

FILED MAR 20 2006

WAYS & MEANS

SENATE FILE 2388
BY MILLER

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

A BILL FOR

1 An Act relating to a refundable preschool tax credit under the
2 individual income tax and including a retroactive
3 applicability date provision.

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

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WAYS & MEANS

SF 2388

1 Section 1. NEW SECTION. 422.11M PRESCHOOL TAX CREDIT.

2 1. The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a preschool tax credit equal to the first two thousand five
5 hundred dollars paid by the taxpayer for each dependent in
6 preschool for tuition and other expenses.

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

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

27 4. For purposes of this section:

28 a. "Expenses" means the cost of all of the following:

29 (1) Books that improve child development, including
30 textbooks, music books, art books, teacher's editions, and
31 reading books.

32 (2) Instructional materials required to be used in a child
33 development or educational lesson activity, including but not
34 limited to paper, notebooks, pencils, and art supplies.

35 (3) Lesson plans and curricula.

1 (4) Child development and educational activities outside
2 the home, including drama, art, music, and museum activities,
3 and the entrance fees for such activities, but not including
4 food or lodging, membership fees, or other nonacademic
5 expenses.

6 "Expenses" does not include the cost of services,
7 materials, or activities for the teaching of religious tenets,
8 doctrines, or worship, the purpose of which is to inculcate
9 those tenets, doctrines, or worship.

10 b. "Preschool" means an instructional program for four-
11 year-old children who are attending prekindergarten, as
12 defined by the state board of education under section 256.11,
13 which is administered by a public or private school system
14 accredited by the department of education.

15 c. "Tuition" means the charges for the expenses of
16 personnel, buildings, and equipment.

17 Sec. 2. RETROACTIVE APPLICABILITY DATE. This Act applies
18 retroactively to January 1, 2006, for tax years beginning on
19 or after that date.

20 EXPLANATION

21 This bill provides a refundable preschool tax credit under
22 the individual income tax. The amount of the credit equals
23 the first \$2,500 paid by the taxpayer for each dependent
24 attending a preschool. Preschool is an instructional program
25 for four-year-old children attending prekindergarten, as
26 defined by the state board of education, and administered by a
27 public or private school system that is accredited by the
28 department of education. The credit is based upon the amount
29 spent for tuition and other expenses to attend the preschool.
30 Tuition involves the charges for the expenses of personnel,
31 buildings, and equipment. Expenses involve the cost of those
32 books, services, and activities that are used to assist in
33 child development. However, the cost of services, materials,
34 and activities for teaching religious tenets, doctrines, or
35 worship are not taken into consideration.

1 The bill applies retroactively to January 1, 2006, for tax
2 years beginning on or after that date.

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