

House File 732

H-1374

1 Amend House File 732 as follows:

2 1. By striking everything after the enacting clause and  
3 inserting:

4 <DIVISION I

5 CHILD AND DEPENDENT CARE TAX CREDIT

6 Section 1. Section 422.12C, subsection 1, Code 2023, is  
7 amended by striking the subsection and inserting in lieu  
8 thereof the following:

9 1. The taxes imposed under this subchapter, less the amounts  
10 of nonrefundable credits allowed under this subchapter, shall  
11 be reduced by a child and dependent care credit equal to the  
12 following percentages of the federal child and dependent care  
13 credit provided in section 21 of the Internal Revenue Code,  
14 without regard to whether or not the federal credit was limited  
15 by the taxpayer's federal tax liability:

16 a. For a taxpayer with net income of forty-five thousand  
17 dollars or less, one hundred percent.

18 b. For a taxpayer with net income exceeding forty-five  
19 thousand dollars but not exceeding fifty thousand dollars,  
20 eighty-eight percent.

21 c. For a taxpayer with net income exceeding fifty thousand  
22 dollars but not exceeding sixty thousand dollars, seventy-five  
23 percent.

24 d. For a taxpayer with net income exceeding sixty thousand  
25 dollars but not exceeding seventy thousand dollars, sixty-three  
26 percent.

27 e. For a taxpayer with net income exceeding seventy thousand  
28 dollars but not exceeding eighty thousand dollars, fifty  
29 percent.

30 f. For a taxpayer with net income exceeding eighty thousand  
31 dollars but not exceeding ninety thousand dollars, thirty-eight  
32 percent.

33 g. For a taxpayer with net income exceeding ninety thousand  
34 dollars but not exceeding one hundred thousand dollars,  
35 twenty-five percent.



1 pursuant to section 237A.2.

2 9. "Program" means the child care center and child  
3 development home grant program.

4 Sec. 3. NEW SECTION. 237D.2 Child care center and child  
5 development home grant fund.

6 1. A child care center and child development home grant fund  
7 is created and established as a separate and distinct fund in  
8 the state treasury under the control of the department.

9 2. a. The fund may consist of any moneys appropriated by  
10 the general assembly for purposes of this chapter and any other  
11 moneys that are lawfully available to the department. Moneys  
12 in the fund are appropriated to the department and shall be  
13 used for the purposes of this chapter.

14 b. Notwithstanding section 8.33, moneys in the fund  
15 that remain unencumbered or unobligated at the close of the  
16 fiscal year shall not revert but shall remain available for  
17 expenditure for the purposes of this section in succeeding  
18 fiscal years. Notwithstanding section 12C.7, subsection 2,  
19 interest earned on moneys in the fund shall be credited to the  
20 fund.

21 Sec. 4. NEW SECTION. 237D.3 Child care center and child  
22 development home grant program.

23 1. The department shall adopt rules to establish and  
24 administer a child care center and child development home  
25 grant program to provide for the allocation of money in the  
26 fund in the form of grants, not to exceed fifty thousand  
27 dollars per grant, to eligible persons for costs related to  
28 the establishment of a new licensed child care center or  
29 a new child development home, or for the expansion of an  
30 existing licensed child care center or the expansion of an  
31 existing child development home. For any one fiscal year, the  
32 department shall not approve more than four million dollars  
33 in grants. The rules adopted by the department shall specify  
34 the eligibility requirements for applicants of the program and  
35 the items eligible for a program grant. Items eligible for a

1 program grant must include the costs related to licensing or  
2 registration, supplies, employee salaries, and infrastructure.

3 2. A new center or a new home must be licensed or registered  
4 and fully operational within two years of the date of an  
5 applicant's receipt of a grant.

6 3. Of the children for whom a new or expanded center or a  
7 new or expanded home provide child care, a minimum of twenty  
8 percent of the children must be from a family that qualifies  
9 for state child care assistance pursuant to section 237A.13.

10 4. A person that is awarded a grant shall enter into an  
11 agreement with the department that specifies the requirements  
12 that must be maintained throughout the period of the agreement  
13 in order for the person to retain the grant. The agreement  
14 must contain, at a minimum, provisions addressing all of the  
15 following:

16 a. The legal name of the person receiving the grant.

17 b. The amount of the grant.

18 c. Annual certification by the person to the department of  
19 compliance with the requirements of the agreement, the program,  
20 and this chapter.

21 d. The repayment of the grant, or a portion of the grant,  
22 if the person does not meet all of the requirements of the  
23 agreement, the program, and this chapter.

24 e. If a new center or a new home for which the grant was  
25 received goes out of business within two years of the date the  
26 new center or new home becomes fully operational pursuant to  
27 subsection 2, the grant shall be subject to repayment. If an  
28 expanded center or an expanded home for which the grant was  
29 received goes out of business within two years of the date on  
30 which the grant was received, the grant shall be subject to  
31 repayment.

32 DIVISION III

33 SMALL BUSINESS CHILD CARE TAX CREDIT

34 Sec. 5. NEW SECTION. 237A.32 Small business child care tax  
35 credit.

1 1. As used in this section "*small business*" means any  
2 enterprise which is located in this state, which is operated  
3 for profit and under a single management, and which has either  
4 fewer than twenty employees or an annual gross income of less  
5 than four million dollars computed as the average of the three  
6 preceding fiscal years. This definition does not apply to any  
7 program or activity for which a definition for small business  
8 is provided for the program or activity by federal law or  
9 regulation or other state law.

