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Healthcare Weekly Newsletter

Friday, January 21, 2022

Week in Review

The House and Senate returned to the Capitol on Monday after a 3-day weekend. Members are continuing to work hard in order to get bills introduced ahead of the first funnel on February 18. Both chambers have introduced fewer bills this session than last year; at this point in the session last year, the two chambers had introduced more than 550 bills and study bills. So far, the two chambers have combined for only about 300 bill introductions. There were a number of bills involving vaccines introduced this week, as well as the Governor's bill highlighting her tax reform plan (see more below). Both chambers adjourned on Thursday afternoon.

The Legislature continues to prioritize mental health reform in the state. Over the last 5 years, the legislature has passed bipartisan mental health reform, created the state's first ever children's mental health system, provided significant funds to mental health providers through Medicaid rates, and expanded access to mental health care through telehealth. This week, Rep. Anne Meyer introduced several bills to continue building on expanding access to mental health care in Iowa. More details on those bills are below.

The Legislature is also prioritizing child care for Iowa families. To build off of the priorities Governor Reynolds outlined in her Condition of the State last week, the Legislature brought forward three bills this week ([HSB 510](#), [HSB 511](#), and [HSB 539](#)) based on the report to improve access to child care for working families. Many of these recommendations look to provide flexibilities to parents and providers that reduce regulations and align Iowa's child care regulations with the majority of other states.

Bills On The Move

[HSB 532](#) - Psychiatric Residencies

- A House subcommittee approved the bill, which requires the UI Hospitals and Clinics to administer a psychiatric residency program at the Cherokee and Independence MHIs and at the Oakdale Classification Center. It establishes the program with 12 positions for residents, and gives preferences to Iowans who attended college or medical school in Iowa. Representative Ann Meyer, chair of the Human Resources Committee, is managing the bill. She said that improving MH coverage in Iowa is her top priority. She said that too many patients are not receiving appropriate treatment in the right setting.

[HSB 530](#) - Tiered Psychiatric Reimbursements

- This bill requires the DHS to implement a tiered reimbursement methodology for Medicaid psychiatric in-patient care, based on the patient's acuity by July 2022 and requires the use of inpatient bed tracking study to determine other factors used for the tiered reimbursements;

[HSB 531](#) - Inpatient Psychiatric Beds

- This bill appropriates sufficient funds in FY 2023 to expand the capacity at the Cherokee MHI by 12 adult and 6 adolescent beds and the Independence MHI by 20 and 8 beds.

[HSB 537](#) - MH Prescriber Loan Repayments

- This bill establishes a prescribing MH professional loan repayment program in the CSC, similar to other loan repayment programs for health care professionals. The program requires an MH professional to practice for five years and gives priority to Iowans and members of the Iowa National Guard. Loan repayment amounts are based on professional status: \$40,000 annually and \$200,000 overall for psychiatrists; \$10,000 and \$50,000 for psychiatric ARNPs and \$8,000 and \$40,000 for prescribing psychologist. The bill appropriates \$1 million for the program.

[HSB 551](#) Governor's Tax Plan

- Income Tax: Phases in the flat tax from 2023 to 2025. Reduces the number of brackets and rates until reaching 4% on all taxable income in the tax year 2026 and after.
- Retirement income: Increases the retirement income exclusion to cover all income. Does not use such excluded income in calculations to determine net income.
- Corporate Income: Requires the DOR to adjust the highest corporate income tax rates downward if the net receipts are more than \$700 million in the previous fiscal year. Prohibits the rates from being adjusted below 5.5%.
- Capital Gains: Allows an employee-owner to take a one-time irrevocable election to exclude the capital gain from the sale of stock from the income tax. Requires the corporation to have employed Iowans for at least ten years, to have had specific

numbers of shareholders and meet other requirements. Phases in the provisions over three years.

- **Farmers:** Excludes payments for leased farmland to retired farmers. Requires the farmer to be 55, to no longer be actively farming and for the farmer to have farmed the land for at least ten years. Expands the capital gains exclusion for farmers to include retired farmers, and to exclude the sale of cattle and horses and for breeding livestock. Also see [SSB 3044](#).



When Governor Reynolds took office in 2018, Iowa had the sixth highest individual income tax rate in the nation. **With the Governor's plan proposed this year, Iowa's rate will be the fifth lowest among all states that charge income tax, ranking us among the most tax-friendly states in America.**

Thanks to the administration's strong, conservative budgeting practices and fiscal responsibility, Iowa is in a formidable economic position.



There's never been a better time in Iowa for bold, yet practical tax reform that meets the priorities of the state, allows Iowans to keep more of what they earn, and creates a highly competitive tax system.

4% Flat Income Tax for All Iowans

A flat, fair 4% individual income tax rate means Iowans keep more of their hard-earned pay upfront.

- Beginning in tax year 2023, implement four tax brackets ranging from 4.4% to 6.0%.
- In subsequent tax years, eliminate the top rate annually until a 4% flat tax rate is achieved in tax year 2026.
- A 4% flat tax is projected to save Iowa taxpayers more than \$1.583 billion by tax year 2026.

