

Tax Comparison

Criteria	Iowa	Minnesota
Corporate Income Tax Formula	6.0 - 12.0% Iowa's single-factor, non-unitary tax is based only on the % of total sales income within the state - an Iowa manufacturer selling all its products outside Iowa would pay no Iowa corporate income tax. Iowa allows 50% deductibility of federal taxes from Iowa corporate income tax.	Corporations pay a tax rate of 9.8% of net taxable income in the state. Income is apportioned with sales weighted at 75% and property and payroll weighted at 12.5% each.
Personal Income Tax Rates	0.36 - 8.98 Iowa allows 100% deductibility on Federal Taxes, thus an effective rate of 1 - 8%.	5.35 - 7.85
R & D Tax Credit	Refundable credit of 6.5% of qualified expenditures.	A deduction against gross income is allowed for research and development expenses. A credit against the tax is allowed for a percentage of qualified expenditures made within Minnesota.
Personal Property Tax	Exempt	Exempt
Inventory Tax	Exempt. In Iowa, inventory includes salable goods, raw materials and goods in process.	Exempt
Machinery and Equipment Property Tax	Exempt	Exempt
Property Tax Rates	In a February 2004 study, a Minnesota manufacturing company occupying a 70,000 square-foot building, paid 2003 property taxes of \$124,646, while a similar business in a similar building in Iowa paid \$66,285. This study was done by the Minnesota chapter of the National Association of Industrial and Office Properties (NAIOP)	
State Sales Tax	5% Local governments can add up to 2% in local option and local school option taxes	6.5% Seven communities have legislative authorization to impose an additional tax ranging from 0.5% - 1%.
Sales & Use Tax on Manufacturing Machinery or Equipment	Exempt	Qualifying purchases may receive a refund of sales tax after filing claim. No more than two refund claims can be filed in a calendar year.
Sales & Use Tax on Purchases of electricity/natural gas used directly in manufacturing process	Exempt	Exempt
Sources: Area Development Online, MultiState Tax Guide 2004, National Association of Industrial and Office Properties (NAIOP) - Minnesota chapter, Various State Web Sites		