
FISCAL TOPICS

Fiscal Services Division

October 19, 2023



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Tax Credit: Tuition and Textbook

The Iowa Tuition and Textbook Tax Credit (TTC) is available to individual income taxpayers who have one or more dependents attending grades K-12 in an accredited Iowa school or receiving private instruction as defined in Iowa Code section [422.12\(1\)](#). The credit is equal to 25.0% of the first \$2,000 paid of eligible education expenses for each dependent. Eligible expenses include nonpublic school tuition, books, materials, and equipment for extracurricular activities.

Tax Credit Background

- Enabling Legislation: 1987 Iowa Acts, chapter [233](#) (Appropriations and Programs Relating to Various Public Agencies Act)
- Iowa Code Citation: Section 422.12 — Individual Income Tax
- Administrative State Agencies: Iowa Department of Revenue
- Sunset Date: None
- Transferable: No
- Refundable: No
- Carryforward: No
- Tax Review Committee Review Year: None scheduled

Legislative History

The TTC became effective for tax years beginning on or after January 1, 1987. The TTC originally was differentiated between individual taxpayers using the standard deduction or itemized deductions on their tax return. For standard deduction filers, 5.0% of the first \$1,000 of eligible expenses per dependent was allowed for the TTC. For itemized deduction filers, there was an allowance to deduct up to \$1,000 of eligible expenses. The credit or deduction was limited to households with federal adjusted gross income of less than \$45,000, and eligible expenses were limited to tuition and fees for academic classes.

In 1996, the itemized deduction was discontinued and the TTC was made available to all individual taxpayers. The credit percentage was increased from 5.0% to 10.0% of the first \$1,000 of eligible expenses, and the \$45,000 household income limitation was eliminated.

In 1998, the allowed credit percentage was increased from 10.0% to 25.0% of the first \$1,000 of eligible expenses, essentially allowing a tax credit of \$250 per dependent. In addition to the percentage increase, the definition of [eligible expenses](#) was expanded to include certain fees for extracurricular activities.

During the 2021 Legislative Session, the maximum basis of the credit was increased from \$1,000 to \$2,000, and eligibility was extended to include private instruction students. This change was effective for

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report-category/contingent-liabilities

Department of Revenue Tax Credit Brief: tax.iowa.gov/sites/default/files/2022-07/TTCFactsheet.pdf

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/2022-12/2022TuitionTextbookTaxCreditStudy.pdf

Department of Revenue Tax Credit Users' Manual:

tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf

Legislative Services Agency Individual Income Tax Guide:

www.legis.iowa.gov/docs/publications/LG/711304.pdf

LSA Staff Contact: Evan Johnson (515.281.6301) evan.johnson@legis.iowa.gov

tax year 2021.

