

House Study Bill 63 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON KAUFMANN)

A BILL FOR

1 An Act creating the new resident and new graduate tax credits,
2 available against the individual income tax, and including
3 retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.12P New resident tax credit.

2 1. a. For purposes of this section, "new resident" means an
3 individual who became a resident of Iowa upon taking full-time
4 employment in this state, who remains a resident of and
5 employed full-time in this state while claiming the credit, and
6 who has not been a resident of this state at any time during the
7 previous twelve-month period prior to establishing residency
8 in this state.

9 b. For purposes of this section, "public assistance" means
10 the supplemental nutrition assistance program, the Medicaid
11 program, or the family investment program.

12 2. a. The taxes imposed under this subchapter less the
13 credits allowed under section 422.12 shall be reduced by a new
14 resident tax credit equal to one hundred percent of the taxes
15 imposed in a tax year for up to four consecutive tax years.

16 b. An individual may claim the credit during either the
17 first or second tax year of residency, and may take the
18 credit consecutively every tax year thereafter as provided in
19 paragraph "a".

20 c. An individual is eligible to take the credit one time in
21 the individual's lifetime. If an individual is unable to claim
22 the credit in consecutive tax years, the individual shall be
23 ineligible to claim the credit in a future tax year.

24 3. Any new resident tax credit in excess of the tax
25 liability is not refundable.

26 4. An individual claiming the credit may claim an exemption
27 from withholding on the state W-4 form.

28 5. Married taxpayers electing to file separate returns or
29 filing separately on a combined return may avail themselves
30 of the new resident tax credit by allocating the new resident
31 tax credit to each spouse in the proportion that each spouse's
32 respective earned income bears to the total combined earned
33 income.

34 6. An individual shall not be eligible to claim the credit
35 if the person is receiving public assistance after the first

1 tax year the credit is claimed.

2 Sec. 2. NEW SECTION. 422.12Q New graduate tax credit.

3 1. *a.* For purposes of this section, "*new graduate*" means
4 an individual who is within two years of graduation from an
5 Iowa-based community college, college, university, or an
6 apprenticeship program as defined in section 15B.2, who is a
7 resident of and employed in this state, and who is thirty years
8 of age or less during the first tax year when claiming the tax
9 credit.

10 *b.* For purposes of this section, "*public assistance*" means
11 the supplemental nutrition assistance program, the Medicaid
12 program, or the family investment program.

13 2. *a.* The taxes imposed under this subchapter less the
14 credits allowed under section 422.12 shall be reduced by a new
15 graduate tax credit equal to one hundred percent of the taxes
16 imposed in a tax year for up to four consecutive tax years.

17 *b.* An individual may claim the tax credit during either the
18 first or second tax year after graduation, and may take the
19 credit consecutively every tax year thereafter as provided in
20 paragraph "*a*".

21 *c.* An individual is eligible to take the credit one time in
22 the individual's lifetime. If an individual is unable to claim
23 the credit in consecutive tax years, the individual shall be
24 ineligible to claim the credit in a future tax year.

25 3. Any new graduate tax credit in excess of the tax
26 liability is not refundable.

27 4. An individual claiming the credit may claim an exemption
28 from withholding on the state W-4 form.

29 5. Married taxpayers electing to file separate returns or
30 filing separately on a combined return may avail themselves
31 of the new graduate tax credit by allocating the new graduate
32 tax credit to each spouse in the proportion that each spouse's
33 respective earned income bears to the total combined earned
34 income.

35 6. An individual shall not be eligible to claim the credit

1 if the person is receiving public assistance after the first
2 tax year the credit is claimed.

3 Sec. 3. CONTINGENT FUTURE REPEAL — CODE EDITOR DIRECTIVE
4 — APPLICABILITY AFTER REPEAL.

5 1. Sections 422.12P and 422.12Q are repealed January 1
6 following the occurrence of the statewide average annual
7 unemployment rate equaling or exceeding four percent for three
8 consecutive calendar years as calculated by the United States
9 department of labor, bureau of labor statistics, beginning
10 with calendar year 2024. The director of the department of
11 workforce development or the director's designee shall notify
12 the Code editor when the annual statewide unemployment rate
13 exceeds four percent for three consecutive calendar years as
14 set forth in this subsection.

15 2. If the Code editor is notified by the director of the
16 department of workforce development or the director's designee
17 that the condition in subsection 1 has been satisfied, the Code
18 editor is directed to remove sections 422.12P and 422.12Q from
19 the Code.

