

House File 19 - Introduced

HOUSE FILE 19

BY PETTENGILL and COWNIE

A BILL FOR

1 An Act providing tax credits against the income, franchise,
2 premium, and moneys and credits taxes for employers paying
3 part of their employees' student loans and including a
4 retroactive applicability date provision.

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

1 Section 1. NEW SECTION. 261.130 Definitions.

2 As used in this division, unless the context otherwise
3 requires:

4 1. "*Accredited higher education institution*" means an
5 institution of higher education as defined in section 261.92.

6 2. "*Commission*" means the college student aid commission
7 created in section 261.1.

8 3. "*Qualified undergraduate loan*" means a federally
9 guaranteed student loan authorized under the federal Higher
10 Education Act of 1965, 20 U.S.C. § 1071 et seq., or a loan
11 originated by banks, savings and loans, or credit unions
12 located in Iowa for purposes of attending an accredited higher
13 education institution.

14 Sec. 2. NEW SECTION. 261.131 Student loan repayment tax
15 credit program.

16 1. The commission shall establish a student loan repayment
17 tax credit program for employers who repay qualified
18 undergraduate loans of students employed in this state by
19 the employer. Under the program eligible employers shall
20 be entitled to a tax credit to be allowed against the taxes
21 imposed under chapter 422, division II, III, or V, or chapter
22 432, or against the moneys and credits tax imposed in section
23 533.329.

24 2. a. An eligible employer shall receive a credit equal
25 to thirty percent of the amount of the qualified undergraduate
26 loan repaid by the employer for an employee in the tax year.
27 However, in computing the amount of the tax credit only the
28 following repayment amount shall be used in the computation:

29 (1) For the first tax year, not more than fifteen percent of
30 the maximum qualified undergraduate loan.

31 (2) For the second tax year, not more than fifteen percent
32 of the maximum qualified undergraduate loan.

33 (3) For the third tax year, not more than fifteen percent of
34 the maximum qualified undergraduate loan.

35 (4) For the fourth tax year, not more than fifteen percent

1 of the maximum qualified undergraduate loan.

2 (5) For the fifth tax year, not more than forty percent of
3 the maximum qualified undergraduate loan.

4 *b.* For purposes of the computation of the tax credit
5 pursuant to this subsection, the maximum qualified
6 undergraduate loan equals twenty-five thousand dollars.

7 3. To qualify as an eligible employer for purposes of the
8 tax credit under subsection 2, an employer shall meet all of
9 the following:

10 *a.* Pay the employee for whom the loan repayment is to be
11 made an annualized salary or wage of at least twenty-five
12 thousand dollars.

13 *b.* Employ the individual primarily in this state.

14 *c.* Begin repayment of the qualified undergraduate loan
15 within six months of the initial hiring date of the employee.
16 For purposes of this paragraph, an employee who is already
17 employed by the employer as of July 1, 2011, shall be
18 considered to be initially hired as of that date.

19 4. If the employer is a partnership, S corporation, limited
20 liability company, estate, or trust electing to have the income
21 taxed directly to the individual, an individual may claim the
22 tax credit allowed. The amount claimed by the individual shall
23 be based upon the pro rata share of the individual's earnings
24 of the partnership, S corporation, limited liability company,
25 estate, or trust.

26 5. Any credit in excess of the tax liability for the tax
27 year shall be refunded with interest computed under section
28 422.25. In lieu of claiming a refund, a taxpayer may elect
29 to have the overpayment shown on its final, completed return
30 credited to the tax liability for the following tax year.

31 **Sec. 3. NEW SECTION. 261.132 Tax credit certificate**
32 **procedure.**

33 1. An employer seeking the student loan repayment tax
34 credit under this division shall apply to the commission on the
35 form prescribed by the commission, provide verification that

1 the employer is eligible as required under section 261.131,
2 subsection 3, and any other information required by the
3 commission or the department of revenue.

4 2. After verifying the eligibility for the tax credit, the
5 commission, in consultation with the department of revenue,
6 shall issue a student loan repayment tax credit certificate
7 to be attached to the person's tax return. The tax credit
8 certificate shall contain the taxpayer's name, address, tax
9 identification number, the dates of loan repayment, the amount
10 of credit, and other information required by the department of
11 revenue.

12 Sec. 4. NEW SECTION. 422.11Y Student loan repayment tax
13 credit.

14 The taxes imposed under this division, less the credits
15 allowed under section 422.12, shall be reduced by a student
16 loan repayment tax credit authorized pursuant to sections
17 261.130 through 261.132.

18 Sec. 5. Section 422.33, Code 2011, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 29. The taxes imposed under this division
21 shall be reduced by a student loan repayment tax credit
22 authorized pursuant to sections 261.130 through 261.132.

23 Sec. 6. Section 422.60, Code 2011, is amended by adding the
24 following new subsection:

25 NEW SUBSECTION. 13. The taxes imposed under this division
26 shall be reduced by a student loan repayment tax credit
27 authorized pursuant to sections 261.130 through 261.132.

28 Sec. 7. NEW SECTION. 432.12M Student loan repayment tax
29 credit.

30 The taxes imposed under this chapter shall be reduced by
31 a student loan repayment tax credit authorized pursuant to
32 sections 261.130 through 261.132.

33 Sec. 8. Section 533.329, subsection 2, Code 2011, is amended
34 by adding the following new paragraph:

35 NEW PARAGRAPH. 1. The moneys and credits tax imposed under

1 this section shall be reduced by a student loan repayment tax
2 credit authorized pursuant to sections 261.130 through 261.132.

3 Sec. 9. RETROACTIVE APPLICABILITY. This Act applies
4 retroactively to January 1, 2011, for tax years beginning on
5 or after that date.

6 EXPLANATION

7 This bill provides a tax credit for an employer who repays
8 any portion of an employee's undergraduate student loan. The
9 tax credits are allowable under the individual and corporate
10 income taxes, franchise tax, insurance premiums tax, and moneys
11 and credits tax of credit unions.

12 To be eligible for the tax credit the employer must pay
13 an annualized salary or wage of at least \$25,000, employ the
14 person in this state, and begin repayment of the student loan
15 within six months of the hiring date. However, the bill
16 provides that the hiring date for an employee already employed
17 as of July 1, 2011, shall be considered July 1, 2011.

18 The amount of the tax credit equals 30 percent of the amount
19 of the loan repaid not to exceed a certain percentage of the
20 first \$25,000 of the student loan. This percentage may be
21 claimed over a five-year period, 15 percent for each of the
22 first four tax years and 40 percent for the fifth tax year.

23 The bill applies retroactively to January 1, 2011, for tax
24 years beginning on or after that date.