WAYS & MEANS

FILED JAN 25 2000

SENATE FILE 2041

BY MILLER

Passed Senate, Date ____________ Passed House, Date ____________

Vote: Ayes ______ Nays ________ Vote: Ayes ______ Nays ________

Approved ______________________________

A BILL FOR

An Act relating to the deduction of interest paid on education loans under the individual income tax and including an effective and retroactive applicability date provision.

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

SF 2041 WAYS & MEANS

TLSB 5541XS 78

mg/gg/8

S.F. 2041 H.F. ________

Section 1. Section 422.7, Code 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 35. Subtract, to the extent not otherwise deducted, the interest paid on any qualified education loan, as defined in section 221(e)(1) of the Internal Revenue Code.

Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon enactment and applies retroactively to January 1, 2000, for tax years beginning on or after that date.

EXPLANATION

This bill provides for a deduction of all interest paid on qualified education loans under the individual income tax. A qualified education loan is an indebtedness incurred by a taxpayer to pay the higher education expenses of attending an eligible educational institution by the taxpayer or the taxpayer's spouse or dependent. An eligible educational institution is a postsecondary educational institution or an institution that conducts an internship or residency program leading to a degree or certificate awarded by a postsecondary educational institute, hospital, or health care facility that offers postgraduate training.

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