

MAR 7 2000

WAYS & MEANS CALENDAR

HOUSE FILE 2539
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2032)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing an individual and corporate tax credit for the
2 acquisition or modification of assistive technology or the
3 modification of the workplace in order to assist persons with
4 a disability in the workplace and including an effective and
5 retroactive applicability date provision.

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

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HF 2539

1 Section 1. NEW SECTION. 422.11D ASSISTIVE DEVICE TAX
2 CREDIT -- SMALL BUSINESS.

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 an assistive device tax credit. A small business purchasing,
6 renting, or modifying an assistive device or making workplace
7 modifications for an individual with a disability who is
8 employed or will be employed by the small business is entitled
9 to receive this assistive device tax credit which is equal to
10 fifty percent of the first five thousand dollars paid during
11 the tax year for the purchase, rental, or modification of the
12 assistive device or for making the workplace modifications.
13 Any credit in excess of the tax liability shall be refunded
14 with interest computed under section 422.25. In lieu of
15 claiming a refund, a taxpayer may elect to have the
16 overpayment shown on the taxpayer's final, completed return
17 credited to the tax liability for the following tax year. If
18 the small business elects to take the assistive device tax
19 credit, the small business shall reduce the deduction for the
20 costs of purchasing, renting, or modifying an assistive device
21 or making workplace modifications by the amount of the credit.

22 2. An individual may claim an assistive device tax credit
23 allowed a partnership, limited liability company, S
24 corporation, estate, or trust electing to have the income
25 taxed directly to the individual. The amount claimed by the
26 individual shall be based upon the pro rata share of the
27 individual's earnings of the partnership, limited liability
28 company, S corporation, estate, or trust.

29 3. For purposes of this section:

30 a. "Assistive device" means any item, piece of equipment,
31 or product system which is used to increase, maintain, or
32 improve the functional capabilities of an individual with a
33 disability in the workplace or on the job. "Assistive device"
34 does not mean any medical device, surgical device, or organ
35 implanted or transplanted into or attached directly to an

1 individual. "Assistive device" does not include any device
2 for which a certificate of title is issued by the state
3 department of transportation, but does include any item, piece
4 of equipment, or product system otherwise meeting the
5 definition of "assistive device" that is incorporated,
6 attached, or included as a modification in or to such a device
7 issued a certificate of title.

8 b. "Disability" means the same as defined in section
9 225C.46.

10 c. "Small business" means a business that either had gross
11 receipts for its preceding tax year of three million dollars
12 or less or employed not more than fourteen full-time employees
13 during its preceding tax year.

14 d. "Workplace modifications" means physical alterations to
15 the work environment.

16 Sec. 2. Section 422.33, Code Supplement 1999, is amended
17 by adding the following new subsection:

18 NEW SUBSECTION. 9. The taxes imposed under this division
19 shall be reduced by an assistive device tax credit. A small
20 business purchasing, renting, or modifying an assistive device
21 or making workplace modifications for purposes of an
22 individual with a disability who is employed or will be
23 employed by the small business is entitled to receive this
24 assistive device tax credit which is equal to fifty percent of
25 the first five thousand dollars paid during the tax year for
26 the purchase, rental, or modification of the assistive device
27 or for making the workplace modifications. Any credit in
28 excess of the tax liability shall be refunded with interest
29 computed under section 422.25. In lieu of claiming a refund,
30 a taxpayer may elect to have the overpayment shown on the
31 taxpayer's final, completed return credited to the tax
32 liability for the following tax year. If the small business
33 elects to take the assistive device tax credit, the small
34 business shall reduce the deduction for the costs of
35 purchasing, renting, or modifying an assistive device or

1 making workplace modifications by the amount of the credit.

