



## Tax Structure

### Iowa Clinton Region

The Clinton Region is better positioned than any other region when it comes down to the tax advantages that are offered.

The summary table below and the tax discussion that follow provide current data on the principal taxes in the State of Iowa.

Tax Type	Tax Data
Sales	5% state and 2% Local
Gasoline (Gallon)	\$0.207
Diesel (Gallon)	\$0.225
Ethanol (Gallon)	\$0.190
City Add-On Tax	\$0.000
Electricity	5% State and 2% Local Sales Taxes for service use. 1-100%. Exemption allowed for processing use on the state tax only.*
Natural Gas	5% State and 2% Local Sales Taxes for service use. 1-100%. Exemption allowed for processing use on the state tax only.*
Telecommunications	5% State and 2% Local Sales Taxes applies to Local Services and Intrastate Long Distance charges; 3% Federal Sales Tax applies to local service
Property Per \$1,000 of market value	\$32.490
Unemployment Compensation (New Employer Rate)	1.0% (for non-construction employers) of the first \$20,400 paid each employee ( <i>2005 wage base</i> )
Average Workers' Compensation	Iowa's rates are the 9th lowest in the nation.



**Iowa Clinton Region**

**Corporate Income Tax**

Iowa Corporate Income Tax is levied only on net income derived from sales conducted with the state—single factor formula.

If the trade or business is conducted entirely within Iowa, the tax is imposed on the entire net income. If the business activity is conducted partly outside Iowa, the tax is imposed only on the portion of net income conducted within Iowa.

Insurance Companies located in the State of Iowa do not pay state corporate income tax.

Moreover, corporate tax is imposed **only on the net income received or earned after adjustment by 50% of the federal income taxes paid.**

The tax rate is levied on a sliding scale as follows:

<b>First</b>	\$ 25,000	6.00%
<b>Second</b>	\$ 75,000	8.00%
<b>Third</b>	\$150,000	10.00%
<b>Over</b>	\$250,000	12.00%

**Personal Income Tax**

The basis of Iowa taxable income is the adjusted gross income as reported on the federal income tax return.

1. Allows deductions for Federal Taxes paid.
2. Allow itemized deductions that are similar to Federal itemized deductions. This includes deductions:
  - a) Real Estate Taxes
  - b) Home Mortgage interest
  - c) Contributions
  - d) Casualty or theft loss
  - e) Medical & dental expenses (expenses over 7.5% of AGI)
  - f) Taxable income is taxed at the following rate for 2005:

Over	But Not Over	Tax \$		Tax Rate	Of Excess Over
\$ -	\$1,268.99	\$0.00	+	(0.36% x 0)	
\$1,269	\$2,537.99	\$4.57	+	(0.72% x 1,269)	
\$2,538	\$5,071.99	\$13.71	+	(2.43% x 2,538)	
\$5,072	\$11,420.99	\$75.38	+	(4.50% x 5,072)	
\$11,421	\$19,034.99	\$360.91	+	(6.12% x 11,421)	
\$19,035	\$25,379.99	\$826.89	+	(6.48% x 19,035)	
\$25,380	\$38,069.99	\$1,238.05	+	(6.80% x 25,380)	
\$38,070	\$57,104.99	\$2,100.97	+	(7.92% x 38,070)	
	\$57,105 over	\$3,608.54	+	(8.98% x 57,105)	

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**Sales and Use Tax**

Sales and Use Tax applies to the purchase of selected personal and business products and services but certain products and services are exempt.

The chart below shows some examples of sales or rentals that are **exempt** from tax:

<b>Machinery, Equipment and Computers directly and primarily used by a manufacturer:</b>	In processing
	To maintain a manufactured product's integrity or to maintain any unique environmental conditions required for the product.
	To maintain unique environmental conditions required for other machinery, equipment and computers used in processing
	Including test equipment used in processing to control then quality and specifications of the product.
	In research and development of new products or processes of processing
<b>Pollution Control equipment used by a manufacturer:</b>	In recycling or reprocessing of waste products
	Even when the equipment is not directly and primarily used in any kind of processing
<b>Core and mold-making equipment and sand handling equipment:</b>	Directly and primarily used in the mold-making process by a foundry

In addition, **materials used to construct or self-construct any machinery**, equipment or computer in the table above is exempt.

Sales of **fuel and electricity consumed** by machinery, equipment, or computers in the above paragraph are also exempt.

**Note: Raw materials used to manufacture products are tax exempt. Taxes are figured into the finished product to be sold. Products sold with the state in which said product was manufactured is subject to that state's sales tax. Products sold out of state are tax exempt.**

For more details on Sales and Use Tax exemptions please go to the State of Iowa's web page at <http://www.state.is.us/tax/educate/78530.html> or contact the Clinton Regional Development Corporation.