

House Study Bill 686 - Introduced

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

A BILL FOR

1 An Act creating 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 a child by the department of human services, by a
6 licensed agency under chapter 238, by an agency that meets the
7 provisions of the interstate compact in section 232.158, or
8 by a person making an independent placement according to the
9 provisions of chapter 600.

10 b. "Child" means an individual who is under the age of
11 eighteen years.

12 c. "Qualified adoption expenses" means unreimbursed expenses
13 paid or incurred in connection with the adoption of a child,
14 including medical and hospital expenses of the biological
15 mother which are incident to the child's birth, welfare agency
16 fees, legal fees, and all other fees and costs which relate to
17 the adoption of a child. "Qualified adoption expenses" does
18 not include expenses paid or incurred in violation of state or
19 federal law.

20 2. The taxes imposed under this division, less the credits
21 allowed under section 422.12, shall be reduced by an adoption
22 tax credit equal to the amount of qualified adoption expenses
23 paid or incurred by the taxpayer during the tax year in
24 connection with the adoption of a child by the taxpayer, not to
25 exceed two thousand five hundred dollars per adoption.

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

30 4. The department of revenue and the department of human
31 services shall each adopt rules to jointly administer this
32 section.

33 Sec. 2. Section 422.9, subsection 2, paragraph c, Code 2014,
34 is amended to read as follows:

35 c. Add the amount by which expenses paid or incurred

1 in connection with the adoption of a child by the taxpayer
2 exceed three percent of the net income of the taxpayer, or of
3 the taxpayer and spouse in the case of a joint return. The
4 expenses may include medical and hospital expenses of the
5 biological mother which are incident to the child's birth and
6 are paid by the taxpayer, welfare agency fees, legal fees, and
7 all other fees and costs relating to the adoption of a child if
8 the child is placed by a child-placing agency licensed under
9 chapter 238 or by a person making an independent placement
10 according to the provisions of chapter 600. If the taxpayer
11 claims an adoption tax credit under section 422.12A, the
12 taxpayer shall recompute for purposes of this subsection the
13 amount of the deduction by excluding the amount of qualified
14 adoption expenses, as defined in section 422.12A, used in
15 computing the adoption tax credit.

16 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
17 retroactively to January 1, 2014, for tax years beginning on
18 or after that date.

19 EXPLANATION

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

22 This bill provides an individual income tax credit equal to
23 the amount of qualified adoption expenses paid or incurred by a
24 taxpayer during the tax year in connection with the adoption of
25 a child, which is defined in the bill as an individual who is
26 under the age of 18 years. The tax credit cannot exceed \$2,500
27 per adoption.

28 The adoption of a child qualifies for the tax credit if the
29 adoption is completed by the department of human services,
30 a child-placing agency licensed under Code chapter 238, an
31 agency complying with the interstate compact on placement of
32 children in Code section 232.158, or a person petitioning for
33 an independent placement according to the provisions of Code
34 chapter 600.

35 In order to be "qualified adoption expenses" the expenses

1 must be paid or incurred by the taxpayer during the tax year,
2 unreimbursed, and connected with the adoption. "Qualified
3 adoption expenses" include medical and hospital expenses of
4 the biological mother which are incident to the birth of
5 the adopted child, welfare agency and legal fees, and all
6 other fees and costs relating to the adoption of the child.
7 "Qualified adoption expenses" does not include expenses paid or
8 incurred in violation of state or federal law.

9 Under Iowa law, a taxpayer may claim an itemized deduction
10 for the amount of certain adoption expenses that exceed 3
11 percent of the net income of the taxpayer. The bill provides
12 that taxpayers who claim the itemized deduction are required
13 to reduce that deduction by the amount of expenses used to
14 calculate the adoption tax credit.

15 Any credit in excess of the taxpayer's liability is
16 refundable or may be carried forward one tax year at the
17 election of the taxpayer.

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