

House File 2211 - Introduced

HOUSE FILE 2211

BY KAUFMANN

A BILL FOR

1 An Act establishing a medical student promise tax credit and
2 a medical student promise fund under the control of the
3 college student aid commission, and including effective date
4 and retroactive applicability provisions.

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

1 Section 1. NEW SECTION. 261.61 Medical student promise tax
2 credit.

3 1. *Definitions.* For purposes of this section, unless the
4 context otherwise requires:

5 a. "*Commission*" means the college student aid commission.

6 b. "*Eligible degree*" means a master of physician assistant
7 studies or a doctor of medicine, pharmacy, dental surgery, or
8 osteopathy degree.

9 c. "*Eligible university*" means the state university of Iowa
10 college of medicine or Des Moines university - osteopathic
11 medical center.

12 d. "*Fund*" means the medical student promise fund.

13 e. "*Medical student*" means an individual who has entered
14 into a promise agreement and is enrolled full-time in an
15 eligible university in a curriculum leading to an eligible
16 degree.

17 f. "*Promise agreement*" means the agreement entered into in
18 subsection 3.

19 2. *Tax credit.*

20 a. A tax credit shall be allowed against the taxes imposed
21 in chapter 422, divisions II, III, and V, and in chapter 432,
22 and against the moneys and credits tax imposed in section
23 533.329, for a portion of the amount of the voluntary cash or
24 noncash contributions made by the taxpayer during the tax year
25 to the medical student promise fund.

26 b. An individual may claim a tax credit under this section
27 of a partnership, limited liability company, S corporation,
28 estate, or trust electing to have income taxed directly to
29 the individual. The amount claimed by the individual shall
30 be based upon the pro rata share of the individual's earnings
31 from the partnership, limited liability company, S corporation,
32 estate, or trust.

33 c. The amount of a tax credit allowed under this section
34 shall equal twenty-five percent of the amount of the taxpayer's
35 voluntary cash contributions made by the taxpayer during the

1 tax year to the medical student promise fund.

2 *d.* (1) To receive a tax credit, a taxpayer must submit
3 an application to the commission. The commission shall issue
4 certificates under this section on a first-come, first-served
5 basis, which certificates may be redeemed for tax credits. In
6 allocating tax credits pursuant to this section, the commission
7 shall allocate one million dollars in aggregate for purposes
8 of this section, unless the commission determines that the tax
9 credits awarded will be less than that amount.

10 (2) If in a fiscal year the aggregate amount of tax credits
11 applied for exceeds the amount allocated for that fiscal year
12 under this paragraph "*d*", the commission shall establish a
13 wait list for certificates. Applications that were approved
14 but for which certificates were not issued shall be placed
15 on the wait list in the order the applications were received
16 by the commission and shall be given priority for receiving
17 certificates in succeeding fiscal years.

18 *e.* The commission shall, in cooperation with the
19 department of revenue, establish criteria and procedures
20 for the allocation and issuance of tax credits by means of
21 certificates issued by the commission. The criteria shall
22 include the contingencies that must be met for a certificate
23 to be redeemable in order to receive a tax credit. The
24 procedures established by the commission, in cooperation with
25 the department of revenue, shall relate to the procedures for
26 the issuance and transfer of the certificates and for the
27 redemption of a certificate and related tax credit.

28 *f.* A certificate and related tax credit issued pursuant to
29 this section shall be deemed a vested right of the original
30 holder or any transferee thereof, and the state shall not cause
31 either to be redeemed in such a way that amends or rescinds the
32 certificate or that curtails, limits, or withdraws the related
33 tax credit, except as otherwise provided in this section or
34 upon consent of the proper holder. A certificate issued
35 pursuant to this section cannot pledge the credit of the state

1 and any such certificate so pledged to secure the debt of the
2 original holder or a transferee shall not constitute a contract
3 binding the state.

4 *g.* Any tax credit in excess of the taxpayer's liability
5 for the tax year may be credited to the tax liability for the
6 following five years or until depleted, whichever is earlier.
7 A tax credit shall not be carried back to a tax year prior to
8 the tax year in which the taxpayer claims the tax credit.

9 *h.* Tax credit certificates issued pursuant to this section
10 may be transferred, in whole or in part, to any person. A tax
11 credit certificate shall only be transferred once. Within
12 ninety days of transfer, the transferee shall submit the
13 transferred tax credit certificate to the department of revenue
14 along with a statement containing the transferee's name, tax
15 identification number, and address, the denomination that each
16 replacement tax credit certificate is to carry, and any other
17 information required by the department of revenue.

