Senate File 2337 - Introduced

SENATE FILE 2337
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3181)

A BILL FOR

- 1 An Act relating to the child and dependent care credit
- 2 available against the individual income tax, and including
- 3 retroactive applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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- 1 Section 1. Section 422.12C, subsection 1, Code 2014, is 2 amended to read as follows:
- 3 1. a. The taxes imposed under this division, less the
- 4 amounts of nonrefundable credits allowed under this division,
- 5 shall be reduced by a child and dependent care credit equal to
- 6 the following percentages of the federal child and dependent
- 7 care credit provided in section 21 of the Internal Revenue
- 8 Code, without regard to whether or not the federal credit was
- 9 limited by the taxpayer's federal tax liability:
- 10 a_r (1) For a taxpayer with net income of less than ten
- 11 fourteen thousand nine hundred eighty dollars, seventy-five
- 12 ninety-three and seventy-five hundredths percent.
- 13 $\frac{b}{c}$ (2) For a taxpayer with net income of $\frac{ten}{c}$ fourteen
- 14 thousand nine hundred eighty dollars or more but less than
- 15 twenty twenty-nine thousand nine hundred sixty dollars,
- 16 sixty-five eighty-one and twenty-five hundredths percent.
- 17 c_r (3) For a taxpayer with net income of twenty-nine
- 18 thousand nine hundred sixty dollars or more but less than
- 19 twenty-five thirty-seven thousand four hundred fifty dollars,
- 20 fifty-five sixty-eight and seventy-five hundredths percent.
- 21 d_{r} (4) For a taxpayer with net income of twenty-five
- 22 thirty-seven thousand four hundred fifty dollars or more but
- 23 less than thirty-five fifty-two thousand four hundred thirty
- 24 dollars, fifty sixty-two and five-tenths percent.
- 25 e. (5) For a taxpayer with net income of thirty-five
- 26 fifty-two thousand four hundred thirty dollars or more but less
- 27 than forty fifty-nine thousand nine hundred twenty dollars,
- 28 forty fifty percent.
- 29 f, (6) For a taxpayer with net income of forty fifty-nine
- 30 thousand nine hundred twenty dollars or more but less than
- 31 forty-five sixty-seven thousand four hundred ten dollars,
- 32 thirty thirty-seven and five-tenths percent.
- 33 g_r (7) For a taxpayer with net income of forty-five
- 34 sixty-seven thousand four hundred ten dollars or more, zero
- 35 percent.

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- b. For the tax year beginning in the 2014 calendar year 2 and for each subsequent tax year, the director shall multiply 3 the dollar amounts set forth in paragraph "a" by the latest 4 cumulative inflation factor, shall round off the resulting 5 product to the nearest one dollar, and shall incorporate the 6 result into the income tax forms and instructions for each tax 7 year. For purposes of this paragraph, "cumulative inflation 8 factor" means the product of the annual inflation factor for 9 the 2014 calendar year and all annual inflation factors for 10 subsequent calendar years as determined by section 422.4, 11 subsection 1, paragraph "a". The cumulative inflation factor 12 applies to all tax years beginning on or after January 1 of the 13 calendar year for which the latest annual inflation factor has 14 been determined. Notwithstanding any other provision to the 15 contrary, the annual inflation factor for the 2014 calendar 16 year is one hundred percent. Sec. 2. RETROACTIVE APPLICABILITY. This Act applies 17 18 retroactively to January 1, 2014, for tax years beginning on 19 or after that date.
- 20 EXPLANATION
- 21 The inclusion of this explanation does not constitute agreement with 22 the explanation's substance by the members of the general assembly.
- This bill relates to the Iowa child and dependent care tax credit available against the individual income tax. The Iowa child and dependent care tax credit is a refundable credit calculated as a percentage of the nonrefundable federal child and dependent care tax credit, depending on the Iowa net income of the taxpayer.
- Iowa Admin. Code 701-42.15(1), which governs the computation of the Iowa credit, specifies that for taxpayers whose federal credit is limited to their federal tax liability, the Iowa credit shall be computed based on the lesser amount. In other words, the amount of the Iowa credit is limited to a percentage of the federal credit actually claimed against federal tax

35 liability, not a percentage of the total federal credit the

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- 1 taxpayer was eligible to claim against federal tax liability.
- 2 The bill amends Code section 422.12C to provide that the
- 3 Iowa credit will be calculated as a percentage of the federal
- 4 credit, whether or not the federal credit was limited by the
- 5 taxpayer's federal tax liability.
- 6 The bill also increases the net income amounts and credit
- 7 percentages in each of the seven graduated brackets used to
- 8 calculate the credit. The credit percentages in these seven
- 9 brackets currently range from a high of 75 percent of the
- 10 federal credit for taxpayers with net income of less than
- 11 \$10,000, to a low of 30 percent of the federal credit for
- 12 taxpayers with net income of \$40,000 or more but less than
- 13 \$45,000. The credit is currently unavailable to taxpayers
- 14 whose net income is \$45,000 or more. The bill increases these
- 15 to a high of 93.75 percent of the federal credit for taxpayers
- 16 with net income of less than \$14,980, and to a low of 37.50
- 17 percent of the federal credit for taxpayers with net income
- 18 of \$59,920 or more but less than \$67,410. The credit will be
- 19 unavailable to taxpayers whose net income is \$67,410 or more.
- 20 The bill also adjusts the future amount of each of the
- 21 net income amounts in the seven graduated credit brackets by
- 22 indexing the dollar amounts to inflation.
- 23 The bill applies retroactively to January 1, 2014, for tax
- 24 years beginning on or after that date.