



SF 2337 – Child and Dependent Care Tax Credit (LSB 5581SV.2)
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Fiscal Note Version – Senate amendment to the House Amendment

Description

Senate File 2337, including the Senate amendment to the House amendment, changes the existing Iowa Child and Dependent Care Tax Credit by modifying the requirement that the Iowa credit be calculated as a function of the federal tax credit. Under the federal calculation, the tax credit can be limited by a lack of federal tax liability for the taxpayer. This change will allow the taxpayer to benefit from the full Iowa tax credit even in instances where they were not allowed the full calculated federal credit due to insufficient federal tax liability.

The change is effective January 1, 2016 (tax year 2016), as passed the House, and effective January 1, 2015 (tax year 2015), with the Senate amendment to the House amendment.

Assumptions

The income tax reduction was estimated using the Department of Revenue individual income tax micro-model. The conversion of tax year impacts to State General Fund fiscal year impacts was completed using historical patterns of income tax withholding, estimates, final returns, and refunds.

Fiscal Impact

House amendment to the Senate File - The change to the Child and Dependent Care Tax Credit is projected to reduce annual net General Fund revenue by \$2.6 million beginning in FY 2017.

Senate amendment to the House amendment to the Senate File - The change to the Child and Dependent Care Tax Credit is projected to reduce annual net General Fund revenue by \$2.6 million beginning in FY 2016.

Source

Department of Revenue

/s/ Holly M. Lyons

April 25, 2014

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
