

Senate Study Bill 1319

SENATE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY
CO=CHAIRPERSON ZIEMAN)

Passed Senate, Date _____ Passed House, 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:
6 TLSB 3565XC 81
7 mg/cf/24

PAG LIN

1 1 Section 1. NEW SECTION. 422.11K PRESCHOOL CHILD CARE TAX
1 2 CREDIT.
1 3 1. The taxes imposed under this division, less the credits
1 4 allowed under sections 422.12 and 422.12B, shall be reduced by
1 5 a preschool child care tax credit for married taxpayers where
1 6 one spouse is not gainfully employed for more than one hundred
1 7 four hours in each calendar quarter during the tax year and
1 8 that spouse provides household services and care for a
1 9 qualifying individual. The credit is also available to an
1 10 unmarried head of household where the head of household is not
1 11 gainfully employed for more than one hundred four hours in
1 12 each calendar quarter during the tax year and the head of
1 13 household provides household services and care for a
1 14 qualifying individual. The amount of the credit shall be
1 15 computed as follows:
1 16 a. Calculate a provisional credit equal to the product of
1 17 the applicable percentage and the household services and care
1 18 expenses.
1 19 b. Calculate the actual credit as follows:
1 20 (1) For a taxpayer with net income of less than ten
1 21 thousand dollars, seventy-five percent of the provisional
1 22 credit.
1 23 (2) For a taxpayer with net income of ten thousand dollars
1 24 or more but less than twenty thousand dollars, sixty-five
1 25 percent of the provisional credit.
1 26 (3) For a taxpayer with net income of twenty thousand
1 27 dollars or more but less than twenty-five thousand dollars,
1 28 fifty-five percent of the provisional credit.
1 29 (4) For a taxpayer with net income of twenty-five thousand
1 30 dollars or more but less than thirty-five thousand dollars,
1 31 fifty percent of the provisional credit.
1 32 (5) For a taxpayer with net income of thirty-five thousand
1 33 dollars or more but less than forty thousand dollars, forty
1 34 percent of the provisional credit.
1 35 (6) For a taxpayer with net income of forty thousand
2 1 dollars or more, zero percent of the provisional credit.
2 2 2. For purposes of this section:
2 3 a. "Applicable percentage" means the same as defined in
2 4 section 21(a)(2) of the Internal Revenue Code.
2 5 b. "Household services and care expenses" equals three
2 6 thousand dollars for only one qualifying individual, and six
2 7 thousand dollars for two or more qualifying individuals.
2 8 c. "Qualifying individual" means a child who has not
2 9 attained the age of five years on or before September 15 of
2 10 the tax year and is claimed as a dependent of the taxpayer.
2 11 3. Any credit in excess of the tax liability shall be
2 12 refunded. In lieu of claiming a refund, a taxpayer may elect
2 13 to have the overpayment shown on the taxpayer's final,
2 14 completed return credited to the tax liability for the

2 15 following tax year.
2 16 4. The credit is only available to married taxpayers
2 17 filing jointly and unmarried heads of household. A taxpayer
2 18 shall not claim a credit under this section and section
2 19 422.12C for the same tax year. Nonresidents or part-year
2 20 residents of Iowa must determine their Iowa dependent care tax
2 21 credit in the ratio of their Iowa source net income to their
2 22 all source net income.

2 23 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
2 24 retroactively to January 1, 2005, for tax years beginning on
2 25 or after that date.

2 26 EXPLANATION

2 27 This bill provides a refundable tax credit under the
2 28 individual income tax for a spouse or unmarried head of
2 29 household who remains at home to provide household services
2 30 and care for a preschooler and who is not gainfully employed
2 31 for more than 104 hours in each calendar quarter during the
2 32 tax year. A preschooler is a dependent who has not reached
2 33 the age of five before September 16 of the tax year. The
2 34 computation of the amount of the credit is patterned after the
2 35 method for computing the federal credit available for persons
3 1 who incurred expenses for household and dependent care
3 2 services so that they may be gainfully employed and patterned
3 3 after Iowa's child and dependent care credit, which is a
3 4 percentage of that federal credit. The taxpayer is not
3 5 entitled to this credit and the child and dependent care
3 6 credit.

3 7 The bill applies retroactively to January 1, 2005, for tax
3 8 years beginning on or after that date.

3 9 LSB 3565XC 81

3 10 mg:nh/cf/24