

JAN 12 1999
WAYS AND MEANS

HOUSE FILE 42
BY GRUNDBERG

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

A BILL FOR

1 An Act increasing the child and dependent care credit under the
2 state individual income tax, providing for indexing of the net
3 income amounts used in determining the amount of credit, and
4 including a retroactive applicability date provision.

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

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HF 42

1 Section 1. Section 422.12C, subsection 1, Code 1999, is
2 amended to read as follows:

3 1. The taxes imposed under this division, less the credits
4 allowed under sections 422.11A, 422.11B, 422.12, and 422.12B,
5 shall be reduced by a child and dependent care credit equal to
6 the following percentages of the federal child and dependent
7 care credit provided in section 21 of the Internal Revenue
8 Code:

9 a. For a taxpayer with net income of less than ten
10 thousand dollars, seventy-five one hundred percent.

11 b. For a taxpayer with net income of ten thousand dollars
12 or more but less than twenty thousand dollars, sixty-five
13 seventy-five percent.

14 c. For a taxpayer with net income of twenty thousand
15 dollars or more but less than twenty-five thousand dollars,
16 fifty-five percent.

17 d. For a taxpayer with net income of twenty-five thousand
18 dollars or more but less than thirty-five thousand dollars,
19 fifty percent.

20 e. For a taxpayer with net income of thirty-five thousand
21 dollars or more but less than forty thousand dollars, forty
22 percent.

23 f. For a taxpayer with net income of forty thousand
24 dollars or more, zero but less than forty-five thousand
25 dollars, thirty percent.

26 g. For a taxpayer with net income of forty-five thousand
27 dollars or more but less than fifty thousand dollars, twenty
28 percent.

29 h. For a taxpayer with net income of fifty thousand
30 dollars or more, ten percent.

31 Sec. 2. Section 422.12C, Code 1999, is amended by adding
32 the following new subsection:

33 NEW SUBSECTION. 4. a. For the tax year beginning in the
34 2000 calendar year and for each subsequent tax year, the net
35 income amounts set forth in subsection 1 shall be multiplied

1 by the cumulative adjustment factor for that tax year.
2 "Cumulative adjustment factor" means the product of the annual
3 adjustment factor for the 1999 calendar year and all annual
4 adjustment factors for subsequent calendar years. The
5 cumulative adjustment factor applies to the tax year beginning
6 January 1 of the calendar year for which the latest annual
7 adjustment factor has been determined.

8 b. The annual adjustment factor for the 1999 calendar year
9 is one hundred percent. For each subsequent calendar year,
10 the annual adjustment factor equals the annual inflation
11 factor for the calendar year, in which the tax year begins, as
12 computed in section 422.4 for purposes of the individual
13 income tax.

14 Sec. 3. This Act applies retroactively to January 1, 1999,
15 for tax years beginning on or after that date.

16 EXPLANATION

17 The bill increases the child and dependent care credit
18 under the individual income tax. The credit is equal to a
19 percentage of the federal credit. Under present law the
20 highest credit is 75 percent if the taxpayer's net income is
21 less than \$10,000 with the credit phased out to zero for net
22 incomes of \$40,000 or more. Under the bill the highest credit
23 is 100 percent if the taxpayer's net income is less than
24 \$10,000 with the credit reduced to 10 percent for net income
25 of \$50,000 or more.

26 Beginning with the tax year beginning in calendar year
27 2000, the net income amounts upon which the percentage of
28 federal credit is determined are adjusted for inflation on an
29 annual basis.

30 The bill applies retroactively to January 1, 1999, for tax
31 years beginning on or after that date.

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