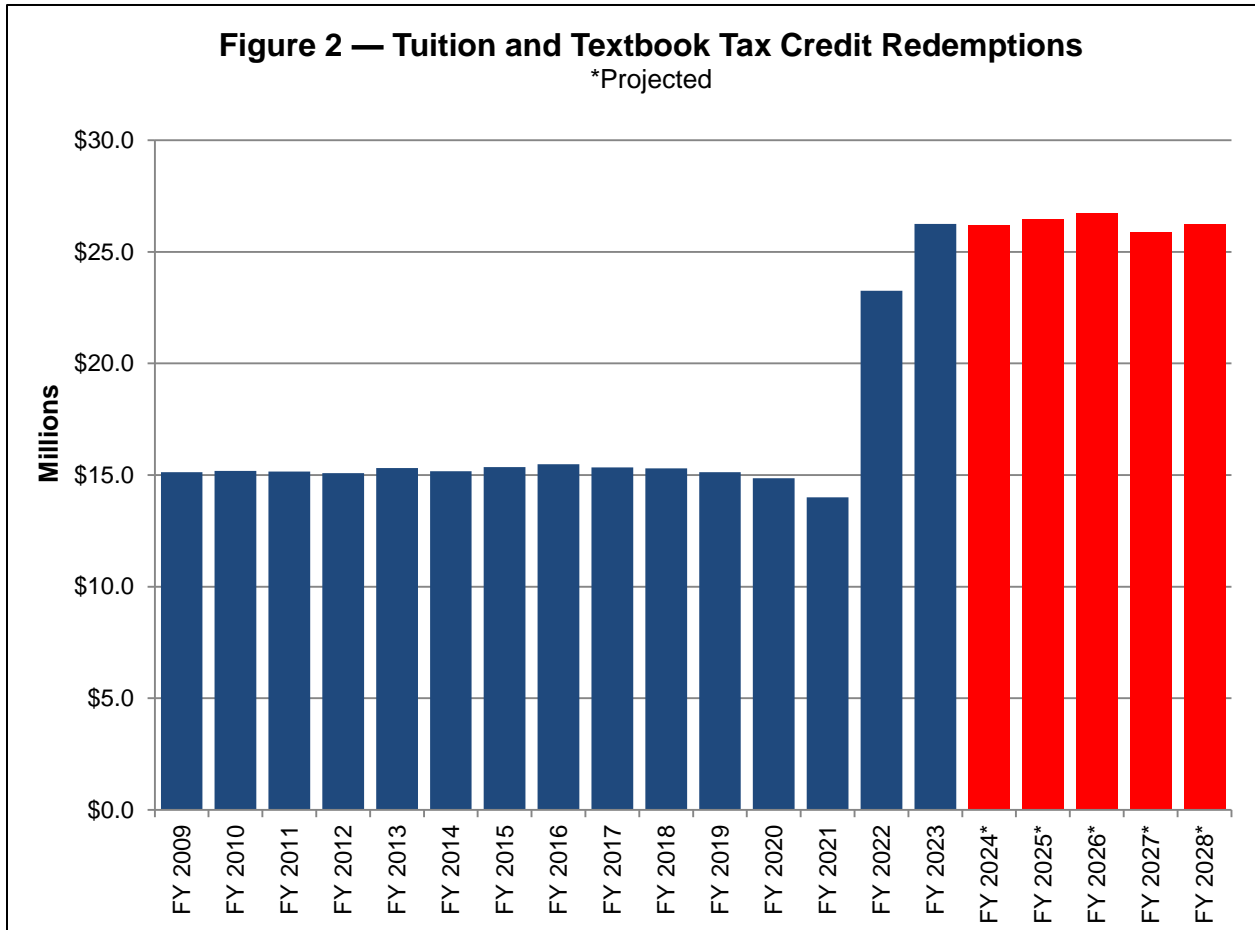
Tax Credit Review, Usage, and Future Liability

The following is based on Tables 3 and 4 from the Department of Revenue (IDR) [Tuition and Textbook Tax Credit Tax Credits Program Evaluation Study](#) from December 2022 providing information on the TTC for tax year 2020:

- 104,609 households claimed the credit, covering 187,110 qualifying dependents.
- The average TTC claim per household was \$134.
- 10.0% of households claimed the maximum credit of \$250 for that tax year.

The IDR reports on the annual credit usage for the TTC in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, the following figures provide credit redemption history and projections for the TTC on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 15,135,572	FY 2019	\$ 15,134,975
FY 2010	15,190,303	FY 2020	14,859,715
FY 2011	15,164,401	FY 2021	14,006,637
FY 2012	15,088,982	FY 2022	23,261,201
FY 2013	15,319,837	FY 2023	26,247,630
FY 2014	15,168,557	FY 2024*	26,178,882
FY 2015	15,356,667	FY 2025*	26,432,569
FY 2016	15,489,317	FY 2026*	26,730,160
FY 2017	15,344,341	FY 2027*	25,903,059
FY 2018	15,306,991	FY 2028*	26,225,410



Doc ID 1386567