20 3. A taxpayer claiming the tax credit in section 422.12P or
21 422.12Q prior to repeal pursuant to subsection 2 is eligible
22 to claim the credit after the repeal up to any remaining tax
23 years the taxpayer would have been eligible to claim prior to
24 the repeal, as long as the taxpayer remains eligible to claim
25 the credit under the law prior to repeal.

26 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
27 retroactively to January 1, 2023, for tax years beginning on
28 or after that date.

29

EXPLANATION

30 The inclusion of this explanation does not constitute agreement with
31 the explanation's substance by the members of the general assembly.

32 This bill creates the new resident and new graduate tax
33 credits, which are available against the individual income tax.

34 NEW RESIDENT TAX CREDIT. The bill defines "new resident" to
35 mean an individual who became a resident of Iowa upon taking

1 full-time employment in this state, who remains a resident of
2 and employed full-time in this state while claiming the credit,
3 and who has not been a resident of this state at any time during
4 the previous 12-month period prior to establishing residency.

5 The new resident tax credit authorized in the bill is
6 available to a new resident for up to four consecutive tax
7 years following the establishment of residency in this state.
8 A new resident may begin to claim the credit during either the
9 first or second tax year of residency.

10 The amount of the credit is equal to 100 percent of the
11 income tax imposed in a tax year for up to four consecutive tax
12 years.

13 An individual is eligible to claim the new resident tax
14 credit one time in the individual's lifetime for the tax year
15 period described in the bill.

16 An individual claiming the new resident tax credit may claim
17 an exemption from withholding on the state W-4 form.

18 Any new resident tax credit in excess of tax liability is not
19 refundable.

20 An individual is not eligible to claim the credit if the
21 person is receiving public assistance after the first tax year
22 the credit is claimed. The bill defines "public assistance"
23 to mean the supplemental nutrition assistance program, the
24 Medicaid program, or the family investment program.

25 NEW GRADUATE TAX CREDIT. The bill defines "new graduate" to
26 mean an individual who is within two years of graduation from
27 an Iowa-based community college, college, university, or an
28 apprenticeship program as defined in Code section 15B.2, who is
29 a resident of and employed in this state, and who is 30 years
30 of age or less during the first tax year when claiming the tax
31 credit.

32 The new graduate tax credit authorized in the bill is
33 available to a new graduate for up to four consecutive tax
34 years following graduation. A new graduate may begin to claim
35 the credit during either the first or second tax year after

1 graduation.

2 The amount of the credit is equal to 100 percent of the
3 income tax imposed in a tax year for up to four consecutive tax
4 years.

5 An individual is eligible to claim the new graduate tax
6 credit one time in the individual's lifetime for the tax year
7 period described in the bill.

8 An individual claiming the new graduate tax credit may claim
9 an exemption from withholding on the state W-4 form.

10 Any new graduate tax credit in excess of tax liability is not
11 refundable.

12 An individual is not eligible to claim the credit if the
13 person is receiving public assistance after the first tax year
14 the credit is claimed. The bill defines "public assistance"
15 to mean the supplemental nutrition assistance program, the
16 Medicaid program, or the family investment program.

17 CONTINGENT FUTURE REPEAL — CODE EDITOR DIRECTIVE —
18 APPLICABILITY AFTER REPEAL. The bill repeals the new resident
19 tax credit and the new graduate tax credit January 1 following
20 the occurrence of the statewide average annual unemployment
21 rate equaling or exceeding 4 percent for three consecutive
22 calendar years as calculated by the United States department of
23 labor, bureau of labor statistics, beginning with calendar year
24 2024. The director of the department of workforce development
25 or the director's designee shall notify the Code editor when
26 the annual statewide unemployment rate exceeds 4 percent for
27 three consecutive calendar years.

28 If the Code editor receives notification under the bill, the
29 Code editor is directed to remove the tax credits.

30 A taxpayer claiming a tax credit prior to repeal under the
31 bill is eligible to claim the credit after the repeal up to
32 any remaining tax years the taxpayer would have been eligible
33 to claim prior to the repeal, as long as the taxpayer remains
34 eligible to claim the credit under the law prior to repeal.

35 APPLICABILITY. The bill applies retroactively to tax years

H.F. _____

1 beginning on or after January 1, 2023.