



# Iowa Capitol Update

May 20, 2021

## Iowa lawmakers close out 2021 session with tax cuts

The Iowa Legislature closed out the 2021 session late Wednesday night after passing sweeping tax reforms that will mean to close \$1 billion in tax relief for Iowans. [SF619](#) will provide tax relief on three fronts: cuts to income and property taxes, as well as an elimination of the state's inheritance tax.

Sen. Dan Dawson, R-Council Bluffs, said Iowa's recovering economy is producing record budget surpluses, making it the right time for tax cuts.

"This is big, it's bold," Dawson said of the tax relief package during debate. "And while other states limp out of this pandemic, Iowa's setting the example, accelerating out of this pandemic with policies that launch the state forward."

Included in the legislation:

- Income tax cuts first passed in 2018 in [SF2417](#), will go into effect Jan. 1, 2023. The change to individual tax rates is estimated to reduce state revenues by \$154 million in tax year 2023. The number of tax brackets also is reduced from nine to four.
- Iowa property taxpayers will no longer foot the bill for local mental health services, which will be paid for by the state. Advocates argue the switch will lead to more equitable funding around the state.
- The state will phase out the state's inheritance tax over five years. The state's Department of Revenue estimates it will save taxpayers nearly \$100 million per year by FY2026.
- The bill also eliminates what is known as "federal deductibility," or the ability to deduct what is paid in federal taxes from an Iowa tax bill.
- Requires health insurers to pay providers the same rate for telehealth mental health services as they pay for an in-person visit
- Expands childcare assistance to working families by raising income limits
- Creates an Energy Infrastructure Revolving Loan Program to develop energy infrastructure

A full analysis of SF619 [can be found here](#).

Reynolds praised lawmakers in a statement released after adjournment.

"This legislative session, I charged the House and Senate to work together to further advance Iowa's strong recovery from COVID-19 and promote policies that strengthen our families, communities, schools, workforce and economy," Reynolds said. "I'm proud that we delivered

on the promises made to the people of Iowa. Our fiscally responsible budget practices and balanced approach to managing the pandemic, put Iowa in a position to cut taxes and invest in foundational priorities that ensure we remain competitive in the 21<sup>st</sup> century.”

*Other major legislation passed during the 2021 session:*

- \$100 million dedicated to expanding broadband high-speed internet access in rural areas
- “Back the Blue” police immunity legislation with higher penalties for rioters
- Elimination of permits to purchase firearms or carry concealed handguns
- Tax credit to donors of the Herbert Hoover Presidential Library and Museum renovation
- State constitutional amendment requiring “strict scrutiny” of any Iowa firearms laws if they are challenged in court (on the ballot in an upcoming general election)
- State constitutional amendment declaring no right to abortion (must pass the General Assembly second time to appear on ballot)
- Requiring insurance coverage for telehealth mental health services
- Cracking down on businesses that dump waste tires
- Funding for children’s mental health, including an additional \$3.9 million for Psychiatric Medical Institutions for Children (PMICs)
- Expansion of charter schools that allows founders to bypass local school boards for approval

**Reynolds signs legislation banning mask mandates**

Less than an hour after lawmakers adjourned for the year, Gov. Kim Reynolds announced she had signed legislation will prohibit schools and local governments from enacting mask mandates. Like many communities across the country during the pandemic, mask policies have been a flashpoint at the Capitol this year. The ban on mask mandates will go into effect immediately.

“The state of Iowa is putting parents back in control of their child’s education and taking greater steps to protect the rights of all Iowans to make their own health care decisions,” Reynolds said in a statement. “I am proud to be a governor of a state that values personal responsibility and individual liberties.”

###