

**House File 190 - Introduced**

HOUSE FILE 190

BY WESSEL-KROESCHELL

**A BILL FOR**

1 An Act providing an exemption from state individual income tax  
2 of certain tuition and related expenses of postsecondary  
3 education and including retroactive applicability  
4 provisions.

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

1 Section 1. Section 422.7, Code 2015, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 57. *a.* Subtract, to the extent not  
4 otherwise deducted in computing adjusted gross income, the  
5 amounts paid by the taxpayer for qualified tuition and related  
6 expenses of the taxpayer or taxpayer's spouse or dependent.  
7 *b.* A deduction shall not be allowed under this subsection  
8 to a taxpayer with respect to whom a deduction under section  
9 151 of the Internal Revenue Code is allowable to another  
10 taxpayer for a tax year beginning in the calendar year in which  
11 qualified tuition and related expenses are paid. Any qualified  
12 tuition and related expenses paid by such dependent during said  
13 tax year shall be treated as paid by such other taxpayer to  
14 whom the deduction under section 151 of the Internal Revenue  
15 Code is allowable.

16 *c.* A deduction shall not be allowed under this subsection  
17 with respect to the qualified tuition and related expenses of a  
18 taxpayer if the taxpayer or any other person claims an Iowa tax  
19 credit calculated on the basis of the same qualified tuition  
20 and related expenses.

21 *d.* For purposes of this subsection:

22 (1) "*Dependent*" has the same meaning as provided by the  
23 Internal Revenue Code.

24 (2) "*Qualified tuition and related expenses*" means the same  
25 as defined in section 25A(f) of the Internal Revenue Code, with  
26 the following adjustments:

27 (a) The amount of such expenses shall be reduced in the same  
28 manner as provided in section 25A(g)(2) of the Internal Revenue  
29 Code.

30 (b) The amount of such expenses shall be reduced to the  
31 extent excluded under subsection 32 or 33.

32 (c) To the extent not already reduced under subparagraph  
33 division (b), the amount of such expenses shall be reduced to  
34 the extent excluded from gross income under section 529(c)(1)  
35 of the Internal Revenue Code, except that the amount of the

1 reduction shall not include that portion of the distribution  
2 which represents a return of any contributions to a qualified  
3 tuition program qualifying under section 529 of the Internal  
4 Revenue Code.

5 (d) The remaining amount of such expenses shall be reduced  
6 to the extent excluded from gross income under section  
7 530(d)(2) of the Internal Revenue Code.

8 Sec. 2. Section 422.9, subsection 2, Code 2015, is amended  
9 by adding the following new paragraph:

10 NEW PARAGRAPH. *j.* If the taxpayer has a deduction for  
11 educational expenses under section 162 of the Internal Revenue  
12 Code, the taxpayer shall recompute for purposes of this  
13 subsection the amount of the deduction under section 162 by  
14 excluding the amount subtracted under section 422.7, subsection  
15 57.

16 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies  
17 retroactively to January 1, 2015, 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 allows taxpayers to deduct from the computation  
23 of net income for purposes of the individual income tax  
24 the qualified tuition and related expenses of postsecondary  
25 education to the extent not otherwise deductible under federal  
26 or state law, and without amount or income limitations.

27 Federal law currently provides a deduction for qualified  
28 tuition and related expenses in computing adjusted gross  
29 income, but the deduction is subject to amount and income  
30 limitations. For tax year 2014, the federal deduction is  
31 limited to \$4,000 of expenses if income does not exceed \$65,000  
32 for a single taxpayer or \$130,000 for married taxpayers, and  
33 \$2,000 of expenses if income exceeds \$65,000 but does not  
34 exceed \$80,000 for a single taxpayer, or if income exceeds  
35 \$130,000 but does not exceed \$160,000 for married taxpayers.

1 The federal deduction is set to expire after the 2014 tax year.  
2 The bill defines "qualified tuition and related expenses"  
3 to mean the same as defined in Internal Revenue Code section  
4 25A(f), which includes tuition and fees required for enrollment  
5 or attendance at an eligible educational institution for  
6 courses of instruction at such institution. An eligible  
7 educational institution generally includes all accredited  
8 public, nonprofit, and for-profit postsecondary institutions  
9 that are eligible to participate in a federal financial aid  
10 program under title IV of the federal Higher Education Act  
11 of 1965. Expenses related to any course or other education  
12 involving sports, games, or hobbies are excluded unless  
13 it is part of the degree program, as are student activity  
14 fees, athletic fees, insurance expenses, or other expenses  
15 unrelated to the academic course of instruction. "Qualified  
16 tuition and related expenses" does not include amounts  
17 enumerated in Internal Revenue Code section 25A(g)(2), which  
18 includes expenses paid from tax-exempt scholarships or other  
19 payments, excluding gifts or inheritance, or from certain  
20 veterans' and armed forces educational assistance allowances.  
21 "Qualified tuition and related expenses" also does not include  
22 amounts excluded from the computation of Iowa net income as  
23 contributions to or earnings from an Iowa educational savings  
24 plan trust under Iowa Code chapter 12D, or from the computation  
25 of federal gross income as distributions of certain earnings  
26 from any qualified tuition program qualifying under Internal  
27 Revenue Code section 529, or as distributions from a Coverdell  
28 education savings account qualifying under Internal Revenue  
29 Code section 530.

30 Taxpayers may deduct qualified tuition and related expenses  
31 of the taxpayer or the taxpayer's spouse or dependent. A  
32 taxpayer who is eligible to be claimed as a dependent by  
33 another is ineligible for the deduction, but any expenses paid  
34 by the dependent may be claimed as a deduction by a taxpayer  
35 who is eligible to claim the dependent for federal income tax

1 purposes.

2 An Iowa tax credit currently does not exist for the qualified  
3 tuition and related expenses that are the subject of the bill,  
4 but should one be enacted the bill provides that the deduction  
5 provided in the bill will be unavailable to those taxpayers who  
6 claim a state tax credit for the same qualified tuition and  
7 related expenses.

8 Taxpayers who claim a deduction of educational expenses as  
9 an itemized deduction under Code section 422.9, subsection 2,  
10 are required to reduce that deduction by the amount deducted  
11 under the bill.

12 The bill applies retroactively to tax years beginning on or  
13 after January 1, 2015.