

House File 191 - Introduced

HOUSE FILE 191

BY WESSEL-KROESCHELL

A BILL FOR

1 An Act providing an individual income tax credit equal to a
2 percentage of the federal American opportunity tax credit
3 and including retroactive applicability provisions.

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

1 Section 1. NEW SECTION. 422.10A American opportunity tax
2 credit.

3 1. The taxes imposed under this division, less the credits
4 allowed under section 422.12, shall be reduced by an American
5 opportunity tax credit equal to twenty-five percent of the
6 federal American opportunity tax credit provided in section
7 25A(i) of the Internal Revenue Code. Any credit in excess of
8 the tax liability is refundable.

9 2. Married taxpayers electing to file separate returns or
10 filing separately on a combined return may avail themselves of
11 the American opportunity tax credit by allocating the American
12 opportunity tax credit to each spouse in the proportion that
13 each spouse's respective net income bears to the total combined
14 net income. Taxpayers affected by the allocation provisions
15 of section 422.8 shall be permitted a deduction for the credit
16 only in the amount fairly and equitably allocable to Iowa under
17 rules prescribed by the director.

18 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
19 retroactively to January 1, 2015, for tax years beginning on
20 or after that date.

21

EXPLANATION

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

24 This bill provides a state individual income tax credit
25 equal to 25 percent of the federal American opportunity tax
26 credit provided in section 25A(i) of the Internal Revenue
27 Code (IRC). In general, the federal American opportunity
28 tax credit, which is a modified version of the federal hope
29 scholarship tax credit described in IRC §25A(b), is an
30 education credit equal to a certain percentage of the tuition,
31 fees, and course materials of attending a postsecondary
32 educational institution for a taxpayer or the taxpayer's spouse
33 or dependent. The maximum credit is \$2,500 per student, per
34 tax year. The credit is available for the first four years
35 of postsecondary education and is gradually phased out for

1 taxpayers with incomes between \$80,000 and \$90,000 for a
2 single taxpayer and between \$160,000 and \$180,000 for married
3 taxpayers. The Iowa American opportunity tax credit will be
4 available through tax year 2017, which is when the federal
5 tax credit is set to expire. Any credit in excess of the tax
6 liability is refundable.

7 Although married taxpayers must file a joint return to
8 receive the federal tax credit, married taxpayers electing to
9 file separate returns or separately on a combined return may
10 claim the Iowa American opportunity tax credit by allocating
11 the credit according to each spouse's respective net income.

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