Occupation	Average Salary in Iowa	Average Income Tax Savings with 4% Flat Tax
Electrician	\$53,700	\$752 ↑
Registered Nurse	\$62,400	\$902 ↑
Married Couple with 2 children	\$87,500 Joint Income	\$1,305 ↑
• Police Officer	\$57,300	Total Savings
• Child care worker	\$30,200	

Sources: Salary.com; Iowa Department of Revenue

How does this plan affect low-income Iowans?

A flat tax will NOT result in low-income Iowans paying more. Additionally, low to moderate-income earners who qualify for the Federal Earned Income Tax Credit (EITC) and other available tax credits, will continue to receive a state tax refund when tax credits exceed the amount of state tax liability.

Single parent with 2 children under the age of 10, earning \$34,000/yr

Example	TY 2022 Current Tax Law	TY 2026 Proposed Tax Law
State Tax Liability	\$884	\$374 ↓
State Refund After EIC and Child & Dependent Care Credit	\$1,555	\$2,065 ↑
State Refund Increase	—	\$510 ↑

Source: Iowa Department of Revenue

Regular Tax		Current Rates	Proposed Rates			
Over	But not over		TY2023	TY2024	TY2025	TY2026 & After
\$ —	\$ 6,000	4.40 %	4.40 %	4.40 %	4.40 %	4.00 %
\$ 6,000	\$ 30,000	4.82 %	4.82 %	4.82 %	4.82 %	4.00 %
\$ 30,000	\$ 75,000	5.70 %	5.70 %	5.70 %	4.82 %	4.00 %
\$ 75,000	or more	6.50 %	6.00 %	5.70 %	4.82 %	4.00 %

Tax brackets are indexed under Iowa law. This table uses tax year (TY) 2023 brackets as an example.

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Fully Repeal State Taxes on Retirement Income in 2023

Iowans who've worked hard, saved for retirement, and paid their fair share in taxes deserve a break to enjoy what they've earned.

- **Beginning in tax year 2023**, Iowans age 55 and older would be exempt from state tax on retirement income earned from individual retirement account (IRA) distributions, taxable pensions and annuities.
- **Beginning in tax year 2023**, Iowa farmers age 55 and older who farmed for at least 10 years but have retired from farming operations, can elect an exemption of income from either cash rent or farm crop shares for all years the income is earned; or elect one, lifetime election to exclude the net capital gains from the sale of farmland.

Retired Married Couple Filing Jointly	Tax Under Current Law	Proposed Retirement Income Tax Exclusion	Proposed Retirement & Cash Rent Income Exclusions
Wages and Business Income	\$47,000	\$47,000	\$47,000
Investment Income	8,000	8,000	8,000
Retirement Income	30,000	30,000	30,000
Retirement Exclusion	-12,000	-30,000	-30,000
Rent	6,000	6,000	6,000
Cash Rent Exclusion	---	---	-6,000
Net Income	79,000	61,000	55,000
Iowa Income Tax	\$2,378	\$1,510 ↓	\$1,221 ↓
SAVINGS with New Retirement Exclusions		\$868 ↑	\$1,157 ↑

Source: Iowa Department of Revenue

Exempt Net Capital Gains Tax from Qualified One-stock Plans

Iowans who are awarded capital stock from their employers currently pay all or some of the net capital gains taxes on those shares when they choose to sell them.

- Allow one lifetime election to exclude the net capital gains from one stock of one qualified corporate or employee stock ownership plan (ESOP) from state income tax.
- Qualified corporations must have done business in Iowa for a minimum of 10 years. Employee owners must have acquired capital stock while employed by the corporation for at least 10 years.
- Under current law, 50% of net capital gains from an ESOP is allowed for deduction. The proposal would allow 100% of the net capital gain to be deducted.

Reform Corporate Income Tax

Just a few years ago, Iowa's corporate rate was the highest in the country, but recent reforms have improved our national standing. Through continued common sense, pro-business strategies, Iowa can maximize its competitive advantage by offering businesses an opportunity to reduce their tax rate when they increase their revenue in Iowa.

- For every fiscal year in which net corporate income tax receipts exceed \$700 million, the surplus will be used to buy down the current top rate.
- Following the close of the fiscal year, the Department of Revenue will determine the new top corporate income tax rate and apply it effective January 1 of the following tax year.
- New top rates will be determined each fiscal year that net corporate income tax receipts exceed \$700 million, until a uniform 5.5% corporate income tax rate is achieved, at which time it would be capped.
- Once the rate is capped, excess tax revenue beyond \$700 million will go into the state's general fund.



