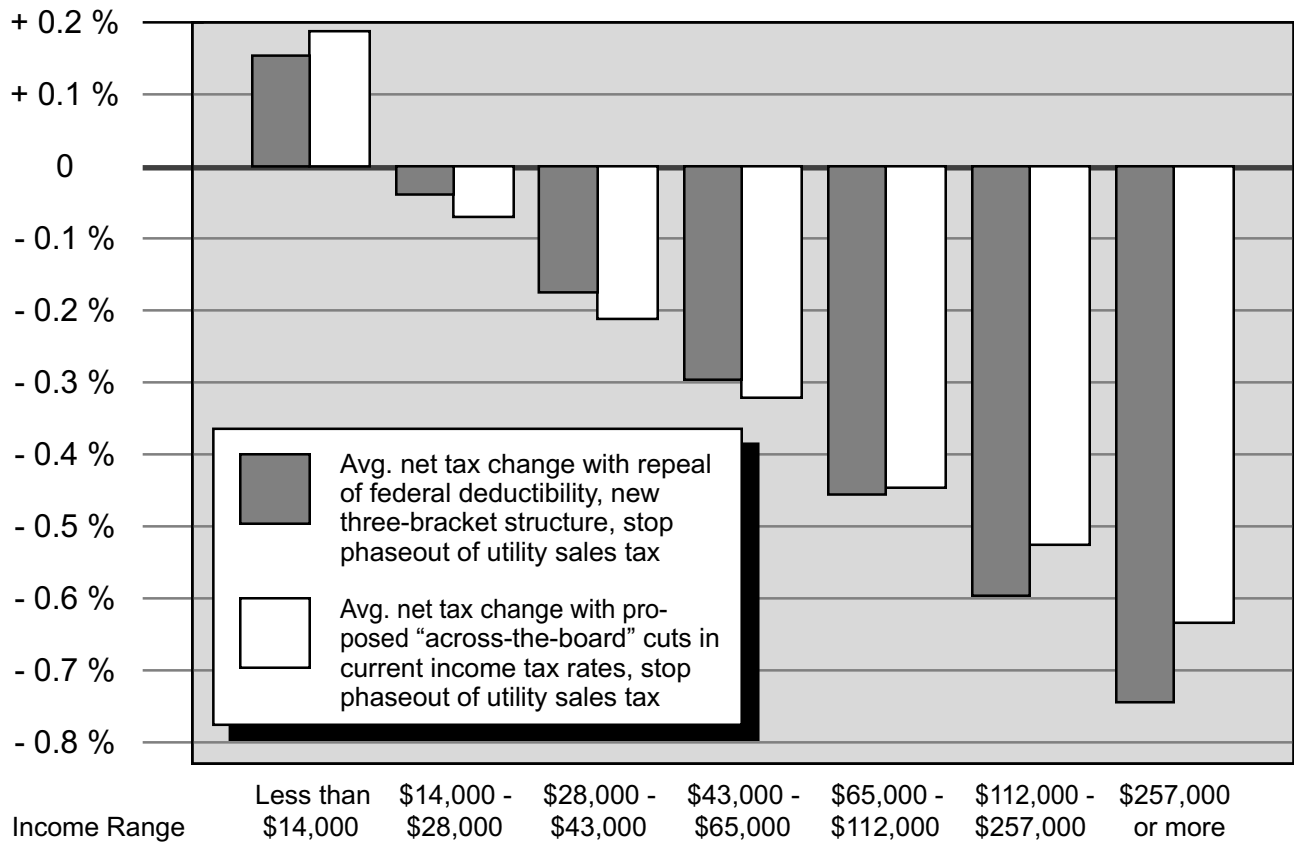


Table 2. Impact of Two Income Tax Cuts, Fully Phased In, Coupled with Freeze in Phaseout of Utility Sales Tax

All Iowa Taxpayers, 2002							
Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Top 20% Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 - \$28,000	\$28,000 - \$43,000	\$43,000 - \$65,000	\$65,000 - \$112,000	\$112,000 - \$257,000	\$257,000 or more
Average Income in Group	\$ 8,500	\$20,800	\$34,700	\$53,300	\$82,400	\$149,400	\$561,400

With Constitutional Amendment: Federal Deduction Repealed, Three-Bracket Structure, Combined With No Further Phaseout of Current Sales Tax on Utilities

Tax Change as % of Income	+ 0.15 %	- 0.04 %	- 0.18 %	- 0.30 %	- 0.46 %	- 0.60 %	- 0.75 %
\$ Avg. Net Tax Change	+ \$ 13	- \$ 9	- \$ 62	- \$160	- \$ 377	- \$ 896	- \$ 4,201

No Constitutional Amendment: "Across the Board" Cuts in Current Tax Rates, Combined With No Further Phaseout of Current Sales Tax on Utilities

Tax Change as % of Income	+ 0.19 %	- 0.07 %	- 0.22 %	- 0.32 %	- 0.45 %	- 0.53 %	- 0.64 %
\$ Avg. Net Tax Change	+ \$ 16	- \$ 15	- \$ 75	- \$ 173	- \$ 372	- \$ 796	- \$ 3,580

Note: The "With Constitutional Amendment" scenario in Tables 1&2 and Figures 1&2 includes four tax changes: eliminating the state income tax deduction for federal income taxes paid, introducing a new three-bracket income tax rate structure with rates of 1.85, 4.75 and 4.99, reducing the alternative minimum tax rate to 3.75 %, and reducing the low-income alternative tax rate to 8 %. The "No Constitutional Amendment" scenario includes three tax changes: reducing the current tax rates "across the board" to a maximum of 7.71 %, reducing the low-income alternative tax rate to 7.71 %, and reducing the AMT rate to 6.7 %.

Source: Institute on Taxation and Economic Policy, June 2003