
FISCAL TOPICS

Fiscal Services Division

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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. The credit is equal to 25.0% of the first \$1,000 paid of eligible education expenses for each dependent. If eligible education expenses qualify for both the TTC and for a distribution from a [section 529 plan](#), taxpayers may claim both the TTC and receive the benefit of the tax-free section 529 plan distribution.

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: None
- Refundable: No
- Carryforward: No
- Tax Review Committee Review Year: 2022

Legislative History

The TTC became effective for tax years beginning on or after January 1, 1998. 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.

More Information

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

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/2019-08/Tuition%20and%20Textbook%20Tax%20Credit%20Evaluation%20Study%202017.pdf

Department of Revenue Tax Credit Users' Manual:

tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

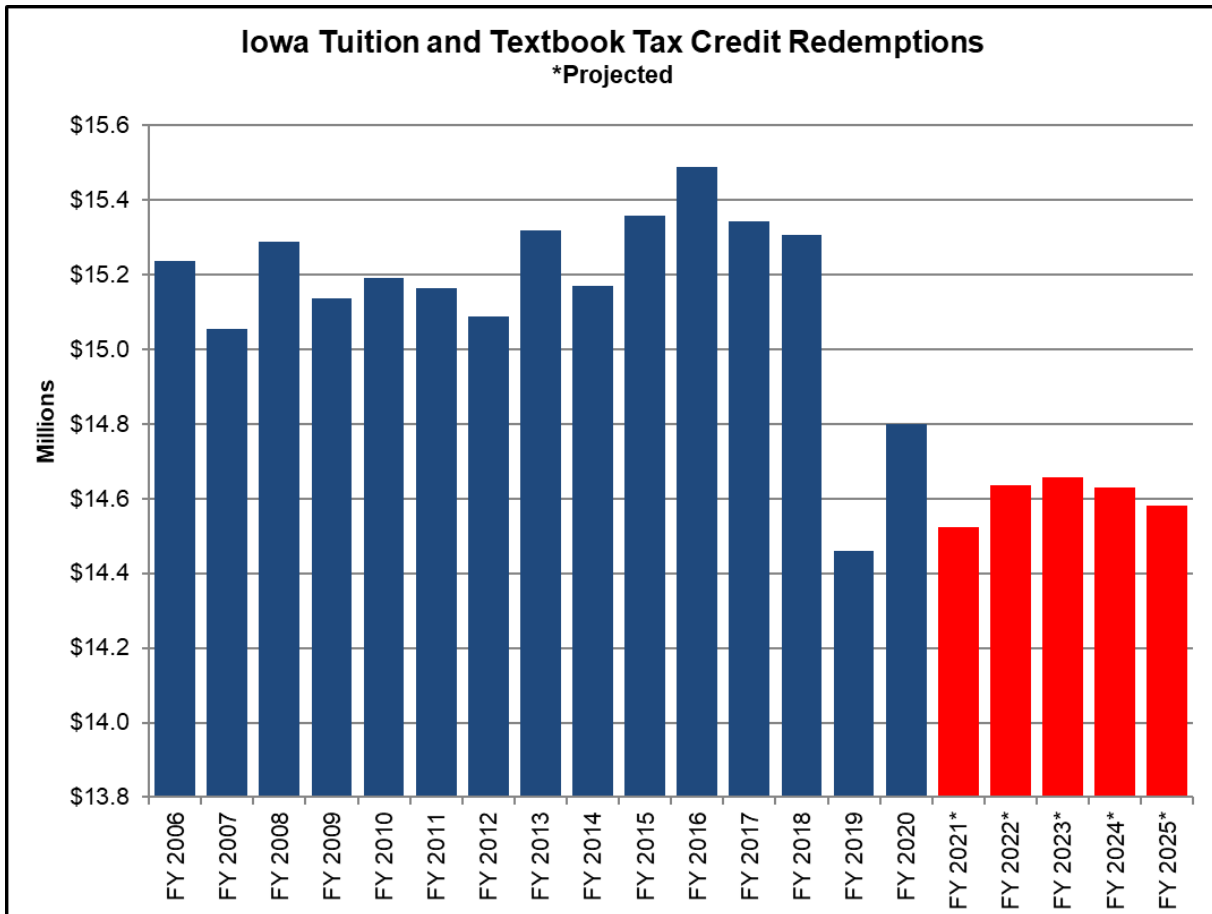
LSA Staff Contact: Lora Vargason (515.725.2249) lora.vargason@legis.iowa.gov

Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue [study](#) of the TTC released in March 2018:

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

Iowa Tuition and Textbook Tax Credit History			
* Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2006	\$ 15,235,560	FY 2016	\$ 15,489,317
FY 2007	15,054,930	FY 2017	15,344,341
FY 2008	15,287,421	FY 2018	15,306,991
FY 2009	15,135,572	FY 2019	14,459,487
FY 2010	15,190,303	FY 2020	14,799,679
FY 2011	15,164,401	FY 2021*	14,523,700
FY 2012	15,088,982	FY 2022*	14,635,885
FY 2013	15,319,837	FY 2023*	14,657,462
FY 2014	15,168,557	FY 2024*	14,629,014
FY 2015	15,356,667	FY 2025*	14,582,656



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