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## Trump Tax Bill Saves Iowans From Major Tax Increases

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President Donald Trump's "Big, Beautiful, Bill," signed on Independence Day, locks in tax relief for Iowa families and businesses, while raising important questions about the sustainability of federal spending and targeted tax breaks.

After months of debate, the legislation was enacted to prevent the 2017 Tax Cuts and Jobs Act (TCJA) Tax Cuts and Jobs Act from expiring. Allowing it to lapse would have triggered sweeping tax increases harmful to both households and the broader economy. By renewing the TCJA, the bill permanently extends lower federal income tax rates, maintains an

expanded standard deduction, and preserves the 20% deduction for small businesses. For Iowa, which practices “rolling conformity,” a policy that automatically aligns its tax code with federal definitions, these provisions directly shield taxpayers from significant financial strain.

Governor Kim Reynolds and state lawmakers have worked to build on this momentum. Since the TCJA passed, Iowa has overhauled its tax system, replacing a steep progressive income tax with a flat 3.8% rate and phasing down corporate tax rates to 5.5%. These pro-growth reforms have positioned Iowa as a more competitive state for business and family investment. Without the federal tax cuts remaining in place, much of that progress would have been reversed, wiping out an average \$2,063 per taxpayer in relief and subjecting families with children to thousands in additional liabilities.

The legislation also includes other popular measures such as no federal tax on tips or overtime pay, deductions for auto loan interest, and the elimination of federal taxes on Social Security income. However, these carve-outs raise concerns about fairness and fiscal responsibility. While such targeted benefits are politically appealing, they often shift tax burdens onto other taxpayers rather than lowering rates across the board. The compromise over the State and Local Tax (SALT) deduction cap is a prime example. SALT, the State and Local Tax deduction, primarily benefits high-tax states like New York and California. In contrast, Iowa taxpayers would see only 0.3% of the relief, further highlighting the imbalance in how these policies are distributed.

There are additional challenges ahead. The bill’s long-term cost will add to the national debt and keep federal spending elevated at unsustainable levels. Critics warn that eventual cuts to essential programs, such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP) could strain Iowa’s budget. Iowa’s Medicaid program alone is projected to reach nearly \$2 billion in costs by Fiscal Year 2026. If federal funding retracts, state lawmakers will face hard decisions about how to maintain services without undermining fiscal discipline.

Even so, most Iowa taxpayers and small business owners will welcome the certainty this bill provides. Rather than risking another wave of tax hikes and uncertainty, the legislation secures the environment necessary for continued economic growth and job creation. As Washington continues to debate the proper scope of tax policy, Iowa’s example shows that broad-based, lower tax rates combined with responsible budgeting remain the most sustainable path forward.

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