GOVERNOR OF IOWA
Kim Reynolds

In the News

- [FD Messenger: Rep. Meyer works to expand mental health care](#)
- [How to order free COVID-19 at-home tests and when to use them](#)
- [Iowa governor race 2022: Incumbent Reynolds raises 13 times more than the leading democrat](#)

- [Sonya Heitshusen, former Des Moines TV reporter and anchor, running for Iowa House](#)
- ['Day of Action' to Highlight Health-Policy Priorities for IA](#)

Senate Schedule Week 3, January 24-28, 2022

IOWA SENATE - Schedule for Week 3, January 24-28, 2022

Subject to Change

Monday, January 24	Tuesday, January 25	Wednesday, January 26	Thursday, January 27	Friday, January 28
11:00 Ag & NR RM 24	9:00 SESSION 10:00 Hmn. Res. RM 116 11:00 Agriculture RM 116	9:00 SESSION 10:00 State Govt. RM 116 11:00 Labor/Bus. RM 116	9:00 SESSION 10:00 Transportation RM 116 11:00 Appropriations RM 116	
Noon	Noon	Noon	Noon	Noon
12:00 Hum Services RM 116 1:00 SESSION 2:00 Local Govt. RM 116	1:00 Veterans Affairs RM 116 2:00 Ntl. Resources RM 116 3:00 Commerce RM 116	1:00 Education RM 116 2:00 Judiciary RM 116		

Prepared in the Office of Senate Majority Leader Jack Whitver
Last updated on January 20, 2022

House Schedule Week 3, January 24-28, 2022

House of Representatives Schedule for Week 3, January 24 - 28, 2022

Prepared in the Office of House Speaker Pat Grassley

Monday, January 24	Tuesday, January 25	Wednesday, January 26	Thursday, January 27	Friday, January 28
11:00 Subcommittee Block	7:30 Subcommittee Block 8:30 SESSION 9:00 Budget Subs Admin/Reg Rm 19 Ag Rm 304 Eco Devo Rm 103 Education Rm 102 10:30 Budget Subs HHS Rm 103 Justice Rm 19 Trans/Infra/Cap Rm 102	7:30 Subcommittee Block 8:30 SESSION 9:00 Budget Subs Admin/Reg Rm 19 Ag Rm 304 Eco Devo Rm 103 Education Rm 102 10:30 Budget Subs HHS Rm 103 Justice Rm 19 Trans/Infra/Cap Rm 102	7:30 Subcommittee Block 8:30 SESSION 9:30 Public Safety RM 19 Economic Growth RM 102, Sup. Ct. Consult State Government RM 103, Sup. Ct. Chamber 10:30 Veterans Affairs RM 102, Sup. Ct. Consult Information Technology RM 304 11:30 Local Government RM 19 Agriculture RM 102, Sup. Ct. Consult Human Resources RM 103, Sup. Ct. Chamber	
Noon	Noon	Noon	Noon	Noon
1:00 SESSION 1:30 Ways and Means RM 102, Sup. Ct. Consult Appropriations RM 103, Sup. Ct. Chamber 3:00 Natural Resources RM 19 Judiciary RM 103, Sup. Ct. Chamber 4:00 Education RM 102, Sup. Ct. Consult Commerce RM 103, Sup. Ct. Chamber 5:00 Subcommittee Block	12:00 Subcommittee Block 1:30 Transportation RM 103, Sup. Ct. Chamber Information Technology RM 304 2:30 Public Safety RM 19 Economic Growth RM 102, Sup. Ct. Consult State Government RM 103, Sup. Ct. Chamber 3:30 Agriculture RM 102, Sup. Ct. Consult Human Resources RM 103, Sup. Ct. Chamber 4:30 Subcommittee Block	12:00 Subcommittee Block 2:00 Education RM 102, Sup. Ct. Consult Commerce RM 103, Sup. Ct. Chamber 3:00 Natural Resources RM 19 Labor RM 102, Sup. Ct. Consult Judiciary RM 103, Sup. Ct. Chamber 4:00 Ways and Means RM 102, Sup. Ct. Consult Appropriations RM 103, Sup. Ct. Chamber 5:00 Subcommittee Block	12:30 Subcommittee Block 1:30 Education RM 102, Sup. Ct. Consult Commerce RM 103, Sup. Ct. Chamber 2:30 Ways and Means RM 102, Sup. Ct. Consult Appropriations RM 103, Sup. Ct. Chamber 3:30 Environmental Protection RM 19	

The Senate schedule can also be found [here](#).

The House schedule can also be found [here](#).

The Iowa Cornerstone Team



Matt Hinch | Lillie Brady | David Adelman | Frank Chiodo | Sara Allen

2022 Session Timeline

The full 2022 legislative calendar can be found [here](#).
Below are the key dates of interest.

JANUARY 10 – First day of session (Iowa Code Sec. 2.1)

JANUARY 11 - Governors Condition of the State Address

FEBRUARY 18 – Final date for Senate bills and joint resolutions to be reported out of Senate committees and House bills and joint resolutions out of House committees (First Funnel)

MARCH 18 – Final date for Senate bills and joint resolutions to be reported out of House committees and House bills and joint resolutions out of Senate committees (Second Funnel)

APRIL 19 – 100th calendar day of the session (Per diem expenses end)

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Cornerstone is a full-service, bipartisan consulting firm specializing in federal and state government relations, public affairs and strategic communications, and advisory services.

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