

SENATE FILE 96  
BY IVERSON

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the deduction of medical and health care  
2 insurance or coverage for state individual income tax and  
3 providing a retroactive applicability date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 96

1 Section 1. Section 422.7, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 18. Subtract an amount paid by the  
4 taxpayer for medical and health care insurance or coverage for  
5 the taxpayer, the taxpayer's spouse, or the taxpayer's  
6 dependent.

7 Sec. 2. Section 422.9, subsection 2, Code 1995, is amended  
8 by adding the following new paragraph:

9 NEW PARAGRAPH. i. If the taxpayer has a deduction for  
10 medical care expenses under section 213 of the Internal  
11 Revenue Code, the taxpayer shall recompute for the purposes of  
12 this subsection the amount of the deduction under section 213  
13 by excluding from medical care, as defined in section 213, the  
14 amount subtracted under section 422.7, subsection 18.

15 Sec. 3. Section 422.12B, subsection 1, Code 1995, is  
16 amended to read as follows:

17 1. The taxes imposed under this division less the credits  
18 allowed under section 422.12 shall be reduced by an earned  
19 income credit equal to six and one-half percent of the federal  
20 basic earned income credit and the health insurance credit  
21 provided in section 32 of the Internal Revenue Code. Any  
22 credit in excess of the tax liability is nonrefundable. In  
23 computing the health insurance credit under section 32 of the  
24 Internal Revenue Code, the amount subtracted under section  
25 422.7, subsection 18, shall not be included.

26 Sec. 4. This Act applies retroactively to January 1, 1995,  
27 for tax years beginning on or after that date.

28 EXPLANATION

29 This bill allows for an amount paid by taxpayers for  
30 medical and health care insurance or coverage for the  
31 taxpayer, spouse, or dependent to be subtracted in computing  
32 net income for state individual income tax. This bill also  
33 provides that the amount of the state medical and health  
34 expense premium deduction allowed is not to be used in  
35 computing the federal medical deduction for state tax

1 purposes. In addition, the premium deduction taken for  
2 dependents is not allowed in computing the federal health  
3 insurance credit portion of the earned income tax credit.

4 The bill is retroactively applicable to January 1, 1995,  
5 for tax years beginning on or after that date.

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