18 *i.* Within thirty days of receiving the transferred tax
19 credit certificate and the transferee's statement, the
20 department of revenue shall issue one or more replacement
21 tax credit certificates to the transferee. Each replacement
22 tax credit certificate must contain the information required
23 for the original tax credit certificate. A replacement tax
24 credit certificate may designate a different tax than the tax
25 designated on the original tax credit certificate. A tax
26 credit shall not be claimed by a transferee under this section
27 until a replacement tax credit certificate identifying the
28 transferee as the proper holder has been issued.

29 *j.* The transferee may use the amount of the tax credit
30 transferred against the taxes imposed in chapter 422, divisions
31 II, III, and V, and in chapter 432, and against the moneys and
32 credits tax imposed in section 533.329, for any tax year the
33 original transferor could have claimed the tax credit. Any
34 consideration received for the transfer of the tax credit shall
35 not be included as income under chapter 422, divisions II,

1 III, and V. Any consideration paid for the transfer of the tax
2 credit shall not be deducted from income under chapter 422,
3 divisions II, III, and V.

4 3. *Promise agreement.* A promise agreement shall be entered
5 into by a medical student and the commission when the medical
6 student begins the curriculum leading to an eligible degree.
7 Under the promise agreement, a medical student shall agree to
8 and shall fulfill all of the following requirements:

9 a. If the medical student is enrolled in a curriculum
10 leading to a doctor of medicine, pharmacy, dental surgery, or
11 osteopathy degree, or master of physician assistant studies,
12 apply for, enter, and complete an Iowa-based residency program.

13 b. Apply for and obtain a license to practice as a physician
14 assistant pursuant to chapter 148C, a license to practice as a
15 physician and surgeon or an osteopathic physician and surgeon
16 licensed pursuant to chapter 148, or pharmacist pursuant to
17 chapter 155A, or a dentist licensed pursuant to chapter 153.

18 c. Within nine months of graduating from a residency
19 program, if applicable, and receiving a permanent license in
20 accordance with paragraph "b", reside in Iowa and engage in the
21 full-time practice in Iowa as a physician assistant, a dentist,
22 or a doctor of medicine and surgery or osteopathic medicine
23 and surgery or a pharmacist for a period of sixty consecutive
24 months.

25 4. *Postponement and satisfaction of service obligation.*

26 a. The obligation to engage in practice in accordance with
27 subsection 3 may be postponed for the following purposes:

28 (1) Active duty status in the armed forces, the armed forces
29 military reserve, or the national guard.

30 (2) Service in volunteers in service to America.

31 (3) Service in the federal peace corps.

32 (4) A period of service commitment to the United States
33 public health service commissioned corps.

34 (5) A period of religious missionary work conducted by an
35 organization exempt from federal income taxation pursuant to

1 section 501(c)(3) of the Internal Revenue Code.

2 (6) Any period of temporary medical incapacity during which
3 the person obligated is unable, due to a medical condition, to
4 engage in full-time practice as required under subsection 3,
5 paragraph "c".

6 b. Except for a postponement under paragraph "a",
7 subparagraph (6), an obligation to engage in practice under
8 a promise agreement shall not be postponed for more than
9 two years from the time the full-time practice was to have
10 commenced under the promise agreement.

11 c. An obligation to engage in full-time practice under a
12 promise agreement shall be considered satisfied when any of the
13 following conditions are met:

14 (1) The terms of the promise agreement are completed.

15 (2) The person who entered into the promise agreement dies.

16 (3) The person who entered into the promise agreement is
17 unable, due to a permanent disability, to practice as provided
18 in the agreement.

19 d. If an individual fails to fulfill the obligation to
20 engage in practice in accordance with the promise agreement,
21 the individual shall be subject to repayment to the commission
22 of the amount paid by the commission to reduce the individual's
23 educational loan interest rate plus interest as specified by
24 rule.

25 5. *Fund created.*

26 a. A medical student promise fund is created as a
27 revolving fund in the state treasury under the control of the
28 commission. The fund shall consist of all moneys deposited
29 in the fund pursuant to this section, any funds received
30 from other sources, and interest and earnings thereon. The
31 commission is the trustee of the fund and shall administer
32 the fund. Any loss to the fund shall be charged against the
33 fund and the commission shall not be personally liable for
34 such loss. Moneys in the fund are not subject to section
35 8.33. Notwithstanding section 12C.7, subsection 2, interest or

1 earnings on moneys in the fund shall be credited to the fund.

