



[HF 2709](#) – Income Tax Exemption, Service Workers (LSB1309HV)
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Fiscal Note Version – New

Description

[House File 2709](#) provides an individual income tax exemption for up to \$10,000 in wages received by a caretaker to an Iowa resident who has a physical or mental impairment that substantially limits one or more major life activities. The change is effective beginning January 1, 2025, and applies to tax years beginning on or after January 1, 2025.

Assumptions

- The tax reduction estimate was completed by the Department of Revenue (Department) using the individual income tax micromodel developed by the Department. The micromodel is based on income tax returns filed for tax year (TY) 2021 and is time-adjusted for other enacted State and federal law changes, as well as personal income and population changes that are projected to occur after the base tax year. The Department incorporated the following assumptions into the individual income tax micromodel:
 - Information published (iowaworkforcedevelopment.gov/occupational-projections) by Iowa Workforce Development indicates that there are 23,540 personal care aid workers in Iowa. It is assumed 100.0% would qualify their wages for the income tax exemption.
 - The annualized average entry-level wage is assumed to equal \$24,000, and the experienced worker annualized average wage is assumed to equal \$33,000. It is assumed the average wage is \$30,000 statewide, approximately one-third of which (\$10,000) may be exempted in the Bill.
- The micromodel produces results based on tax years. The Department converts tax year results to fiscal year estimates using historical relationships between income tax withholding, estimated payments, tax refunds, and payments with filed tax returns.
- The [income surtax for schools](#) is a local option tax that is based on a taxpayer's Iowa income tax liability. Law changes that lower Iowa income tax liability also lower the surtax owed by any taxpayer subject to the surtax. For this projection, the surtax is assumed to equal 2.4% of State income tax liability.
- Implementation of the new tax exemption will require rules to be adopted by the Department. The Department will also experience additional monitoring and compliance costs.

Fiscal Impact

The proposed deductions from the individual income tax in HF 2709 are projected to decrease net individual income tax liability and State General Fund revenue by the following amounts:

- FY 2025 = \$1.3 million
- FY 2026 = \$7.7 million
- FY 2027 = \$7.3 million
- FY 2028 = \$7.2 million
- FY 2029 = \$7.5 million

The statewide total received through local option income surtaxes for schools is projected to be reduced by approximately \$0.1 million each tax year. A school district that is not at its maximum

allowed surtax rate may choose to increase the surtax rate to maintain its annual surtax revenue.

Sources

Iowa Department of Revenue
Legislative Services Agency analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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