

SSB 3214

Ways & Means

Lamberti

Johnson

DeLuerey

Succeeded By
CE HF 2425

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON JOHNSON)

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

A BILL FOR

1 An Act providing an assistive device tax credit under the
2 individual and corporate taxes for the acquisition or
3 modification of assistive technology or the modification of
4 the workplace in order to assist persons with a disability in
5 the workplace, limiting the total amount of credits allowed,
6 and including an effective and retroactive applicability date
7 provision.

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

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

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
9 eligible, subject to availability of credits, to receive this
10 assistive device tax credit which is equal to fifty percent of
11 the first five thousand dollars paid during the tax year for
12 the purchase, rental, or modification of the assistive device
13 or for making the workplace modifications. Any credit in
14 excess of the tax liability shall be refunded with interest
15 computed under section 422.25. In lieu of claiming a refund,
16 a taxpayer may elect to have the overpayment shown on the
17 taxpayer's final, completed return credited to the tax
18 liability for the following tax year. If the small business
19 elects to take the assistive device tax credit, the small
20 business shall not deduct for Iowa tax purposes any amount of
21 the cost of an assistive device or workplace modifications
22 which is deductible for federal tax purposes.

23 2. To receive the assistive device tax credit, the
24 eligible small business must submit an application to the
25 department of economic development. If the taxpayer meets the
26 criteria for eligibility, the department of economic
27 development shall issue to the taxpayer a certification of
28 entitlement for the assistive device tax credit. However, the
29 combined amount of tax credits that may be approved for a
30 fiscal year under this section and section 422.33, subsection
31 9, shall not exceed five hundred thousand dollars. Tax
32 credit certificates shall be issued on an earliest filed
33 basis. The certification shall contain the taxpayer's name,
34 address, tax identification number, the amount of the credit,
35 and tax year for which the certificate applies. The taxpayer

1 must file the tax credit certificate with the taxpayer's
 2 individual income tax return in order to claim the tax credit.
 3 The departments of economic development and revenue and
 4 finance shall each adopt rules to jointly administer this
 5 section and shall provide by rule for the method to be used to
 6 determine for which fiscal year the tax credits are approved.

7 3. An individual may claim an assistive device tax credit
 8 allowed a partnership, limited liability company, S
 9 corporation, estate, or trust electing to have the income
 10 taxed directly to the individual. The amount claimed by the
 11 individual shall be based upon the pro rata share of the
 12 individual's earnings of the partnership, limited liability
 13 company, S corporation, estate, or trust.

14 4. For purposes of this section:

15 a. "Assistive device" means any item, piece of equipment,
 16 or product system which is used to increase, maintain, or
 17 improve the functional capabilities of an individual with a
 18 disability in the workplace or on the job. "Assistive device"
 19 does not mean any medical device, surgical device, or organ
 20 implanted or transplanted into or attached directly to an
 21 individual. "Assistive device" does not include any device
 22 for which a certificate of title is issued by the state
 23 department of transportation, but does include any item, piece
 24 of equipment, or product system otherwise meeting the
 25 definition of "assistive device" that is incorporated,
 26 attached, or included as a modification in or to such a device
 27 issued a certificate of title.

28 b. "Disability" means the same as defined in section
 29 225C.46.

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

34 d. "Workplace modifications" means physical alterations to
 35 the work environment.

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

3 NEW SUBSECTION. 9. a. The taxes imposed under this
4 division shall be reduced by an assistive device tax credit.
5 A small business purchasing, renting, or modifying an
6 assistive device or making workplace modifications for an
7 individual with a disability who is employed or will be
8 employed by the small business is eligible, subject to
9 availability of credits, to receive this assistive device tax
10 credit which is equal to fifty percent of the first five
11 thousand dollars paid during the tax year for the purchase,
12 rental, or modification of the assistive device or for making
13 the workplace modifications. Any credit in excess of the tax
14 liability shall be refunded with interest computed under
15 section 422.25. In lieu of claiming a refund, a taxpayer may
16 elect to have the overpayment shown on the taxpayer's final,
17 completed return credited to the tax liability for the
18 following tax year. If the small business elects to take the
19 assistive device tax credit, the small business shall not
20 deduct for Iowa tax purposes any amount of the cost of an
21 assistive device or workplace modifications which is
22 deductible for federal income tax purposes.

