

Is This Taxpayer Heaven?

No, it's Iowa.

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Regardless of how well Gov. Kim Reynolds (R., Iowa) delivers the GOP response to President Biden's State of the Union address, she can already take credit for a big Tuesday win. Iowa does not have one of the most competitive tax regimes among U.S. states, but it sure is moving in the right direction.

"Gov. Kim Reynolds has signed into law a major realignment of Iowa's tax system," reports Stephen Gruber-Miller of the Des Moines Register today. He adds:

Over the next few years, the law will lower Iowa's top income tax rate until all Iowans pay a 3.9% flat tax starting in 2026. Along the way, it will eliminate the state's progressive income tax system, where wealthier Iowans pay higher rates than lower-income Iowans, and place Iowa among 10 other states with some form of flat income tax...

It's the third major tax cut Reynolds, a Republican, has signed into law as governor, following previous reductions in 2018 and 2021...

The law also makes retirement income like 401(k)s, IRAs and pensions tax free and cuts the state's corporate tax rate while reducing the size of some corporate tax credits... The law will drop the corporate tax rate to a 5.5% flat rate over time assuming the state takes in at least \$700 million in tax revenue from corporations.

Regular readers know that Gov. Reynolds has been a champion for children and their opportunity to learn during the Covid era. She's also been standing up for the taxpayers of the present, not just future ones. In her January Condition of the State address, Gov. Reynolds made the case:

We're strong because we've been guided by the lights of common sense, fairness, and freedom. By the knowledge that bold action isn't always government action. It's Iowans making their own decisions for their own families and future.

Under these high ceilings, next to this marble, among these columns and portraits, it's tempting to believe that nothing good happens unless we legislate it, regulate it, or fund it.

But in the small towns, around kitchen tables, in the fields and back-offices, Iowans understand that we in this building don't fund anything. They do.

And right now, they're paying too much.

Last year, the state ended with a \$1.2 billion surplus, on top of nearly \$1 billion cash reserves.

That's good. We kept spending down.

But it also means that, despite the historic 2018 tax cuts, we're still taking too much from Iowans' paychecks.

That needs to stop. Now.

She surely meant it, judging by today's news. Also encouraging is that the governor's great start in 2022 is part of an impressive pattern since she took office in 2017. Ms. Reynolds was one of just a few U.S. governors to earn a flat A from the libertarian Cato Institute in its 2020 fiscal report card, which noted her "lean budgeting" and tax reforms:

Reynolds signed into law a major tax reform in 2018. The legislation cut the top individual income tax rate from 8.98 percent to 8.53 percent. Contingent on revenue goals being met, the legislation drops the top rate to 6.5 percent in 2023 and collapses a nine-bracket system to four brackets. The law also cuts the top corporate income tax rate from 12 percent to 9.8 percent starting in 2021...

In January 2020, Reynolds proposed a second round of tax reforms that would raise the retail sales tax rate by 1 percentage point and use the revenues to further cut income tax rates across the board....

Among taxpayer-friendly jurisdictions, Iowa is still no South Dakota or Wyoming, which have no corporate or individual income tax, nor is Iowa yet in a league with Florida, which has no income tax. But the trend could not be more positive for attracting capital and jobs to the Hawkeye State.

As for the man who will serve as the opening act for Gov. Reynolds on Tuesday night, he will oddly be just one of his party's speakers for the evening. It turns out that Gov. Reynolds will not be the only one responding to President Biden's speech. The Journal's Jerry Seib reports:

Two Democrats also will deliver responses, an unusual move from members of a president's party. Rep. Rashida Tlaib of Michigan, a progressive Democrat, will deliver the Working Families Party response, and Rep. Colin Allred of Texas will offer a response on behalf of the Congressional Black Caucus.

At least one of these speakers is receiving a mixed reaction before she even begins. Hans Nichols of Axios reports:

Centrist House Democrats are unloading on Rep. Rashida Tlaib (D-Mich.) for her plan to give a response to President Biden's State of the Union address on Tuesday.

“It’s like keying your own car and slashing your own tires,” Rep. Josh Gottheimer (D-N.J.) told Axios... The lawmaker’s frustration with a charter member of “The Squad” reveals a deep tactical division within the Democratic Party over midterm strategy: appeal to the party’s base, or try to capture swing voters?

Mr. Nichols notes that Rep. Tlaib still intends to have her say:

“Despite some sensational coverage, it’s simple: I’m giving a speech about supporting President Biden and his Build Back Better agenda for the people,” she tweeted.

...Top Democrats recently complained to Axios the Squad’s politics are backfiring on the party...

Rep. Filemon Vela (D-Texas) also told Axios: “In times of crisis, we should all stand by our president.”

“It is astonishing that the radical left continues to promote a Democratic death wish, and sees no problem relegating our party to the permanent minority.”