

FEB 23 2000  
WAYS AND MEANS

HOUSE FILE 2403  
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Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing a tax credit under the individual income tax for  
2 an individual who provides household services and care for  
3 certain dependents and including a retroactive applicability  
4 date provision.

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

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HF 2403

1 Section 1. NEW SECTION. 422.12F DEPENDENT CARE TAX  
2 CREDIT.

3 1. The taxes imposed under this division, less the credits  
4 allowed under sections 422.12 and 422.12B, shall be reduced by  
5 a dependent care tax credit for married taxpayers where one  
6 spouse is not gainfully employed for more than one hundred  
7 four hours during each calendar quarter during the tax year  
8 and that spouse provides household services and care for a  
9 qualifying individual. The credit is also available to an  
10 unmarried head of household where the head of household is not  
11 gainfully employed for more than one hundred four hours during  
12 each calendar quarter during the tax year and the head of  
13 household provides household services and care for a  
14 qualifying individual. The amount of the credit shall be  
15 computed as follows:

16 a. Calculate a provisional credit equal to the product of  
17 the applicable percentage and the household services and care  
18 expenses.

19 b. Calculate the actual credit as follows:

20 (1) For a taxpayer with net income of less than ten  
21 thousand dollars, seventy-five percent of the provisional  
22 credit.

23 (2) For a taxpayer with net income of ten thousand dollars  
24 or more but less than twenty thousand dollars, sixty-five  
25 percent of the provisional credit.

26 (3) For a taxpayer with net income of twenty thousand  
27 dollars or more but less than twenty-five thousand dollars,  
28 fifty-five percent of the provisional credit.

29 (4) For a taxpayer with net income of twenty-five thousand  
30 dollars or more but less than thirty-five thousand dollars,  
31 fifty percent of the provisional credit.

32 (5) For a taxpayer with net income of thirty-five thousand  
33 dollars or more but less than forty thousand dollars, forty  
34 percent of the provisional credit.

35 (6) For a taxpayer with net income of forty thousand

1 dollars or more, zero percent of the provisional credit.

2 2. For purposes of this section:

3 a. "Applicable percentage" means the same as defined in  
4 section 21(a)(2) of the Internal Revenue Code.

5 b. "Household services and care expenses" equals two  
6 thousand four hundred dollars if there is only one qualifying  
7 individual, and four thousand eight hundred dollars if there  
8 are two or more qualifying individuals.

9 c. "Qualifying individual" means the same as defined in  
10 section 21(b)(1) of the Internal Revenue Code.

11 3. Any credit in excess of the tax liability shall be  
12 refunded. In lieu of claiming a refund, a taxpayer may elect  
13 to have the overpayment shown on the taxpayer's final,  
14 completed return credited to the tax liability for the  
15 following taxable year.

16 4. The credit is only available to married taxpayers  
17 filing jointly and unmarried heads of household. A taxpayer  
18 shall not claim a credit under this section and section  
19 422.12C for the same tax year. Nonresidents or part-year  
20 residents of Iowa must determine their Iowa dependent care tax  
21 credit in the ratio of their Iowa source net income to their  
22 all source net income.

23 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies  
24 retroactively to January 1, 2000, for tax years beginning on  
25 or after that date.

26 EXPLANATION

27 This bill provides a refundable tax credit under the  
28 individual income tax for a spouse or unmarried head of  
29 household who remains at home to provide household services  
30 and care for a dependent and who is not gainfully employed for  
31 more than 104 hours during each calendar quarter during the  
32 tax year. The computation of the amount of the credit is  
33 patterned after the method for computing the federal credit  
34 available for persons who incurred expenses for household and  
35 dependent care services so that they may be gainfully employed

1 and patterned after Iowa's child and dependent care credit,  
2 which is a percentage of that federal credit.

3 The bill applies retroactively to January 1, 2000, for tax  
4 years beginning on or after that date.

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