2 *b.* Moneys in the fund shall be used by the commission to
3 reduce the interest rate charged to a medical student for an
4 educational loan to a rate that is not more than one-half of
5 the interest rate currently charged for federal educational
6 loans under the federal Higher Education Act of 1965, as
7 amended and codified in 20 U.S.C. §1071 et seq.

8 6. *Information upon request.* An eligible university shall
9 collect and provide to the commission any information required
10 by the commission for the administration of this section in the
11 manner and form prescribed by the commission.

12 7. *Report.* On or before January 15 of each year, the
13 commission, in cooperation with the department of revenue,
14 shall submit to the general assembly and the governor a report
15 describing the activities of the medical student promise fund
16 during the preceding fiscal year. The report shall at a
17 minimum include the following information:

18 *a.* The amount of tax credit certificates issued to
19 individuals pursuant to this section.

20 *b.* The amount of approved tax credit applications that were
21 placed on the wait list for certificates.

22 *c.* The amount of tax credits claimed.

23 *d.* The amount of tax credits transferred to other persons.

24 *e.* The amount of the voluntary cash or noncash contributions
25 made by taxpayers during the tax year to the medical student
26 promise fund.

27 Sec. 2. NEW SECTION. 422.11C Medical student promise tax
28 credits.

29 The taxes imposed under this division, less the credits
30 allowed under section 422.12, shall be reduced by a medical
31 student promise tax credit allowed under section 261.61.

32 Sec. 3. Section 422.33, Code 2014, is amended by adding the
33 following new subsection:

34 NEW SUBSECTION. 22. The taxes imposed under this division
35 shall be reduced by a medical student promise tax credit

1 allowed under section 261.61.

2 Sec. 4. Section 422.60, Code 2014, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 12. The taxes imposed under this division
5 shall be reduced by a medical student promise tax credit
6 allowed under section 261.61.

7 Sec. 5. NEW SECTION. **432.12N Medical student promise tax**
8 **credit.**

9 The taxes imposed under this chapter shall be reduced by
10 a medical student promise tax credit allowed under section
11 261.61.

12 Sec. 6. Section 533.329, subsection 2, Code 2014, is amended
13 by adding the following new paragraph:

14 NEW PARAGRAPH. *k.* The moneys and credits tax imposed under
15 this section shall be reduced by a medical student promise tax
16 credit allowed under section 261.61.

17 Sec. 7. **EFFECTIVE UPON ENACTMENT.** This Act, being deemed of
18 immediate importance, takes effect upon enactment.

19 Sec. 8. **RETROACTIVE APPLICABILITY.** This Act applies
20 retroactively to January 1, 2014, for tax years beginning on
21 or after that date for purposes of the medical student promise
22 tax credit and for cash and noncash contributions made to
23 the medical student promise fund created pursuant to section
24 261.61, if enacted, made on or after that date.

25 **EXPLANATION**

26 The inclusion of this explanation does not constitute agreement with
27 the explanation's substance by the members of the general assembly.

28 This bill establishes a medical student promise tax credit
29 and a medical student promise fund under the control of the
30 college student aid commission for the purpose of providing
31 a means for reducing the interest rate charged to a medical
32 student for an educational loan to an amount of interest that
33 is not more than one-half of the interest rate currently
34 charged for federal educational loans.

35 **TAX CREDIT.** The tax credit is allowed against the personal

1 and corporate income tax, franchise tax, insurance premium tax,
2 and the moneys and credits tax.

3 To receive a certificate which may be redeemed for a tax
4 credit, the taxpayer must submit an application to the college
5 student aid commission. The commission must issue certificates
6 on a first-come, first-served basis. In allocating tax
7 credits, the commission shall allocate \$1 million in the
8 aggregate for certificates for tax credits, unless the
9 commission determines that the tax credits awarded will be
10 less than that amount. If the amount of applications exceeds
11 the available tax credits in a fiscal year, the commission is
12 required to establish a wait list and give priority in later
13 years to applications on the wait list.

