Iowa

#18

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
18 ▼ 1	17 ▲ 8	18 ▼ 8	10 ▲ 1	35 ▼ 1	30 ▲ 5

IN THE 2027 *Index*

Iowa fell just slightly on this year's *Index*, from 17th to 18th overall. One major variable change was its individual income tax ranking, falling eight places to 18th. Because Iowa uses federal taxable income as the starting point for state income tax liability, newer federal provisions such as no tax on tips, overtime, and auto loans narrow the state's individual income tax base. Additionally, five states that climbed ahead of Iowa on this component further reduced their flat and top marginal income tax rates (Georgia, Kentucky, Nebraska, Oklahoma, and Utah). While Iowa's individual ranking fell several spots on the *Index*, this was offset as its corporate income tax ranking rose eight places to 17th due to conforming to full bonus depreciation and decoupling from the taxation of net CFC tested income. Prior-year unemployment insurance tax reforms have continued to improve Iowa's ranking on this portion of the *Index*, moving it from 35th to 30th.

FORTHCOMING, NOT YET REFLECTED

In May 2026, Iowa lawmakers enacted legislation establishing a property tax levy limit for counties and municipalities. Because the new levy limit does not take effect until 2027, the change falls outside of this year's snapshot of the *Index*.

Iowa's *Index* ranking has improved substantially in recent years due to several rounds of pro-growth and structurally sound reforms that have greatly improved the state's competitive standing. Under recent reforms, Iowa has lowered income tax rates, eliminated an unusual and counterproductive policy of federal deductibility, repealed the alternative minimum tax, and phased out the inheritance tax.

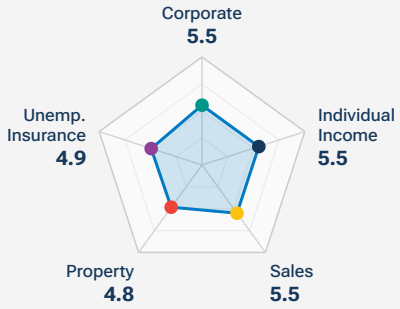
In 2025, Iowa moved to a flat 3.8 percent individual income tax, which improved the state's overall score, but it is worth noting that Iowa allows the imposition of local income taxes.

Iowa has a graduated-rate corporate income tax structure but has enacted tax triggers to reduce and flatten the rate over time as revenue becomes available. Iowa does not include net CFC tested income (NCTI) in its corporate tax base. Iowa does conform to federal bonus depreciation under Section 168(k) and the federal treatment of research expenditures under Section 174A. Together, these provisions make the state particularly attractive to multinational corporations, capital-intensive manufacturers, and research-focused businesses.

Iowa's combined state and average local sales tax rate is slightly above average, and the state's property tax burden is also somewhat high. The state has split roll property taxes, with higher ratios applied to businesses and renters than to homeowners.

Component scores

out of 10



Iowa and its neighbors

Overall rank, 2027 Index, with change from 2026

South Dakota	#2	–
Missouri	#9	▲ 3
Nebraska	#16	▲ 8
Iowa	**#18**	▼ 1
Wisconsin	#20	–
Illinois	#38	▲ 1
Minnesota	#41	▲ 2