

Senate File 320 - Introduced

SENATE FILE _____
BY WIECK

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

A BILL FOR

1 An Act authorizing a small business health care tax credit, and
2 providing for a retroactive applicability date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 2083XS 82
5 av/gg/14

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1 1 Section 1. NEW SECTION. 422.11T SMALL BUSINESS HEALTH
1 2 CARE TAX CREDIT.
1 3 1. a. The taxes imposed under this division, less the
1 4 amounts of nonrefundable credits allowed under this division,
1 5 shall be reduced by a small business health care tax credit,
1 6 to the extent available, for the cost to a small business of
1 7 providing health care benefits or contributions to employees
1 8 of the business. The amount of the credit for each employee
1 9 equals the first one thousand dollars of the cost of providing
1 10 health care benefits to the employee or the first one thousand
1 11 dollars of the contribution made on behalf of the employee to
1 12 a health savings account of that employee.
1 13 b. The total amount of all credits for all employees under
1 14 paragraph "a" shall not exceed twenty-five thousand dollars.
1 15 c. For purposes of this section:
1 16 (1) "Health savings account" means a health savings
1 17 account as defined in section 223(d) of the Internal Revenue
1 18 Code.
1 19 (2) "Small business" means a for-profit enterprise that
1 20 employed during the tax year less than fifty full-time
1 21 equivalent employees.
1 22 d. Any credit in excess of the tax liability shall be
1 23 refunded. In lieu of claiming a refund, a taxpayer may elect
1 24 to have the overpayment shown on the taxpayer's final,
1 25 completed return credited to the tax liability for the
1 26 following taxable year.
1 27 2. An individual may claim a small business health care
1 28 tax credit allowed a partnership, limited liability company, S
1 29 corporation, estate, or trust electing to have the income
1 30 taxed directly to the individual. The amount claimed by the
1 31 individual shall be based upon the pro rata share of the
1 32 individual's earnings of the partnership, limited liability
1 33 company, S corporation, estate, or trust.
1 34 3. A taxpayer claiming a credit under this section shall
1 35 not be precluded, in computing taxable income, from deducting
2 1 the amount of costs for providing health care benefits allowed
2 2 under any section of the Internal Revenue Code.
2 3 4. To receive the small business health care tax credit, a
2 4 small business must submit an application to the department.
2 5 If the taxpayer meets the criteria for eligibility, the
2 6 department shall issue to the taxpayer a certification of
2 7 entitlement for the small business health care tax credit.
2 8 However, the combined amount of tax credits that may be
2 9 approved for a fiscal year under this section, section 422.33,
2 10 subsection 24, section 422.60, subsection 13, section 432.12J,
2 11 and section 533.24, subsection 11, shall not exceed the amount
2 12 specified in subsection 5. Tax credit certificates shall be
2 13 issued on an earliest filed application basis. The
2 14 certification must contain the taxpayer's name, address, tax
2 15 identification number, the amount of the credit, and tax year
2 16 for which the certificate applies. The taxpayer shall file
2 17 the tax credit certificate with the taxpayer's tax return in
2 18 order to claim the tax credit. The department shall adopt
2 19 rules to administer this section and shall provide by rule for
2 20 the method to be used to determine for which fiscal year the

2 21 tax credits are approved.

2 22 5. For purposes of subsection 4, the combined amount of
2 23 small business health care tax credits that may be approved in
2 24 a fiscal year is as follows:

2 25 a. For the fiscal year beginning July 1, 2007, the
2 26 combined amount equals fifty million dollars.

2 27 b. For the fiscal year beginning July 1, 2008, the
2 28 combined amount equals one hundred million dollars.

2 29 c. For the fiscal year beginning July 1, 2009, the
2 30 combined amount equals one hundred fifty million dollars.

2 31 d. For the fiscal year beginning July 1, 2010, the
2 32 combined amount equals two hundred million dollars.

2 33 e. For each fiscal year beginning on or after July 1,
2 34 2011, the combined amount equals two hundred fifty million
2 35 dollars.

3 1 Sec. 2. Section 422.33, Code 2007, is amended by adding
3 2 the following new subsection:

3 3 NEW SUBSECTION. 24. The taxes imposed under this division
3 4 shall be reduced by a small business health care tax credit,
3 5 to the extent available, provided for in section 422.11T. The
3 6 tax credit shall be subject to the same conditions,
3 7 requirements, and dollar limitations as provided for in
3 8 section 422.11T.

3 9 Sec. 3. Section 422.60, Code 2007, is amended by adding
3 10 the following new subsection:

3 11 NEW SUBSECTION. 13. The taxes imposed under this division
3 12 shall be reduced by a small business health care tax credit,
3 13 to the extent available, provided for in section 422.11T. The
3 14 tax credit shall be subject to the same conditions,
3 15 requirements, and dollar limitations as provided for in
3 16 section 422.11T.

3 17 Sec. 4. NEW SECTION. 432.12J SMALL BUSINESS HEALTH CARE
3 18 TAX CREDIT.

3 19 The taxes imposed under this chapter shall be reduced by a
3 20 small business health care tax credit, to the extent
3 21 available, provided for in section 422.11T. The tax credit
3 22 shall be subject to the same conditions, requirements, and
3 23 dollar limitations as provided for in section 422.11T.

3 24 Sec. 5. Section 533.24, Code 2007, is amended by adding
3 25 the following new subsection:

3 26 NEW SUBSECTION. 11. The moneys and credits tax imposed
3 27 under this section shall be reduced by a small business health
3 28 care tax credit, to the extent available, provided for in
3 29 section 422.11T. The tax credit shall be subject to the same
3 30 conditions, requirements, and dollar limitations as provided
3 31 for in section 422.11T.

3 32 Sec. 6. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.

3 33 This Act applies retroactively to January 1, 2007, for tax
3 34 years beginning on or after that date.

3 35 EXPLANATION

4 1 This bill provides for a small business health care tax
4 2 credit. The credit can be used to reduce the individual and
4 3 corporate income taxes, franchise tax, premiums tax, and
4 4 moneys and credits tax liabilities. A small business is a
4 5 for-profit enterprise with fewer than 50 permanent full-time
4 6 equivalent employees during the tax year. To be eligible for
4 7 the credit, the small business must provide health care
4 8 benefits to its employees or contribute to health savings
4 9 accounts established for them pursuant to federal law. The
4 10 amount of the credit equals the first \$1,000 of the cost of
4 11 the benefits or the first \$1,000 of the contribution to the
4 12 account. The total credits for the business cannot exceed
4 13 \$25,000. Any excess credit is refundable or the excess may be
4 14 carried forward to the next tax year.

4 15 The bill provides for a limit on the combined amount of
4 16 credits that may be approved in a fiscal year. For the first
4 17 fiscal year, FY 2007=2008, \$50 million may be approved. The
4 18 amount increases by \$50 million for each subsequent fiscal
4 19 year until the maximum of \$250 million may be approved for FY
4 20 2011=2012 and each subsequent fiscal year.

4 21 The bill applies retroactively to January 1, 2007, for tax
4 22 years beginning on or after that date.

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4 24 av:rj/gg/14