



Iowa

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
20	23	19	11	32	33

Iowa's *Index* ranking has improved substantially in recent years as the result of several rounds of pro-growth and structurally sound tax reform that have greatly improved the state's competitive standing. Under recent reforms, Iowa has lowered income tax rates, eliminated an unusual and counterproductive policy of federal deductibility, repealed the alternative minimum tax, and begun the phaseout of the state's inheritance tax.

While Iowa still has a graduated-rate individual income tax as of July 2024, the state will move to a single-rate structure in 2025, which will further improve the state's overall score. Unusually, Iowa has a graduated-rate corporate income tax structure but has enacted tax triggers to reduce and flatten the rate over time as revenue becomes available. Iowa is also among the states that allow local income taxes.

While Iowa's combined state and average local sales tax rate is slightly below average, the state's property tax burden is somewhat high, and unlike many of its regional competitors, Iowa not only taxes tangible personal property (machinery and equipment) but does so without providing a *de minimis* exemption for small businesses. The state also has split roll property taxes, with higher ratios applied to businesses and renters than to homeowners. The state's inheritance tax will be eliminated in January 2025, which will be reflected in next year's edition of the *Index*.