

House Study Bill 673 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON SANDS)

A BILL FOR

1 An Act creating a student loan tax credit available against
2 the state individual income tax, and including retroactive
3 applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 262.9, Code 2014, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 38. *a.* Calculate for each calendar
4 year the average resident undergraduate tuition to attend
5 institutions listed in section 262.7, subsections 1, 2, and 3,
6 and notify the director of the department of revenue of that
7 amount by January 31 of the succeeding year.

8 *b.* This subsection is repealed January 1, 2024.

9 Sec. 2. NEW SECTION. **422.11C Student loan tax credit.**

10 1. For purposes of this section:

11 *a.* "*Approved postsecondary educational institution*" means any
12 of the following:

13 (1) A community college established under chapter 260C.

14 (2) An institution of higher learning under the control of
15 the state board of regents.

16 (3) A nonprofit accredited private institution in this
17 state that meets the requirements in section 261.9, subsection
18 1, and the requirements of the provisions of the federal Higher
19 Education Act of 1965, as amended, for student participation in
20 the federal interest subsidy program.

21 *b.* "*Average Iowa tuition*" means the average resident
22 undergraduate tuition determined under section 262.9,
23 subsection 38, for the calendar year immediately preceding the
24 tax year for which the credit under this section is claimed.

25 *c.* "*Qualified student loan*" means any loan that is made,
26 insured, or guaranteed under Tit. IV of the federal Higher
27 Education Act of 1965, as amended, directly to the taxpayer
28 for attendance at an approved postsecondary educational
29 institution.

30 *d.* "*Qualified taxpayer*" means a taxpayer who meets all of
31 the following requirements:

32 (1) The taxpayer attended an approved postsecondary
33 educational institution and received a bachelor's degree
34 from an approved postsecondary educational institution after
35 December 31, 2013.

1 (2) The taxpayer is a resident of this state for the entire
2 tax year.

3 (3) The taxpayer is employed in this state. If the taxpayer
4 is employed in this state during any part of the month, the
5 taxpayer shall be considered employed in this state for the
6 entire month.

7 2. The taxes imposed under this division, less the credits
8 allowed under section 422.12, shall be reduced by a student
9 loan tax credit equal to fifty percent of the amount paid on a
10 qualified student loan by a qualified taxpayer during the tax
11 year, not to exceed an amount equal to twenty percent of the
12 average Iowa tuition per tax year.

13 3. If the taxpayer is not a qualified taxpayer for the
14 entire tax year, the maximum amount of the credit shall be
15 prorated and the amount of credit for the taxpayer shall equal
16 the maximum amount of credit for the tax year, divided by
17 twelve, multiplied by the number of months in the tax year the
18 taxpayer was a qualified taxpayer.

19 4. A qualified taxpayer may claim the credit allowed under
20 this section for not more than five tax years from the date
21 the qualified taxpayer received a bachelor's degree from an
22 approved postsecondary educational institution.

23 5. Any credit in excess of the taxpayer's liability for the
24 tax year is not refundable and shall not be credited to the tax
25 liability for any following year.

26 6. In order to be eligible for the credit under this
27 section, the qualified taxpayer shall provide the department
28 with proof of residency and proof of employment in this state,
29 in the manner and form prescribed by the department. The
30 department may also require documentation from the qualified
31 taxpayer supporting any payments claimed to be for a qualified
32 student loan.

33 7. This section is repealed January 1, 2024.

34 Sec. 3. IMPLEMENTATION. Notwithstanding section 262.9,
35 subsection 38, paragraph "a", the state board of regents shall

1 notify the director of the department of revenue of the average
2 resident undergraduate tuition, as calculated in section 262.9,
3 subsection 38, paragraph "a", for the 2013 calendar within
4 thirty days of the effective date of this Act.

5 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
6 retroactively to January 1, 2014, for tax years beginning on
7 or after that date.

8

EXPLANATION

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

11 This bill creates a student loan tax credit available
12 against the state individual income tax.

13 The tax credit equals 50 percent of the amount paid on a
14 qualified student loan by a qualified taxpayer during a tax
15 year, not to exceed 20 percent of the average Iowa tuition
16 each year. "Average Iowa tuition" equals the average resident
17 undergraduate tuition to attend the university of Iowa, Iowa
18 state university, or the university of northern Iowa. The
19 state board of regents is required to calculate the average
20 Iowa tuition each year and certify the amount to the director
21 of revenue by January 31 of the following year.

22 "Qualified student loan" is defined in the bill as any
23 loan made, insured, or guaranteed under Title IV of the
24 federal Higher Education Act of 1965 directly to the taxpayer
25 for attendance at an approved postsecondary educational
26 institution.

27 "Approved postsecondary educational institution" means an
28 Iowa community college, an institution of higher learning under
29 the control of the state board of regents, or a nonprofit
30 accredited private institution in this state that meets certain
31 requirements specified in the bill.

32 "Qualified taxpayer" is defined in the bill as a taxpayer
33 that attended an approved postsecondary educational
34 institution, received a bachelor's degree from an approved
35 postsecondary educational institution after December 31, 2013,

1 is a resident of Iowa for the entire tax year, and is employed
2 in Iowa. A taxpayer shall be considered employed for an entire
3 month if the taxpayer was employed during any part of the
4 month.

5 If a taxpayer is not a qualified taxpayer for the entire tax
6 year, the maximum amount of the credit is prorated based on
7 the number of months the taxpayer was a qualified taxpayer. A
8 qualified taxpayer is not allowed to claim the credit for more
9 than five tax years after the taxpayer receives a bachelor's
10 degree. Any credit in excess of the taxpayer's tax liability
11 is not refundable and shall not be carried forward to any
12 succeeding tax year.

13 A qualified taxpayer is required to provide the department
14 of revenue with proof of residence and employment in
15 this state. The department of revenue may also require
16 documentation to support payments claimed to be for a qualified
17 student loan. The student loan tax credit is repealed January
18 1, 2024.

19 The bill applies retroactively to January 1, 2014, for tax
20 years beginning on or after that date.