

House File 2082 - Introduced

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BY HESS

A BILL FOR

1 An Act providing an individual income tax credit for qualified
2 adoption expenses paid or incurred in connection with
3 certain adoptions and including retroactive applicability
4 provisions.

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

1 Section 1. NEW SECTION. 422.12A Adoption tax credit.

2 1. For purposes of this section, unless the context
3 otherwise requires:

4 a. "Adoption" means the permanent placement in this
5 state of an eligible individual by a licensed agency under
6 chapter 238, by an agency that meets the provisions of the
7 interstate compact in section 232.158, or by a person making an
8 independent placement according to the provisions of chapter
9 600.

10 b. "Child with special needs" means the same as defined in
11 section 23 of the Internal Revenue Code.

12 c. "Eligible individual" means an individual who is under
13 the age of eighteen years, or an individual who is unable, by
14 reason of physical or mental disability, to live independently.

15 d. "Qualified adoption expenses" means unreimbursed
16 expenses paid or incurred in connection with the adoption
17 of an eligible individual, including medical and hospital
18 expenses of the biological mother which are incident to the
19 eligible individual's birth, welfare agency fees, legal fees,
20 and all other fees and costs which relate to the adoption of
21 an eligible individual. "Qualified adoption expenses" does not
22 include expenses paid or incurred in violation of state or
23 federal law.

24 2. The taxes imposed under this division, less the credits
25 allowed under section 422.12, shall be reduced by an adoption
26 tax credit equal to the amount of qualified adoption expenses
27 paid or incurred by the taxpayer during the tax year in
28 connection with the adoption of an eligible individual by the
29 taxpayer, not to exceed two thousand five hundred dollars per
30 adoption, or five thousand dollars if the adopted eligible
31 individual is a child with special needs.

32 3. Any credit in excess of the tax liability is refundable.
33 In lieu of claiming a refund, the taxpayer may elect to have
34 the overpayment shown on the taxpayer's final, completed return
35 credited to the tax liability for the following tax year.

1 the provisions of Code chapter 600, and if the person to be
2 adopted is to be permanently placed in this state and is either
3 less than 18 years old or unable to live independently because
4 of physical or mental disability.

5 "Child with special needs" means the same as defined in
6 section 23 of the Internal Revenue Code, which generally
7 defines such child to be one who is a United States citizen or
8 resident, for whom the state has determined cannot be returned
9 to the home of the child's parents, and for whom the state
10 has determined there exists specific conditions that make it
11 reasonable to assume the child cannot be placed with adoptive
12 parents without providing adoption assistance.

13 In order to be "qualified adoption expenses" the expenses
14 must be paid or incurred by the taxpayer during the tax year,
15 unreimbursed, and connected with the adoption. "Qualified
16 adoption expenses" include medical and hospital expenses of
17 the biological mother which are incident to the birth of
18 the adopted individual, welfare agency and legal fees, and
19 all other fees and costs relating to the adoption of the
20 individual. "Qualified adoption expenses" does not include
21 expenses paid or incurred in violation of state or federal law.

22 Under Iowa law, a taxpayer may claim an itemized deduction
23 for the amount of adoption expenses that exceed 3 percent
24 of the net income of the taxpayer. The bill provides that
25 taxpayers who claim the itemized deduction are required
26 to reduce that deduction by the amount of expenses used to
27 calculate the adoption tax credit.

28 Any credit in excess of the taxpayer's liability is
29 refundable or may be carried forward one tax year at the
30 election of the taxpayer.

31 The bill applies retroactively to tax years beginning on or
32 after January 1, 2014.