23 b. To receive the assistive device tax credit, the
24 eligible small business must submit an application to the
25 department of economic development. If the taxpayer meets the
26 criteria for eligibility, the department of economic
27 development shall issue to the taxpayer a certification of
28 entitlement for the assistive device tax credit. However, the
29 combined amount of tax credits that may be approved for a
30 fiscal year under this subsection and section 422.11D shall
31 not exceed five hundred thousand dollars. Tax credit
32 certificates shall be issued on an earliest filed basis. The
33 certification shall contain the taxpayer's name, address, tax
34 identification number, the amount of the credit, and tax year
35 for which the certificate applies. The taxpayer must file the

1 tax credit certificate with the taxpayer's corporate income
2 tax return in order to claim the tax credit. The departments
3 of economic development and revenue and finance shall each
4 adopt rules to jointly administer this subsection and shall
5 provide by rule for the method to be used to determine for
6 which fiscal year the tax credits are approved.

7 c. For purposes of this subsection:

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

21 (2) "Disability" means the same as defined in section
22 225C.46.

23 (3) "Small business" means a business that either had
24 gross receipts for its preceding tax year of three million
25 dollars or less or employed not more than fourteen full-time
26 employees during its preceding tax year.

27 (4) "Workplace modifications" means physical alterations
28 to the work environment.

29 Sec. 3. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.
30 This Act, being deemed of immediate importance, takes effect
31 upon enactment and applies retroactively to January 1, 2000,
32 for tax years beginning on or after that date.

33 EXPLANATION

34 This bill allows a tax credit equal to 50 percent of the
35 first \$5,000 paid for the purchase, rental, or modification of

1 an assistive device or for the renovation of the workplace for
2 an individual with a disability. The credit is refundable and
3 applies to both the individual and corporate income taxes.
4 Only small businesses are entitled to the credit. A small
5 business is one that either had gross receipts in the
6 preceding tax year of \$3 million or less or employed not more
7 than 14 full-time employees during its preceding tax year. An
8 assistive device is an item, piece of equipment, or product
9 system which is used to increase, maintain, or improve the
10 functional capabilities of an individual with a disability in
11 the workplace or on the job. If the assistive tax credit is
12 claimed, the small business is not allowed to deduct any
13 amount of the cost of the device or modification which is
14 deductible for federal income tax purposes.

15 The bill provides that only \$500,000 in combined individual
16 and corporate income tax credits are allowed for any fiscal
17 year. Because of this, eligible small businesses must apply
18 for the credits with the department of economic development
19 which approves the eligible credits on an earliest date
20 applied basis.

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

24
25
26
27
28
29
30
31
32
33
34
35

FILED MAR 9 '00

2425

SENATE FILE
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3214)

Passed Senate, ^(P. 1264) Date 4-19-00 Passed House, Date _____
Vote: Ayes: 49 Nays 0 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing an assistive device tax credit under the
2 individual and corporate taxes for the acquisition or
3 modification of assistive technology or the modification of
4 the workplace in order to assist persons with a disability in
5 the workplace, limiting the total amount of credits allowed,
6 and including an effective and retroactive applicability date
7 provision.

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

- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

SS 2425

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
9 eligible, subject to availability of credits, to receive this
10 assistive device tax credit which is equal to fifty percent of
11 the first five thousand dollars paid during the tax year for
12 the purchase, rental, or modification of the assistive device
13 or for making the workplace modifications. Any credit in
14 excess of the tax liability shall be refunded with interest
15 computed under section 422.25. In lieu of claiming a refund,
16 a taxpayer may elect to have the overpayment shown on the
17 taxpayer's final, completed return credited to the tax
18 liability for the following tax year. If the small business
19 elects to take the assistive device tax credit, the small
20 business shall not deduct for Iowa tax purposes any amount of
21 the cost of an assistive device or workplace modifications
22 which is deductible for federal tax purposes.

23 2. To receive the assistive device tax credit, the
24 eligible small business must submit an application to the
25 department of economic development. If the taxpayer meets the
26 criteria for eligibility, the department of economic
27 development shall issue to the taxpayer a certification of
28 entitlement for the assistive device tax credit. However, the
29 combined amount of tax credits that may be approved for a
30 fiscal year under this section and section 422.33, subsection
31 9, shall not exceed five hundred thousand dollars. Tax
32 credit certificates shall be issued on an earliest filed
33 basis. The certification shall contain the taxpayer's name,
34 address, tax identification number, the amount of the credit,
35 and tax year for which the certificate applies. The taxpayer

1 must file the tax credit certificate with the taxpayer's
2 individual income tax return in order to claim the tax credit.
3 The departments of economic development and revenue and
4 finance shall each adopt rules to jointly administer this
5 section and shall provide by rule for the method to be used to
6 determine for which fiscal year the tax credits are approved.

7 3. An individual may claim an assistive device tax credit
8 allowed a partnership, limited liability company, S
9 corporation, estate, or trust electing to have the income
10 taxed directly to the individual. The amount claimed by the
11 individual shall be based upon the pro rata share of the
12 individual's earnings of the partnership, limited liability
13 company, S corporation, estate, or trust.

