

THE MIDDLE CLASS TAX RELIEF ACT

FAIR

SUSTAINABLE

MODERN

Iowa's tax code is outdated, overly complex, and boasts some of the highest income tax rates in the entire country.

Due to tax reform at the national level, Iowans will pay \$1.8 billion less in federal taxes in tax year 2018. However, due to the fact that Iowa has federal deductibility, Iowans will pay additional state taxes totaling \$107 million in tax year 2018 and grow to \$153 million in tax year 2019.

This money should not be used to grow state government. Rather, it should be returned to the hard-working taxpayers of Iowa who deserve relief.

The Middle Class Tax Relief Act will reform Iowa's tax code to make it fairer, sustainable, and built for the 21st century.

The Middle Class Tax Relief Act will reduce the state tax burden on Iowans by \$1.3 billion over 5 years while protecting budget sustainability in future years.

How will this benefit the average Iowan?

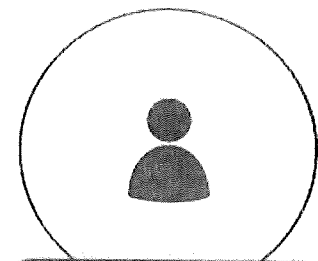
Reduces Iowan's income taxes by \$139 million in Tax Year 2019 and \$298 million in Tax Year 2020

The average Iowa taxpayer will see their income tax reduced by

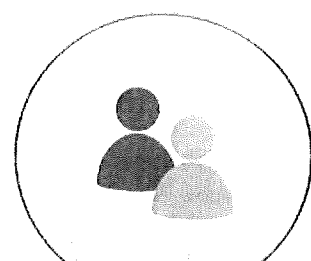
8.9%

Percentage of middle-class Iowans that will see their state tax liability reduced

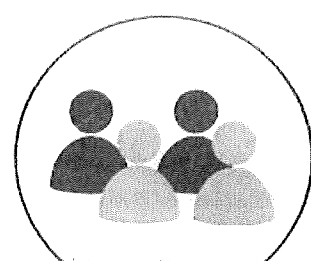
90%



A single taxpayer making \$25,000 would see their tax burden reduced by 14.9%



A single parent with one child making \$48,000 would see their tax burden reduced by 12.4%



A family of four making \$52,000 would see their tax burden reduced by 14.4%

CHANGES FOR TAX YEAR 2018

Expands 529 education savings plans to include K-12 tuition

Makes a number of federal tax coupling changes:

- Earned Income Tax Credit calculation
- Teacher education expenses
- Tax-free IRA distributions to certain charities for individuals older than 70
- Option to itemize sales and use taxes in lieu of income taxes

Raises the Section 179 limit to \$100,000/\$400,000 (up from \$25,000/\$200,000)

CHANGES FOR TAX YEAR 2019

Increases the standard deduction to \$3,000 single/\$7,500 family and indexes it for future years (up from \$2,070/\$5,090)

Reduces rates for all individual income tax brackets

Creates a small business deduction for 25% of the federal qualified business income deduction from low taxable income

Additional federal coupling changes

No changes to Federal Deductibility

No corporate income tax changes

CHANGES FOR TAX YEAR 2020

Further reduces individual income tax rates for middle class Iowans

Further increases the Section 179 limit to \$250,000/\$1,000,000

ENSURING FAIRNESS IN A 21ST CENTURY ECONOMY

Main Street businesses are put at an unfair disadvantage as our economy moves more towards internet sales and subscription services

Now is the time to eliminate this unfairness and modernize our tax system for the new economy

Updates the sales tax to create fairness in the modern economy:

- Applies sales tax to online sellers like Zappos or Wayfair
- Applies sales tax to 3rd party sellers using online marketplaces like Amazon or eBay
- Applies sales tax to products that have existed for decades, but are delivered in a digital format now

These updates will ensure a tax code built for the 21st century and create fairness for Main Street businesses in Iowa.

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