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Iowa Taxes: Average by Any Measure Study Shows Iowa in the Middle Among States on State, Local Taxes

DES MOINES, Iowa (February 10, 2003) – Iowans pay less in state and local taxes per resident than the national average, and pay right at the national average in those taxes as a share of personal income, an Iowa researcher noted today.

“Iowa is not a high-tax state,” said Peter Fisher, a planning professor at the University of Iowa and research director of the Iowa Policy Project. “It is, in fact, a very average state when compared to other states in the region or the U.S. as a whole.”

In an issue brief for the Iowa Policy Project, Fisher outlined newly reported U.S. Census data and information from the U.S. Bureau of Economic Analysis.

“No matter how you look at it, Iowa is about average in terms of the burden state and local governments place on household budgets. Iowa ranks in the lower half of the states in individual and corporate income taxes, and in sales and excise taxes,” Fisher said. “The only area where Iowa ranks higher than half of the states is in property tax, and there, the dollar differences are not great.”

David Osterberg, executive director of the Iowa Policy Project, said the report should help legislators working in Iowa’s tight fiscal climate.

“In a year when budgets are tight, this report shows Iowa has some room to maneuver and remain competitive,” Osterberg said. “The report also provides fresh information for economic development officials who can show business prospects that Iowa already is competitive on taxes.”

According to Fisher’s report, using 1999-2000 data, Iowa:

- Ranks 27th highest per capita in the total of state and local taxes at \$2,765, compared with the national average of \$3,100. Iowa ranks 23rd in those taxes as a percent of personal income – although Iowa is right at the national average, 10.4 percent, on that measure.

- Ranks 31st per capita in state taxes, and 30th in local taxes. As a share of personal income, Iowa state taxes rank 25th, and local taxes 24th. Iowa is slightly above the average – 6.7 percent to 6.4 percent – on state taxes as a share of personal income, and slightly below the average on local taxes (3.7 percent of income in Iowa, compared to the national average of 4.0 percent).

- Collects less state and local taxes per capita than five neighboring states (Minnesota, Wisconsin, Illinois, Nebraska and Kansas) and more than only two (Missouri and South Dakota). Fisher noted that while Kansas and Illinois have higher taxes per capita, they are lower as a percent of personal income, and that Nebraska is higher on both measures, but not by much.

“In other words, in the region, Iowa is about average,” Fisher said.

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Fisher also examined the figures by particular tax, finding:

■ Iowa's per-capita property-tax burden is \$3 higher than the national average – \$888 to \$885 – ranking 21st highest nationally. As a percentage of income, Iowa ranks 15th at 3.3 percent, to a national average of 3.0 percent.

■ Iowa ranks in the lowest half of states both per-capita and by percentage-of-income for sales and excise taxes, personal income taxes and corporate income taxes. Iowa ranks between 29th and 36th on those measures.

In spending, Iowa also is in the middle. Iowa ranks 25th highest on per-capita collections for state-and-local taxes, state taxes only and local taxes only. As a percentage of personal income, Iowa ranks 20th on state taxes, 21st on local taxes and on the combined figure. Iowa's per-capita state and local spending is \$5,892, well below the national average of \$6,193. As a percentage of income, it is 22.2 percent, compared with 20.8 percent.

Both state and local taxes have declined in Iowa as a percent of state personal income from 1992-93 to 1999-2000. In that time, both taxes increased slightly on a per-capita basis.

The Iowa Policy Project is a non-profit, non-partisan research organization headquartered in Mount Vernon, Iowa. The IPP engages scholars at Iowa's public and private colleges and universities to perform research on issues of importance to the citizens of Iowa. IPP reports are available to the public, free of charge, on the web at www.iowapolicyproject.org.

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For more information, see <http://www.iowapolicyproject.org>.

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