

MAR 5 2003
WAYS AND MEANS

HOUSE FILE 467
BY MASCHER

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

A BILL FOR

1 An Act providing individual and corporate income tax credits to
2 businesses that provide apprenticeships and internships for
3 students at community colleges or state board of regents
4 institutions and for subsequent employment, and including
5 effective and retroactive applicability date provisions.

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

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HF-467

1 Section 1. NEW SECTION. 422.11H APPRENTICESHIP AND
2 INTERNSHIP TAX CREDIT.

3 1. The tax imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 an apprenticeship and internship tax credit. To qualify for
6 the tax credit, a business shall be an employer of a student
7 at a community college established under chapter 260C or
8 institution of higher learning under the control of the state
9 board of regents under the certified school-to-career program,
10 as defined in section 15.362, under an apprenticeship program
11 as defined in section 260C.44, or in an internship under a
12 work-study program similar to one described in section 261.81.
13 The amount of the credit equals four hundred dollars for each
14 tax year during which the student is employed by the business
15 in the school-to-career, apprenticeship, or internship
16 program.

17 2. A business that employs an individual upon graduation
18 for which it has received the tax credit under subsection 1 is
19 entitled to an employment tax credit for that individual for
20 up to the first three years following the individual's
21 graduation from the Iowa community college or Iowa board of
22 regents institution. To receive the employment tax credit in
23 a tax year, the graduate must be employed for more than six
24 months in the tax year. The amount of the tax credit equals
25 one thousand six hundred dollars for the tax year per
26 individual employee.

27 3. An individual may claim the tax credits under
28 subsections 1 and 2 allowed a partnership, limited liability
29 company, S corporation, estate, or trust electing to have the
30 income taxed directly to the individual. The amount claimed
31 by the individual shall be based upon the pro rata share of
32 the individual's earnings of the partnership, limited
33 liability company, S corporation, estate, or trust.

34 4. Any credit in excess of the tax liability for the tax
35 year is nonrefundable but may be credited to the tax liability

1 for the following ten tax years or until depleted, whichever
2 is the earlier.

3 Sec. 2. Section 422.33, Code 2003, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 14. a. The tax imposed under this
6 division shall be reduced by an apprenticeship and internship
7 tax credit. To qualify for the tax credit, a business shall
8 be an employer of a student at a community college established
9 under chapter 260C or institution of higher learning under the
10 control of the state board of regents under the certified
11 school-to-career program, as defined in section 15.362, under
12 an apprenticeship program as defined in section 260C.44, or in
13 an internship under a work-study program similar to one
14 described in section 261.81. The amount of the credit equals
15 four hundred dollars for each tax year during which the
16 student is employed by the business in the school-to-career,
17 apprenticeship, or internship program.

18 b. A business that employs an individual upon graduation
19 for which it has received the tax credit under paragraph "a"
20 is entitled to an employment tax credit for that individual
21 for up to the first three years following the individual's
22 graduation from the Iowa community college or Iowa board of
23 regents institution. To receive the employment tax credit in
24 a tax year, the graduate must be employed for more than six
25 months in the tax year. The amount of the tax credit equals
26 one thousand six hundred dollars for the tax year per
27 individual employee.

28 c. Any credit in excess of the tax liability for the tax
29 year is nonrefundable but may be credited to the tax liability
30 for the following ten tax years or until depleted, whichever
31 is the earlier.

32 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
33 being deemed of immediate importance, takes effect upon
34 enactment and applies retroactively to January 1, 2003, for
35 tax years beginning on or after that date.

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EXPLANATION

This bill provides an individual or corporate income tax credit to a business that employs a student from an Iowa community college or Iowa board of regents institution in an apprenticeship or internship program. The amount of credit equals \$400 per student. In addition, if the business hires that student upon graduation, the business can receive another tax credit equal to \$1,600 for each year, up to three years, that the graduate is employed by the business. The graduate must be employed for at least six months during the tax year. Any tax credit in excess of the tax liability is nonrefundable but may be carried forward for up to 10 tax years.

The bill takes effect upon enactment and applies retroactively to January 1, 2003, for tax years beginning on or after that date.