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## FISCAL TOPICS

Fiscal Services Division

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## 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 \$2,000 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: No
- 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.

During the 2021 Legislative Session, the maximum basis of the credit was increased from \$1,000 to

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### More Information

Department of Revenue Contingent Liabilities Report: [tax.iowa.gov/report-category/contingent-liabilities](http://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](http://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](http://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](http://www.legis.iowa.gov/docs/publications/LG/711304.pdf)

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\$2,000 and eligibility was extended to include private instruction students.

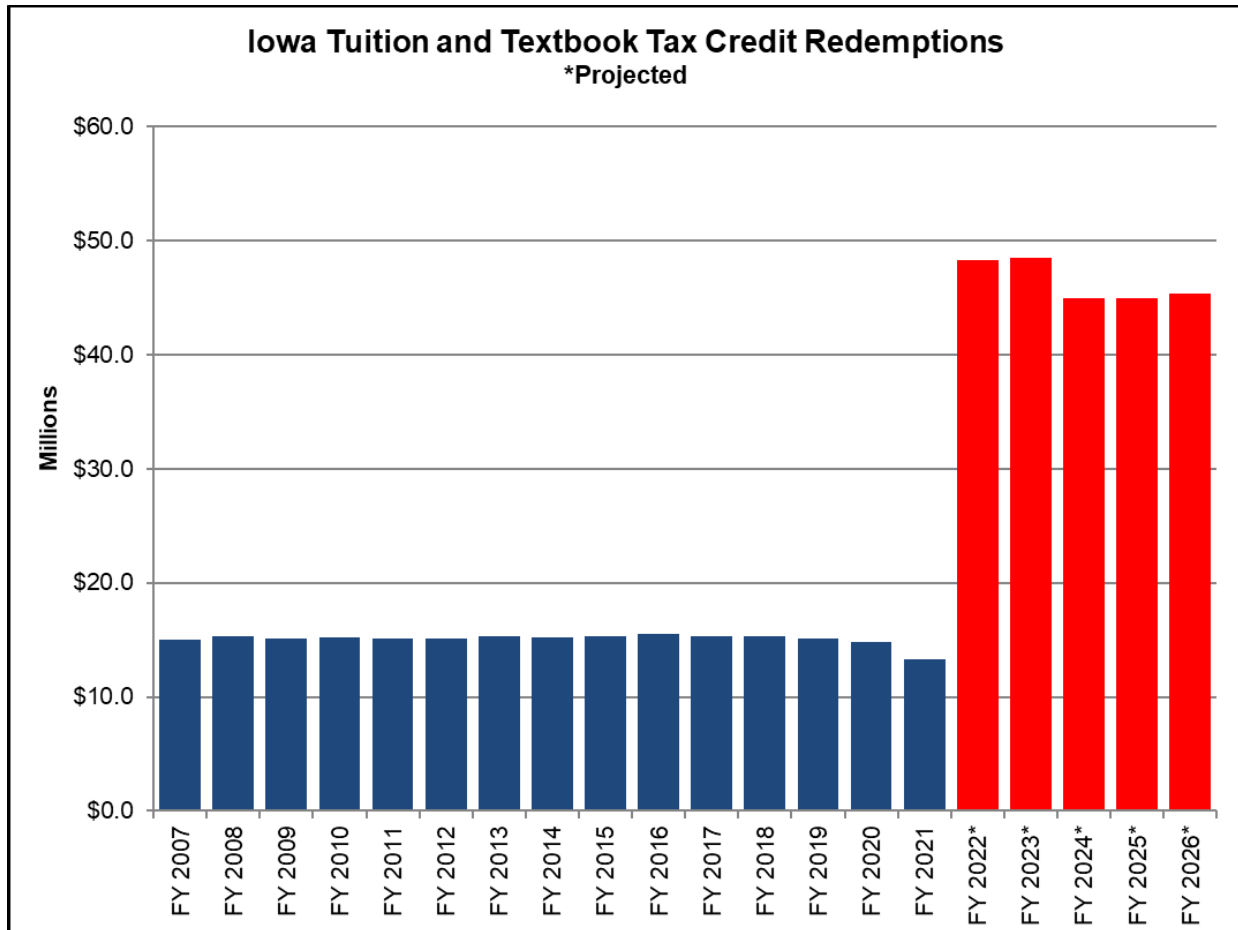
### Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue (IDR) [Tax Credit Brief](#) providing information on the TTC for tax year 2016:

- 117,788 households claimed the credit, covering 219,779 dependents.
- The average TTC claim per household was \$130.
- 8.2% 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 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 IDR projections of future redemptions.

<b>Iowa Tuition and Textbook Tax Credit History</b>			
* Projected			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
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	15,134,975
FY 2010	15,190,303	FY 2020	14,859,715
FY 2011	15,164,401	FY 2021	13,340,333
FY 2012	15,088,982	FY 2022*	48,335,458
FY 2013	15,319,837	FY 2023*	48,497,061
FY 2014	15,168,557	FY 2024*	44,968,239
FY 2015	15,356,667	FY 2025*	44,933,462
FY 2016	15,489,317	FY 2026*	45,339,656



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