



## 90,000 IOWA HOUSEHOLDS FACE TAX HIKE UNDER U.S. SENATE TAX PLAN SIMILAR TO HIKES FROM STATE & LOCAL TAX (SALT) DEDUCTION “COMPROMISES”

Under the tax bill passed by the U.S. Senate, **more than 90,000 Iowa taxpayers (6%) would face tax increases in 2019 of \$670 on average**, according to the Institute on Taxation and Economic Policy (ITEP). [Table 1] A major reason for these tax increases is the bill’s limitation of the state and local tax (SALT) deduction. The Senate-passed bill repeals the deduction for state and local income and sales taxes, and caps deductible property taxes at \$10,000. **In Iowa 29.5% of taxpayers claim the SALT deduction, averaging \$10,200, according to the Tax Policy Center.**

Lawmakers are considering “compromises” that may be included in the final bill, which they claim would limit the harm to middle-class families from scaling back the SALT deduction. One proposal (“SALT Compromise 1”) would allow taxpayers to deduct a combination of state and local income taxes and property taxes, with the total deduction capped at \$10,000. A less generous proposal (“SALT Compromise 2”) would allow taxpayers to deduct up to \$10,000 in either income taxes or property taxes, but not both. Thus, if a household has only \$5,000 in income taxes and \$3,000 in property taxes it could only deduct up to \$5,000.

ITEP analyzed the two “compromises” and found that they would do little to limit the harm of the Senate tax bill to Iowa residents, and would do nearly nothing for middle-class families. **Under SALT Compromise 1, allowing a \$10,000 deduction for combined income and property taxes, more than 74,100 Iowa taxpayers (4.9%) would still face tax increases in 2019, averaging \$550.** [Table 2]

**Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, almost 83,200 Iowa taxpayers (5.5%) would still see their taxes rise by an average of \$610.** [Table 3]

**Table 1: Iowa Taxpayers Facing Tax Hikes Under Senate-Passed Bill, 2019**

Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than	\$26,290	298,650	1.6%	4,740	\$10
Second 20%	\$26,290	to \$46,760	300,390	1.9%	5,640	\$180
Middle 20%	\$46,760	to \$70,350	300,260	9.8%	29,430	\$340
Fourth 20%	\$70,350	to \$114,730	299,830	6.9%	20,740	\$730
Next 15%	\$114,730	to \$194,770	223,360	10.2%	22,730	\$950
Next 4%	\$194,770	to \$475,120	61,480	10.4%	6,370	\$1,400
Richest 1%	\$475,120	and higher	15,020	1.8%	280	\$12,810
ALL			1,511,300	6.0%	90,080	\$670
Bottom 60%	Less than	\$70,350	899,300	4.4%	39,810	\$280

Sources: ITEP, [“Compromises” Under Discussion for the State and Local Tax Deduction Do Not Fix Flawed Tax Bills](#)” (Dec. 10, 2017). Number of taxpayers in each income group from ITEP, [“National and 50-State Impacts of House and Senate Tax Bills in 2019 and 2027”](#) (Dec. 6, 2017). Average tax hike from ITEP’s microsimulation model, shared with ATF.

**Table 2: Iowa Taxpayers Facing Tax Hikes Under SALT Compromise 1, 2019**

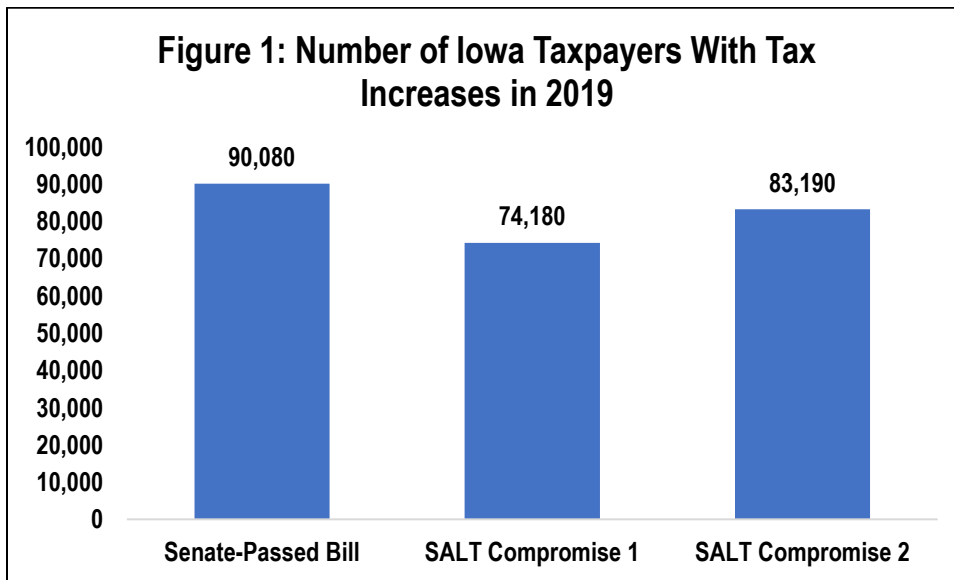
Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike	
Poorest 20%	Less than		\$26,290	298,650	1.6%	4,740	\$10
Second 20%	\$26,290	to	\$46,760	300,390	1.9%	5,640	\$170
Middle 20%	\$46,760	to	\$70,350	300,260	9.7%	29,110	\$210
Fourth 20%	\$70,350	to	\$114,730	299,830	4.6%	13,910	\$670
Next 15%	\$114,730	to	\$194,770	223,360	6.9%	15,460	\$980
Next 4%	\$194,770	to	\$475,120	61,480	8.0%	4,910	\$1,180
Richest 1%	\$475,120	and	higher	15,020	1.8%	260	\$12,770
ALL				1,511,300	4.9%	74,180	\$550
Bottom 60%	Less than		\$70,350	899,300	4.4%	39,490	\$180

Sources: See Table 1

**Table 3: Iowa Taxpayers Facing Tax Hikes Under SALT Compromise 2, 2019**

Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike	
Poorest 20%	Less than		\$26,290	298,650	1.6%	4,740	\$10
Second 20%	\$26,290	to	\$46,760	300,390	1.9%	5,640	\$180
Middle 20%	\$46,760	to	\$70,350	300,260	9.8%	29,430	\$320
Fourth 20%	\$70,350	to	\$114,730	299,830	6.3%	18,870	\$690
Next 15%	\$114,730	to	\$194,770	223,360	8.6%	19,180	\$910
Next 4%	\$194,770	to	\$475,120	61,480	8.0%	4,910	\$1,210
Richest 1%	\$475,120	and	higher	15,020	1.8%	260	\$12,770
ALL				1,511,300	5.5%	83,190	\$610
Bottom 60%	Less than		\$70,350	899,300	4.4%	39,810	\$260

Sources: See Table 1



Sources: See Tables 1-3