

House File 496 - Introduced

HOUSE FILE 496
BY JACOBY

A BILL FOR

- 1 An Act modifying the individual and alternate income tax rates,
- 2 and including applicability provisions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.5, subsection 1, paragraph a, Code
2 2025, is amended to read as follows:

3 a. A tax is imposed upon every resident and nonresident of
4 the state which tax shall be levied, collected, and paid annually
5 upon and with respect to the entire taxable income as defined
6 in this subchapter at a rate of ~~three and eight-tenths~~ two and
7 one-half percent.

8 Sec. 2. Section 422.5, subsection 2, paragraph b, Code 2025,
9 is amended to read as follows:

10 b. In lieu of the computation in subsection 1, or in
11 paragraph "a" of this subsection, if the married persons' filing
12 jointly, head of household's, or surviving spouse's net income
13 exceeds thirteen thousand five hundred dollars, the regular
14 tax imposed under this subchapter shall be the lesser of
15 the alternate state individual income tax rate of ~~four and~~
16 ~~three-tenths~~ three percent times the portion of the net income
17 in excess of thirteen thousand five hundred dollars or the
18 regular tax liability computed without regard to this sentence.
19 Taxpayers electing to file separately shall compute the alternate
20 tax described in this paragraph using the total net income of the
21 spouses. The alternate tax described in this paragraph does not
22 apply if one spouse elects to carry back or carry forward a net
23 operating loss as provided under the Internal Revenue Code or in
24 section 422.9.

25 Sec. 3. Section 422.5, subsection 3, paragraph b, Code 2025,
26 is amended to read as follows:

27 b. In lieu of the computation in subsection 1 or 2,
28 if the married persons' filing jointly, head of household's,
29 or surviving spouse's net income exceeds thirty-two thousand
30 dollars, the regular tax imposed under this subchapter shall be
31 the lesser of the alternate state individual income tax rate
32 of ~~four and three-tenths~~ three percent times the portion of
33 the net income in excess of thirty-two thousand dollars or the
34 regular tax liability computed without regard to this sentence.
35 Taxpayers electing to file separately shall compute the alternate

1 tax described in this paragraph using the total net income of the
2 spouses. The alternate tax described in this paragraph does not
3 apply if one spouse elects to carry back or carry forward a net
4 operating loss as provided under the Internal Revenue Code or in
5 section 422.9.

6 Sec. 4. APPLICABILITY. This Act applies to tax years
7 beginning on or after January 1, 2026.

8 EXPLANATION

9 The inclusion of this explanation does not constitute agreement with
10 the explanation's substance by the members of the general assembly.

11 This bill decreases the individual income tax rate on taxable
12 income from 3.8 percent to 2.5 percent, and correspondingly
13 reduces the alternate income tax rate from 4.3 percent to 3.0
14 percent.

15 The bill applies to tax years beginning on or after January 1,
16 2026.

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