

JAN 29 2003
WAYS AND MEANS

HOUSE FILE 90
BY RAECKER

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

A BILL FOR

1 An Act providing a tax credit under the individual income tax for
2 an individual who provides household services and care for
3 certain dependents and including a retroactive applicability
4 date provision.

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

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1 Section 1. NEW SECTION. 422.12F DEPENDENT CARE TAX
2 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 dependent care tax credit for married taxpayers where one
6 spouse is not gainfully employed for more than one hundred
7 four hours in each calendar quarter during the tax year and
8 that spouse provides household services and care for a
9 qualifying individual. The credit is also available to an
10 unmarried head of household where the head of household is not
11 gainfully employed for more than one hundred four hours in
12 each calendar quarter during the tax year and the head of
13 household provides household services and care for a
14 qualifying individual. The amount of the credit shall be
15 computed as follows:

16 a. Calculate a provisional credit equal to the product of
17 the applicable percentage and the household services and care
18 expenses.

19 b. Calculate the actual credit as follows:

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

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

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

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

32 (5) For a taxpayer with net income of thirty-five thousand
33 dollars or more but less than forty thousand dollars, forty
34 percent of the provisional credit.

35 (6) For a taxpayer with net income of forty thousand

1 dollars or more, zero percent of the provisional credit.

2 2. For purposes of this section:

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

5 b. "Household services and care expenses" equals three
6 thousand dollars for only one qualifying individual, and six
7 thousand dollars for two or more qualifying individuals.

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

10 3. Any credit in excess of the tax liability shall be
11 refunded. In lieu of claiming a refund, a taxpayer may elect
12 to have the overpayment shown on the taxpayer's final,
13 completed return credited to the tax liability for the
14 following tax year.

15 4. The credit is only available to married taxpayers
16 filing jointly and unmarried heads of household. A taxpayer
17 shall not claim a credit under this section and section
18 422.12C for the same tax year. Nonresidents or part-year
19 residents of Iowa must determine their Iowa dependent care tax
20 credit in the ratio of their Iowa source net income to their
21 all source net income.

22 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
23 retroactively to January 1, 2003, for tax years beginning on
24 or after that date.

25 EXPLANATION

26 This bill provides a refundable tax credit under the
27 individual income tax for a spouse or unmarried head of
28 household who remains at home to provide household services
29 and care for a dependent and who is not gainfully employed for
30 more than 104 hours in each calendar quarter during the tax
31 year. The computation of the amount of the credit is
32 patterned after the method for computing the federal credit
33 available for persons who incurred expenses for household and
34 dependent care services so that they may be gainfully employed
35 and patterned after Iowa's child and dependent care credit,

1 which is a percentage of that federal credit.

2 The bill applies retroactively to January 1, 2003, for tax
3 years beginning on or after that date.

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