2 a. For purposes of this subsection, "assistive device"
3 means any item, piece of equipment, or product system which is
4 used to increase, maintain, or improve the functional
5 capabilities of an individual with a disability in the
6 workplace or on the job. "Assistive device" does not mean any
7 medical device, surgical device, or organ implanted or
8 transplanted into or attached directly to an individual.
9 "Assistive device" does not include any device for which a
10 certificate of title is issued by the state department of
11 transportation, but does include any item, piece of equipment,
12 or product system otherwise meeting the definition of
13 "assistive device" that is incorporated, attached, or included
14 as a modification in or to such a device issued a certificate
15 of title.

16 b. "Disability" means the same as defined in section
17 225C.46.

18 c. "Small business" means a business that either had gross
19 receipts for its preceding tax year of three million dollars
20 or less or employed not more than fourteen full-time employees
21 during its preceding tax year.

22 d. "Workplace modifications" means physical alterations to
23 the work environment.

24 Sec. 3. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.

25 This Act, being deemed of immediate importance, takes effect
26 upon enactment and applies retroactively to January 1, 2000,
27 for tax years beginning on or after that date.

28 EXPLANATION

29 The bill allows a tax credit equal to 50 percent of the
30 first \$5,000 paid for the purchase, rental, or modification of
31 an assistive device or for the renovation of the workplace for
32 an individual with a disability. The credit is refundable and
33 applies to both the individual and corporate income taxes.
34 Only small businesses are entitled to the credit. A small
35 business is one that either had gross receipts in the

1 preceding tax year of \$3 million or less or employed not more
2 than 14 full-time employees during its preceding tax year. An
3 assistive device is an item, piece of equipment, or product
4 system which is used to increase, maintain, or improve the
5 functional capabilities of an individual with a disability in
6 the workplace or on the job.

7 The bill takes effect upon enactment and applies
8 retroactively to January 1, 2000, for tax years beginning on
9 or after that date.

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HOUSE FILE 2539

H-9016

1 Amend House File 2539 as follows:
2 1. Page 1, line 8, by striking the word
3 "entitled" and inserting the following: "eligible,
4 subject to availability of credits,".
5 2. Page 1, by striking lines 19 through 21 and
6 inserting the following: "credit, the small business
7 shall not deduct for Iowa tax purposes any amount of
8 the cost of an assistive device or workplace
9 modifications which is deductible for federal tax
10 purposes.
11 2. To receive the assistive device tax credit, the
12 eligible small business must submit an application to
13 the department of economic development. If the
14 taxpayer meets the criteria for eligibility, the
15 department of economic development shall issue to the
16 taxpayer a certification of entitlement for the
17 assistive device tax credit. However, the combined
18 amount of tax credits that may be approved for a
19 fiscal year under this section and section 422.33,
20 subsection 9, shall not exceed five hundred thousand
21 dollars. Tax credit certificates shall be issued on
22 an earliest filed basis. The certification shall
23 contain the taxpayer's name, address, tax
24 identification number, the amount of the credit, and
25 tax year for which the certificate applies. The
26 taxpayer must file the tax credit certificate with the
27 taxpayer's individual income tax return in order to
28 claim the tax credit. The departments of economic
29 development and revenue and finance shall each adopt
30 rules to jointly administer this section and shall
31 provide by rule for the method to be used to determine
32 for which fiscal year the tax credits are approved."
33 3. Page 1, line 22, by striking the figure "2."
34 and inserting the following: "3."
35 4. Page 1, line 29, by striking the figure "3."
36 and inserting the following: "4."
37 5. Page 2, line 18, by inserting after the figure
38 "9." the following: "a."
39 6. Page 2, line 21, by striking the words
40 "purposes of"
41 7. Page 2, line 23, by striking the word
42 "entitled" and inserting the following: "eligible,
43 subject to availability of credits,".
44 8. By striking page 2, line 34, through page 3,
45 line 2 and inserting the following: "business shall
46 not deduct for Iowa tax purposes any amount of the
47 cost of an assistive device or workplace modifications
48 which is deductible for federal income tax purposes.
49 b. To receive the assistive device tax credit, the
50 eligible small business must submit an application to
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Page 2

