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EDUCATION

HOUSE FILE 320

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BAUDLER, HUTTER, HUSEMAN, and
ALONS

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

A BILL FOR

1 An Act providing that contributions made to certain school
2 tuition organizations may be treated as credits under the
3 individual income tax and including an applicability date
4 provision.

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

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HF 320

1 Section 1. NEW SECTION. 422.11K 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 of the voluntary cash contributions made by the taxpayer
7 during the tax year to a school tuition organization, not to
8 exceed either of the following:
9 a. Five hundred dollars for a single individual.
10 b. Six hundred twenty-five dollars for a married couple.
11 2. To be eligible for this credit, all of the following
12 shall apply:
13 a. A deduction pursuant to section 170 of the Internal
14 Revenue Code for any amount of the contribution is not taken
15 for state tax purposes.
16 b. The contribution does not designate that any part of
17 the contribution be used for the direct benefit of any
18 dependent of the taxpayer or for any other student designated
19 by the taxpayer.
20 3. Any credit in excess of the tax liability is not
21 refundable but the excess for the tax year may be credited to
22 the tax liability for the following five tax years or until
23 depleted, whichever is the earlier.
24 4. Married taxpayers who file separate returns or file
25 separately on a combined return form must determine the tax
26 credit under subsection 1, paragraph "b", based upon their
27 combined net income and allocate the total credit amount to
28 each spouse in the proportion that each spouse's respective
29 net income bears to the total combined net income.
30 Nonresidents or part-year residents of Iowa must determine
31 their tax credit in the ratio of their Iowa source net income
32 to their all source net income. Nonresidents or part-year
33 residents who are married and elect to file separate returns
34 or to file separately on a combined return form must allocate
35 the tax credit between the spouses in the ratio of each

1 spouse's Iowa source net income to the combined Iowa source
2 net income of the taxpayers.

3 5. For purposes of this section:

4 a. "Disabled student" means a student who has any of the
5 following conditions:

6 (1) Hearing impairment.

7 (2) Visual impairment.

8 (3) Preschool moderate delay.

9 (4) Preschool severe delay.

10 (5) Preschool speech or language delay.

11 b. "New student" means a child who did not attend an
12 accredited nonpublic school in Iowa during the previous school
13 year.

14 c. "Qualified school" means a preschool for disabled
15 students in this state or a nonpublic elementary or secondary
16 school in this state which is accredited under section 256.11
17 and adheres to the provisions of the federal Civil Rights Act
18 of 1964 and chapter 216.

19 d. (1) "School tuition organization" means a charitable
20 organization in this state that is exempt from federal income
21 taxation under section 501(c)(3) of the Internal Revenue Code
22 and that allocates at least ninety percent of its annual
23 revenue for educational scholarships or tuition grants to
24 children to allow them to attend any qualified school of their
25 parents' choice of which one-third of the children who receive
26 scholarships or grants are new students. Once a child has
27 been deemed a new student that child shall continue to be
28 counted as a new student for each school year the child
29 receives a scholarship or grant from the organization to
30 attend a qualified school.

31 (2) A school tuition organization shall only award
32 educational scholarships and tuition grants to children who
33 reside in Iowa. In addition, to qualify as a school tuition
34 organization, the charitable organization shall provide
35 educational scholarships or tuition grants to students without

1 limiting availability to only students of one school and shall
2 prioritize the provision of such scholarships and grants to
3 students from families whose incomes are less than three
4 hundred percent of the federal poverty level, as defined by
5 the most recently revised income guidelines published by the
6 United States department of health and human services.

7 6. A school tuition organization that receives a voluntary
8 cash contribution pursuant to this section shall report to the
9 department, in a form prescribed by the department, by
10 February 28 of each year all of the following information:

11 a. The name, address, and contact name of the school
12 tuition organization.

13 b. The total number of contributions received during the
14 previous calendar year.

15 c. The total dollar amount of contributions received
16 during the previous calendar year.

17 d. The total number of children awarded educational
18 scholarships or tuition grants during the previous calendar
19 year and the number of these children who are new students.

20 e. The total dollar amount of educational scholarships and
21 tuition grants awarded during the previous calendar year.

22 f. For each school to which educational scholarships or
23 tuition grants were awarded all of the following shall be
24 provided:

25 (1) The name and address of the school.

26 (2) The number of educational scholarships and tuition
27 grants awarded during the previous calendar year.

28 (3) The total dollar amount of educational scholarships
29 and tuition grants awarded during the previous calendar year.

30 Sec. 2. APPLICABILITY DATE. This Act applies to tax years
31 beginning on or after January 1, 2006.

32 EXPLANATION

33 This bill provides for an individual income tax credit
34 equal to the voluntary contributions made to a school tuition
35 organization that is exempt from federal income tax. The tax

1 credit is limited to \$500 for single individuals and \$625 for
2 married persons filing jointly. If married individuals file
3 separately, the \$625 is divided between them based upon each
4 individual's net income. At least 90 percent of total
5 contributions must be used by the school tuition organization
6 to provide educational scholarships or tuition grants to
7 children attending nonpublic schools or preschools for
8 disabled students that are accredited under state law and
9 adhere to the federal Civil Rights Act of 1964 and the state
10 civil rights law. In addition, one-third of the scholarships
11 or grants must be provided to students who attended a public
12 school in the previous year. The contribution may not be
13 deducted as a charitable deduction for state tax purposes or
14 be designated for the direct benefit of the taxpayer's
15 dependents or another student designated by the taxpayer. The
16 prioritization of the scholarships and grants shall be to
17 families with incomes of less than 300 percent of the federal
18 poverty level. All assistance must go to students residing in
19 Iowa and must be available to students in more than one
20 school.

21 The school tuition organization must report to the
22 department of revenue information related to the amount of
23 contributions made to the organization, and the number,
24 school, and amount of scholarships and grants awarded.

25 The bill applies to tax years beginning on or after January
26 1, 2006.

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