14 4. For purposes of this section:

15 a. "Assistive device" means any item, piece of equipment,
16 or product system which is used to increase, maintain, or
17 improve the functional capabilities of an individual with a
18 disability in the workplace or on the job. "Assistive device"
19 does not mean any medical device, surgical device, or organ
20 implanted or transplanted into or attached directly to an
21 individual. "Assistive device" does not include any device
22 for which a certificate of title is issued by the state
23 department of transportation, but does include any item, piece
24 of equipment, or product system otherwise meeting the
25 definition of "assistive device" that is incorporated,
26 attached, or included as a modification in or to such a device
27 issued a certificate of title.

28 b. "Disability" means the same as defined in section
29 225C.46.

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

34 d. "Workplace modifications" means physical alterations to
35 the work environment.

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

3 NEW SUBSECTION. 9. a. The taxes imposed under this
4 division shall be reduced by an assistive device tax credit.
5 A small business purchasing, renting, or modifying an
6 assistive device or making workplace modifications for an
7 individual with a disability who is employed or will be
8 employed by the small business is eligible, subject to
9 availability of credits, to receive this assistive device tax
10 credit which is equal to fifty percent of the first five
11 thousand dollars paid during the tax year for the purchase,
12 rental, or modification of the assistive device or for making
13 the workplace modifications. Any credit in excess of the tax
14 liability shall be refunded with interest computed under
15 section 422.25. In lieu of claiming a refund, a taxpayer may
16 elect to have the overpayment shown on the taxpayer's final,
17 completed return credited to the tax liability for the
18 following tax year. If the small business elects to take the
19 assistive device tax credit, the small business shall not
20 deduct for Iowa tax purposes any amount of the cost of an
21 assistive device or workplace modifications which is
22 deductible for federal income tax purposes.

23 b. To receive the assistive device tax credit, the
24 eligible small business must submit an application to the
25 department of economic development. If the taxpayer meets the
26 criteria for eligibility, the department of economic
27 development shall issue to the taxpayer a certification of
28 entitlement for the assistive device tax credit. However, the
29 combined amount of tax credits that may be approved for a
30 fiscal year under this subsection and section 422.11D shall
31 not exceed five hundred thousand dollars. Tax credit
32 certificates shall be issued on an earliest filed basis. The
33 certification shall contain the taxpayer's name, address, tax
34 identification number, the amount of the credit, and tax year
35 for which the certificate applies. The taxpayer must file the

1 tax credit certificate with the taxpayer's corporate income
2 tax return in order to claim the tax credit. The departments
3 of economic development and revenue and finance shall each
4 adopt rules to jointly administer this subsection and shall
5 provide by rule for the method to be used to determine for
6 which fiscal year the tax credits are approved.

7 c. For purposes of this subsection:

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

21 (2) "Disability" means the same as defined in section
22 225C.46.

23 (3) "Small business" means a business that either had
24 gross receipts for its preceding tax year of three million
25 dollars or less or employed not more than fourteen full-time
26 employees during its preceding tax year.

27 (4) "Workplace modifications" means physical alterations
28 to the work environment.

29 Sec. 3. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.
30 This Act, being deemed of immediate importance, takes effect
31 upon enactment and applies retroactively to January 1, 2000,
32 for tax years beginning on or after that date.

33 EXPLANATION

34 This bill allows a tax credit equal to 50 percent of the
35 first \$5,000 paid for the purchase, rental, or modification of

1 an assistive device or for the renovation of the workplace for
2 an individual with a disability. The credit is refundable and
3 applies to both the individual and corporate income taxes.
4 Only small businesses are entitled to the credit. A small
5 business is one that either had gross receipts in the
6 preceding tax year of \$3 million or less or employed not more
7 than 14 full-time employees during its preceding tax year. An
8 assistive device is an item, piece of equipment, or product
9 system which is used to increase, maintain, or improve the
10 functional capabilities of an individual with a disability in
11 the workplace or on the job. If the assistive tax credit is
12 claimed, the small business is not allowed to deduct any
13 amount of the cost of the device or modification which is
14 deductible for federal income tax purposes.

15 The bill provides that only \$500,000 in combined individual
16 and corporate income tax credits are allowed for any fiscal
17 year. Because of this, eligible small businesses must apply
18 for the credits with the department of economic development
19 which approves the eligible credits on an earliest date
20 applied basis.

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

24

25

26

27

28

29

30

31

32

33

34

35

**SENATE FILE 2425
FISCAL NOTE**

A fiscal note for Senate File 2425 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.

Senate File 2425 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. The amount of the credit is limited to \$500,000 per fiscal 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

Senate File 2425 will result in a decrease in General Fund revenues of

-2-

approximately \$450,000 per year during FY 2001 and FY 2002.

SOURCES

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

(LSB 6616SV, MAL)

FILED MARCH 14, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR