

FEB 8 2001

WAYS AND MEANS

HOUSE FILE 223

BY GRUNDBERG and SHEY

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

A BILL FOR

1 An Act relating to dependent tax credits under the individual
 2 income tax for household services and care for certain
 3 dependents and including a retroactive applicability date
 4 provision.

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

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HF 223

1 Section 1. Section 422.12C, subsection 1, paragraphs e and
2 f, Code 2001, are amended to read as follows:

3 e. For a taxpayer with net income of thirty-five thousand
4 dollars or more but less than forty eighty thousand dollars,
5 forty percent.

6 f. For a taxpayer with net income of forty eighty thousand
7 dollars or more, zero percent.

8 Sec. 2. NEW SECTION. 422.12F DEPENDENT CARE TAX CREDIT
9 -- REFUND.

10 1. The taxes imposed under this division, less the credit
11 allowed under section 422.12 and other nonrefundable credits,
12 shall be reduced by a dependent care tax credit for married
13 taxpayers where one spouse is not gainfully employed for more
14 than one hundred four hours during each calendar quarter
15 during the tax year and that spouse provides household
16 services and care for a qualifying individual. The credit is
17 also available to an unmarried head of household where the
18 head of household is not gainfully employed for more than one
19 hundred four hours during each calendar quarter during the tax
20 year and the head of household provides household services and
21 care for a qualifying individual. An individual who has net
22 earnings from self-employment which are subject to the self-
23 employment tax under the federal Social Security Act of six
24 hundred dollars or more during a calendar quarter or two
25 thousand four hundred dollars or more during a calendar year
26 is considered gainfully employed for more than one hundred
27 four hours during a calendar quarter. The amount of the
28 credit shall be computed as follows:

29 a. Calculate a provisional credit equal to the product of
30 the applicable percentage and the household services and care
31 expenses.

32 b. Calculate the actual credit as follows:

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

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

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

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

10 (5) For a taxpayer with net income of thirty-five thousand
11 dollars or more but less than eighty thousand dollars, forty
12 percent of the provisional credit.

13 (6) For a taxpayer with net income of eighty thousand
14 dollars or more, zero percent of the provisional credit.

15 2. For purposes of this section:

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

18 b. "Household services and care expenses" equals two
19 thousand four hundred dollars if there is only one qualifying
20 individual, and four thousand eight hundred dollars if there
21 are two or more qualifying individuals.

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

24 3. Any credit in excess of the tax liability shall be
25 refunded. In lieu of claiming a refund, a taxpayer may elect
26 to have the overpayment shown on the taxpayer's final,
27 completed return credited to the tax liability for the
28 following taxable year.

29 4. The credit is only available to married taxpayers
30 filing jointly and unmarried heads of household. A taxpayer
31 shall not claim a credit under this section and section
32 422.12C for the same tax year. Nonresidents or part-year
33 residents of Iowa must determine their Iowa dependent care tax
34 credit in the ratio of their Iowa source net income to their
35 all source net income.

