

FEB 28 2001

WAYS AND MEANS

HOUSE FILE 449

BY BOAL

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act allowing an individual income tax credit for contributions
2 made to certain school tuition organizations and including a
3 retroactive applicability date.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

HF 449

1 Section 1. NEW SECTION. 422.11F SCHOOL TUITION
2 ORGANIZATION TAX CREDIT.

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 a school tuition organization tax credit equal to the amount,
6 not to exceed five hundred dollars, of the voluntary cash
7 contributions made by the taxpayer during the tax year to a
8 school tuition organization. To be eligible for this credit,
9 all of the following shall apply:

10 a. A deduction pursuant to section 170 of the Internal
11 Revenue Code for any amount of the contribution is not taken
12 for state tax purposes.

13 b. The contribution does not designate that any part of
14 the contribution be used for the direct benefit of any
15 dependent of the taxpayer.

16 2. Any credit in excess of the tax liability is not
17 refundable but the excess for the tax year may be credited to
18 the tax liability for the following five tax years or until
19 depleted, whichever is the earlier.

20 3. Married taxpayers who file separate returns or file
21 separately on a combined return form must determine the tax
22 credit under subsection 1 based upon their combined net income
23 and allocate the total credit amount to each spouse in the
24 proportion that each spouse's respective net income bears to
25 the total combined net income. Nonresidents or part-year
26 residents of Iowa must determine their tax credit in the ratio
27 of their Iowa source net income to their all source net
28 income. Nonresidents or part-year residents who are married
29 and elect to file separate returns or to file separately on a
30 combined return form must allocate the tax credit between the
31 spouses in the ratio of each spouse's Iowa source net income
32 to the combined Iowa source net income of the taxpayers.

33 4. For purposes of this section:

34 a. "Qualified school" means a nonpublic elementary or
35 secondary school in this state which is accredited under

1 section 256.11 and adheres to the provisions of the federal
2 Civil Rights Act of 1964 and chapter 216.

3 b. "School tuition organization" means a charitable
4 organization in this state that is exempt from federal
5 taxation under section 501(c)(3) of the Internal Revenue Code
6 and that allocates at least ninety percent of its annual
7 revenue for educational scholarships or tuition grants to
8 children to allow them to attend any qualified school of their
9 parents' choice. In addition, to qualify as a school tuition
10 organization the charitable organization shall provide
11 educational scholarships or tuition grants to students without
12 limiting availability to only students of one school.

13 Sec. 2. APPLICABILITY DATE. This Act applies
14 retroactively to January 1, 2001, for tax years beginning on
15 or after that date.

16 EXPLANATION

17 This bill provides for an individual income tax credit
18 equal to the voluntary contributions made to a school tuition
19 organization that is exempt from federal income tax. The tax
20 credit is limited to \$500. The contribution must be used by
21 the school tuition organization to provide educational
22 scholarships or tuition grants to nonpublic schools that are
23 accredited under state law and adhere to the federal Civil
24 Rights Act and the state civil rights law. The contribution
25 may not be deducted as a charitable deduction for state tax
26 purposes or be designated for the direct benefit of the
27 taxpayer's dependents.

28 The bill applies retroactively to January 1, 2001, for tax
29 years beginning on or after that date.

30
31
32
33
34
35