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WAYS AND MEANS

HOUSE FILE 528

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

A BILL FOR

1 An Act allowing individual income tax credits for contributions
2 made to certain school charitable organizations and including
3 an applicability date provision.

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

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HF 528

1 Section 1. NEW SECTION. 422.11K SCHOOL CHARITABLE
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 charitable organization tax credit equal to twenty-
6 five percent of the amount of voluntary cash contributions
7 made by the taxpayer during the tax year to a school
8 charitable organization, not to exceed either of the
9 following:

- 10 a. Five hundred dollars for a single individual.
- 11 b. Seven hundred fifty dollars for a married couple.
- 12 2. The taxpayer shall not be entitled to the credit unless
13 the credit is preapproved by the department as provided in
14 subsection 4.

15 3. To be eligible for this credit, all of the following
16 shall apply:

- 17 a. A deduction pursuant to section 170 of the Internal
18 Revenue Code for any amount of the contribution is not taken
19 for state tax purposes.
- 20 b. The contribution does not designate that any part of
21 the contribution be used for the direct benefit of any
22 dependent of the taxpayer or any other child designated by the
23 taxpayer.

24 4. To receive the tax credit, the taxpayer shall apply for
25 the credit to the department by January 31 following the end
26 of the calendar year in which a contribution was made. If the
27 taxpayer and school charitable organization qualify, the
28 department shall approve the application for credit and so
29 notify the taxpayer by April 1 following receipt of the
30 application. However, the department of revenue shall only
31 grant approval under this section for a total of five million
32 dollars in credits in the fiscal year beginning July 1, 2006,
33 and for a total of ten million dollars in credits in the
34 fiscal years beginning on or after July 1, 2007. Once the
35 qualified applications total more than five million dollars or

1 ten million dollars, as applicable, in credits, the department
2 shall award the approved credits on the basis of the date of
3 application for credit and the remaining approved credits
4 shall be awarded in the subsequent fiscal year. The
5 department shall notify the taxpayer of the year for which the
6 credit is approved. The department shall prepare application
7 forms which may be made available to charitable organizations
8 that may qualify as school charitable organizations.

9 5. Any credit in excess of the tax liability is not
10 refundable but the excess for the tax year may be credited to
11 the tax liability for the following five tax years or until
12 depleted, whichever is the earlier.

13 6. Married taxpayers who file separate returns or file
14 separately on a combined return form must determine the tax
15 credit under subsection 1, paragraph "b", based upon their
16 combined net income and allocate the total credit amount to
17 each spouse in the proportion that each spouse's respective
18 net income bears to the total combined net income.
19 Nonresidents or part-year residents of Iowa must determine
20 their tax credit in the ratio of their Iowa source net income
21 to their all source net income. Nonresidents or part-year
22 residents who are married and elect to file separate returns
23 or to file separately on a combined return form must allocate
24 the tax credit between the spouses in the ratio of each
25 spouse's Iowa source net income to the combined Iowa source
26 net income of the taxpayers.

27 7. For purposes of this section:

28 a. "Qualified school" means a public or private nonprofit
29 preschool, as defined in section 237A.1, located in this state
30 or a public or nonpublic elementary or secondary school in
31 this state which is accredited under section 256.11 and
32 adheres to the provisions of the federal Civil Rights Act of
33 1964 and chapter 216. A qualified school shall not
34 discriminate on the basis of race, creed, color, national
35 origin, sex, age, or disability.

1 b. (1) "School charitable organization" means a
2 charitable organization in this state that is exempt from
3 federal taxation under section 501(c)(3) of the Internal
4 Revenue Code, whose governing board consists of, but is not
5 limited to, parents, teachers, and members of the general
6 public, and that allocates at least ninety percent of its
7 annual revenue for educational expenses, scholarships, or
8 tuition grants to children to allow them to attend any
9 qualified school of their parents' choice.

10 (2) A school charitable organization shall not
11 discriminate on the basis of race, creed, color, national
12 origin, sex, age, or disability. A school charitable
13 organization shall only award educational expense payments,
14 scholarships, and tuition grants to children who reside in
15 Iowa. In addition, to qualify as a school charitable
16 organization, the charitable organization shall only provide
17 educational expense payments, scholarships, or tuition grants
18 to children from families whose incomes are less than three
19 hundred percent of the federal poverty level, as defined by
20 the most recently revised income guidelines published by the
21 United States department of health and human services.

22 8. A school charitable organization that receives a
23 voluntary cash contribution pursuant to this section shall
24 report to the department, on a form prescribed by the
25 department, by February 28 of each year all of the following
26 information:

27 a. The name, address, and contact name of the school
28 charitable organization.

29 b. The total number of contributions received during the
30 previous calendar year.

31 c. The total dollar amount of contributions received
32 during the previous calendar year.

33 d. The total number of children awarded educational
34 expense payments, scholarships, or tuition grants during the
35 previous calendar year.

1 e. The total dollar amount of educational expense
2 payments, scholarships, and tuition grants awarded during the
3 previous calendar year.

4 f. For each school to which educational expense payments,
5 scholarships, or tuition grants were awarded all of the
6 following shall be provided:

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

8 (2) The number of educational expense payments,
9 scholarships, and tuition grants awarded during the previous
10 calendar year.

11 (3) The total dollar amount of educational expense
12 payments, scholarships, and tuition grants awarded during the
13 previous calendar year.

14 9. The department shall annually file a report with the
15 chairpersons and ranking members of the senate and house
16 committees on ways and means detailing a compilation of the
17 information received from the reports of all school charitable
18 organizations filed pursuant to the requirements of subsection
19 8.

20 Sec. 2. APPLICABILITY DATE. This Act applies to tax years
21 beginning on or after January 1, 2006, but before January 1,
22 2014.

23 EXPLANATION

24 This bill provides for an individual income tax credit
25 equal to 25 percent of voluntary contributions made to a
26 school charitable organization that is exempt from federal
27 income tax. The annual tax credit would be limited to \$500
28 for single individuals and \$750 for married persons filing
29 jointly. If married individuals file separately, the \$750 is
30 divided between them based upon each individual's net income.
31 The bill limits the total tax credits to be granted at \$5
32 million for the 2006 tax year and \$10 million for all
33 subsequent tax years and requires preapproval of taxpayer
34 credits. The bill requires the organization to use at least
35 90 percent of total contributions to provide educational

1 expense payments, scholarships, or tuition grants to children
2 attending public or nonpublic elementary or secondary schools
3 or public and private nonprofit preschools that are accredited
4 under state law and adhere to the federal Civil Rights Act of
5 1964 and the state civil rights law. The educational expense
6 payments, scholarships, and tuition grants are to be awarded
7 only to families whose incomes are less than 300 percent of
8 the federal poverty level. The bill provides that the
9 contribution may not be deducted as a charitable contribution
10 for state tax purposes.

11 The bill will apply to tax years beginning on or after
12 January 1, 2006, but before January 1, 2014.

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