14 The taxpayer may transfer a tax credit once, and the bill
15 establishes procedures for transferring the credit to another
16 person. Within 90 days of transfer, the transferee must submit
17 the transferred tax credit certificate to the department of
18 revenue along with a statement containing information specified
19 in the bill. Within 30 days of receiving the transferred
20 tax credit certificate and the transferee's statement, the
21 department of revenue must issue one or more replacement tax
22 credit certificates to the transferee. A replacement tax
23 credit certificate may designate a different tax than the
24 tax designated on the original tax credit certificate. Any
25 consideration received for the transfer of the tax credit shall
26 not be included as income. Any consideration paid for the
27 transfer of the tax credit shall not be deducted from income.

28 The commission must, in cooperation with the department of
29 revenue, establish criteria and procedures for the allocation
30 and issuance of tax credits by means of certificates issued by
31 the commission. The criteria shall include the contingencies
32 that must be met for a certificate to be redeemable in order to
33 receive a tax credit.

34 Any tax credit in excess of the taxpayer's liability for the
35 tax year may be credited to the tax liability for the following

1 five years or until depleted, whichever is earlier. A tax
2 credit shall not be carried back to a tax year prior to the tax
3 year in which the taxpayer claims the tax credit.

4 PROMISE AGREEMENT. To be eligible for the reduction in
5 the interest rate charged for an educational loan, a medical
6 student must enter into a promise agreement with the commission
7 and be enrolled full-time in an eligible university in a
8 curriculum leading to an eligible degree. "Eligible degree"
9 means a master of physician assistant studies or a doctor of
10 medicine, pharmacy, dental surgery, or osteopathy degree;
11 and "eligible university" means the state university of Iowa
12 college of medicine or Des Moines university - osteopathic
13 medical center.

14 Under the promise agreement, a medical student shall agree
15 to and shall fulfill certain requirements, including completing
16 a residency if applicable, applying for and obtaining a license
17 to practice, residing in Iowa, and engaging in full-time
18 practice in the state as a physician assistant, a dentist, or
19 a doctor of medicine and surgery or osteopathic medicine and
20 surgery, or pharmacist for a period of 60 consecutive months.

21 The bill provides for the postponement and satisfaction
22 of the obligation to practice full time in Iowa. Practice
23 may be postponed for certain purposes, such as active duty
24 status in the armed forces, the armed forces military reserve,
25 or the national guard; service in volunteers in service to
26 America; service in the federal peace corps; a period of
27 service commitment to the United States public health service
28 commissioned corps; a period of religious missionary work; or
29 any period of temporary medical incapacity during which the
30 person obligated is unable to engage in full-time practice.
31 However, except for medical incapacity, an obligation to engage
32 in practice shall not be postponed for more than two years from
33 the time the full-time practice was to have commenced under the
34 promise agreement.

35 The practice obligation shall be considered satisfied when

1 the terms of the agreement are completed or the person dies or
2 is unable to practice due to a permanent disability.

3 If an individual's obligation is not postponed or satisfied,
4 and the person fails to fulfill the obligation to practice,
5 the individual is subject to repayment to the commission of
6 the amount paid by the commission to reduce the individual's
7 educational loan interest rate plus interest as specified by
8 rule.

9 MEDICAL STUDENT PROMISE FUND CREATED. A medical student
10 promise fund is created as a revolving fund in the state
11 treasury under the control of the commission and administered
12 by the commission. Moneys in the fund shall be used by the
13 commission to reduce the interest rate charged to a medical
14 student for an educational loan to a rate that is not more
15 than half of the interest rate currently charged for federal
16 educational loans. The fund shall consist of all moneys
17 deposited in the fund pursuant to this section, any funds
18 received from other sources, and interest and earnings thereon.
19 Any loss to the fund shall be charged against the fund and
20 the commission shall not be personally liable for such loss.
21 Moneys in the fund do not revert to the general fund of the
22 state and interest or earnings on moneys in the fund are to be
23 credited to the fund.

24 INFORMATION/REPORTS/REVIEW. On or before January 15 of each
25 year, the commission, in cooperation with the department of
26 revenue, must submit to the general assembly and the governor
27 a report describing the commission's activities relating to
28 the medical student promise fund during the preceding fiscal
29 year, including information regarding the applications placed
30 on the wait list, contributions made, certificates issued, and
31 tax credits claimed. An eligible university shall collect
32 and provide to the commission any information required by the
33 commission for administration of the fund.

34 EFFECTIVE DATE AND RETROACTIVE APPLICABILITY PROVISIONS.
35 The bill takes effect upon enactment and applies retroactively

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1 to January 1, 2014, for tax years beginning, and contributions
2 made to the fund, on or after that date.