1 the department of economic development. If the
2 taxpayer meets the criteria for eligibility, the
3 department of economic development shall issue to the
4 taxpayer a certification of entitlement for the
5 assistive device tax credit. However, the combined
6 amount of tax credits that may be approved for a
7 fiscal year under this subsection and section 422.11D
8 shall not exceed five hundred thousand dollars. Tax
9 credit certificates shall be issued on an earliest
10 filed basis. The certification shall contain the
11 taxpayer's name, address, tax identification number,
12 the amount of the credit, and tax year for which the
13 certificate applies. The taxpayer must file the tax
14 credit certificate with the taxpayer's corporate
15 income tax return in order to claim the tax credit.
16 The departments of economic development and revenue
17 and finance shall each adopt rules to jointly
18 administer this subsection and shall provide by rule
19 for the method to be used to determine for which
20 fiscal year the tax credits are approved.

21 c. For purposes of this subsection:

22 (1) "Assistive device".

23 9. Page 3, line 16, by striking the letter "b."
24 and inserting the following: "(2)".

25 10. Page 3, line 18, by striking the letter "c."
26 and inserting the following: "(3)".

27 11. Page 3, line 22, by striking the letter "d."
28 and inserting the following: "(4)".

29 12. Title page, by striking lines 1 through 5 and
30 inserting the following: "An Act providing an
31 assistive device tax credit under the individual and
32 corporate taxes for the acquisition or modification of
33 assistive technology or the modification of the
34 workplace in order to assist persons with a disability
35 in the workplace, limiting the total amount of credits
36 allowed, and including an effective and retroactive
37 applicability date provision."

By BOAL of Polk

H-9016 FILED APRIL 20, 2000

**HOUSE FILE 2539
FISCAL NOTE**

A fiscal note for House File 2539 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2539 provides a tax credit against either individual income tax or corporate income tax equal to 50.0% of the first \$5,000 paid for the purchase, rental, or modification of an assistive device or for the renovation of the workplace for an individual with a disability. The credit is refundable. The credit is available only to small businesses defined as businesses that either had gross receipts in the prior tax year of \$3.0 million or less or employed no more than 14 full-time employees during the preceding tax year.

BACKGROUND

Based on information obtained from the Vocational Rehabilitation Division, Iowa Department of Education, and the Department for the Blind, about 750 individuals with disabilities requiring assistive devices or workplace modification are placed with private employers each year. About 20.0% of these placements are with small businesses. The types of assistive devices or technology often needed to aid the individual function in the workplace include: hearing aids, glasses, prosthetic devices, large screen computer monitors, voice recognition software, refreshable Braille software, font enlarging software, handrails, and raised desks to accommodate wheel chairs. The cost of such devices or workplace modifications generally ranges from \$200 to \$15,000 per individual, with an average cost of about \$1,000.

ASSUMPTIONS

1. Approximately 150 individuals requiring assistive devices or workplace modification to accommodate disabilities will obtain employment with Iowa small businesses per year.
2. The average cost of assistive devices or workplace modification equals \$1,000.
3. The individuals in the relevant population will remain in the workforce for an average of 30 years.
4. The acquired assistive devices or other workplace improvements have a useful life of five years.
5. The credit equals 50.0% of the cost of the assistive device or workplace modification.
6. Individuals that qualify for assistance must satisfy the definition of disabled as specified in Section 225C.46, Code of Iowa.
7. The Bill would apply retroactively to January 1, 2000.

FISCAL IMPACT

House File 2539 will result in a decrease in General Fund revenues of approximately \$450,000 per year during FY 2001 and FY 2002.

SOURCES

Vocational Rehabilitation Division, Iowa Department of Education
Department for the Blind

(LSB 5339hv, MAL)

FILED MARCH 8, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR