



SF 2161 – Earned Income Tax Credit to 13% (LSB 5477SV.1)
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Fiscal Note Version – As Passed by the Senate

Description

Senate File 2161, as passed by the Senate, increases Iowa's Earned Income Tax Credit (EITC) from the current 7.0% of the federal credit amount to 20.00% of the federal amount. The increase is phased-in over three tax years with 20.0% effective for tax year 2014 and after. The increase to 13.0% is retroactive to January 1, 2012.

Background

The Iowa EITC is refundable, meaning Iowa EITC beneficiaries receive refunds if the EITC exceeds individual income taxes owed. According to the Department of Revenue, the current 7.0% Iowa EITC reduces net General Fund revenue by \$28.0 million (FY 2012 estimate).

Fiscal Impact

Increasing Iowa's refundable EITC from the current 7.0% of the federal credit to 20.0% over three tax years will reduce Iowa General Fund revenue by the following amounts.

**General Fund Net Revenue Reduction
(dollars in millions)**

	<u>Revenue Reduction</u>
FY 2012	\$ -0.2
FY 2013	\$ -26.4
FY 2014	\$ -31.3
FY 2015	\$ -50.2
FY 2016	\$ -49.9

The impact in future years will be similar to the impact in FY 2016.

The Iowa EITC is refundable. Changes to refundable tax credits do not impact the local option income surtax for schools calculation.

Source

Department of Revenue income tax model

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Iowa Code Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
