

701—500.10(422) Corporate income tax rate adjustments. By November 1, 2022, and by November 1 of each subsequent year, the department of management shall determine the net corporate income tax receipts for the preceding fiscal year and provide the amount determined to the department of revenue. If the net corporate income tax receipts for the preceding fiscal year exceed \$700 million, the department of revenue will adjust the corporate income tax rates to the rates that would have generated \$700 million in net corporate income tax receipts in the preceding fiscal year.

500.10(1) Method for determination of the tax rates. When the net corporate income tax receipts in the preceding fiscal year are sufficient to trigger a rate reduction, the department of revenue will adjust the corporate income tax rates according to the following method.

a. The department will use data from corporate tax returns for the most recent tax years for which the department has sufficient data available to calculate corporate income tax receipts for the applicable fiscal year as described in paragraphs 51.10(1)“*b*” and “*c*.”

b. The department will first estimate what the corporate tax revenue would be for the current tax year and the two preceding tax years corresponding to the fiscal year in question using the applicable corporate income tax rates.

c. The department will then apply lower marginal tax rates for those tax years to determine what marginal tax rates would have generated \$700 million in net corporate income tax receipts in the preceding fiscal year.

d. In reducing the marginal tax rates, the department will first reduce the highest marginal rate until it is equal to the next highest rate, then reduce the two highest rates by equal amounts, until there is a single rate of 5.5 percent.

e. The tax rates will be rounded down to the nearest one-tenth of 1 percent.

500.10(2) Effective date of tax rates. The tax rates determined by the calculation in subrule 51.10(1) will apply for tax years beginning on or after the next January 1 following the determination date. The department will publish the new corporate income tax rates in the Iowa Administrative Bulletin and on the department’s website by the first December 31 following the determination date.

500.10(3) Automatic repeal. This rule is repealed effective January 1 of the first year in which the corporate income tax rate is reduced to a single rate of 5.5 percent.

This rule is intended to implement Iowa Code section 422.33.

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