10 2. A small business may receive a child care tax credit  
11 for providing child care employee benefits to employees of the  
12 business. The credit may be applied against income tax imposed  
13 under chapter 422, subchapter II or III, the franchise tax  
14 imposed under chapter 422, subchapter V, the gross premiums  
15 tax imposed under chapter 432, or the moneys and credits tax  
16 imposed in section 533.329. The amount of the credit equals  
17 the costs to provide the benefit up to three thousand dollars  
18 per employee per year.

19 3. The aggregate amount of tax credits authorized pursuant  
20 to this section shall not exceed a total of two million  
21 dollars per fiscal year, and shall be awarded on a first-come,  
22 first-served basis.

23 4. To be eligible for a small business child care tax  
24 credit, the small business must provide child care employee  
25 benefits to employees of the business through any of the  
26 following:

27 a. Build a new structure or rehabilitate an existing  
28 structure to be used as a child care center at or near the small  
29 business where the children of the employees of the business  
30 are provided child care. A small business may construct or  
31 rehabilitate the structure in conjunction with another business  
32 but only the actual cost of the business shall be considered in  
33 determining the credit.

34 b. Operate or lease a child care center at or near the small  
35 business where the children of the employees of the business

1 are provided child care.

2 5. A taxpayer who elects to claim the small business child  
3 care tax credit shall not claim the employer child care tax  
4 credit under section 237A.31

5 6. Any credit in excess of the tax liability is not  
6 refundable but the excess for the tax year may be credited  
7 to the tax liability for the following five years or until  
8 depleted, whichever is earlier. The director of revenue shall  
9 adopt rules to implement this section.

10 Sec. 6. NEW SECTION. **422.12P Small business child care tax**  
11 **credit.**

12 1. The taxes imposed under this subchapter, less the credits  
13 allowed under section 422.12, shall be reduced by a small  
14 business child care tax credit received pursuant to section  
15 237A.32.

16 2. An individual may claim the tax credit allowed a  
17 partnership, S corporation, limited liability company, estate,  
18 or trust electing to have the income taxed directly to the  
19 individual. The amount claimed by the individual shall be  
20 based upon the pro rata share of the individual's earnings of a  
21 partnership, S corporation, limited liability company, estate,  
22 or trust.

23 Sec. 7. Section 422.33, Code 2023, is amended by adding the  
24 following new subsection:

25 NEW SUBSECTION. 33. The taxes imposed under this subchapter  
26 shall be reduced by a small business child care tax credit  
27 received pursuant to section 237A.32.

28 Sec. 8. Section 422.60, Code 2023, is amended by adding the  
29 following new subsection:

30 NEW SUBSECTION. 16. The taxes imposed under this subchapter  
31 shall be reduced by a small business child care tax credit  
32 received pursuant to section 237A.32.

33 Sec. 9. NEW SECTION. **432.12P Small business child care tax**  
34 **credit.**

35 The taxes imposed under this chapter shall be reduced by

1 a small business child care tax credit received pursuant to  
2 section 237A.32.

3 Sec. 10. Section 533.329, subsection 2, Code 2023, is  
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. *n.* The moneys and credits tax imposed under  
6 this section shall be reduced by a small business child care  
7 tax credit received pursuant to section 237A.32.

8 Sec. 11. APPLICABILITY. This division of this Act applies  
9 to tax years beginning on or after January 1, 2023.

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#### DIVISION IV

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#### STATE CHILD CARE ASSISTANCE

12 Sec. 12. Section 237A.13, subsection 8, paragraph c, Code  
13 2023, as amended by 2023 Iowa Acts, House File 707, section 5,  
14 is amended to read as follows:

15 *c.* Families with an income of more than one hundred percent  
16 but not more than ~~one~~ two hundred ~~sixty~~ percent of the federal  
17 poverty level whose members, for at least thirty-two hours  
18 per week in the aggregate, are employed or are participating  
19 at a satisfactory level in an approved training program or  
20 educational program.

21 Sec. 13. DIRECTIVE TO DEPARTMENT OF HEALTH AND HUMAN  
22 SERVICES — CHILD CARE ASSISTANCE.

23 1. The department of health and human services shall amend  
24 its administrative rules pursuant to chapter 17A to do all of  
25 the following:

26 a. Provide income eligibility for state child care  
27 assistance, according to family size for children needing basic  
28 care, to families whose nonexempt gross monthly income does not  
29 exceed two hundred percent of the federal poverty level.

30 b. Adjust the state child care assistance copayment  
31 schedule in incrementally increased amounts for families whose  
32 nonexempt gross monthly income does not exceed two hundred  
33 percent of the federal poverty level.

34 2. The rules adopted pursuant to this section shall take  
35 effect January 1, 2024.>

1     2. Title page, by striking lines 2 and 3 and inserting  
2 <child care, grants and tax credits relating to child care,  
3 and state child care assistance, and including applicability  
4 provisions.>

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MADISON of Polk