

House File 2546 - Introduced

HOUSE FILE 2546

BY PRICHARD, KONFRST,
WESSEL-KROESCHELL, B.
MEYER, OLDSON, STECKMAN, M.
SMITH, BEARINGER, KRESSIG,
BROWN-POWERS, WILLIAMS,
MATSON, DONAHUE, STAED,
KURTH, MCKEAN, JAMES,
KACENA, BRECKENRIDGE,
JACOBY, OLSON, SUNDE,
ISENHART, THEDE, GAINES,
HUNTER, COHOON, DERRY,
WILBURN, HALL, NIELSEN,
BENNETT, JUDGE, EHLERT,
WOLFE, FORBES, ANDERSON,
MASCHER, WINCKLER,
ABDUL-SAMAD, GASKILL,
R. SMITH, LENSING, and
McCONKEY

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:

1 Section 1. Section 422.12C, subsection 1, Code 2020, is
2 amended by striking the subsection and inserting in lieu
3 thereof the following:

4 1. The taxes imposed under this division, less the amounts
5 of nonrefundable credits allowed under this division, shall
6 be reduced by a child and dependent care credit equal to the
7 following percentages of the federal child and dependent care
8 credit provided in section 21 of the Internal Revenue Code,
9 without regard to whether or not the federal credit was limited
10 by the taxpayer's federal tax liability:

11 a. For a taxpayer with net income of less than forty-five
12 thousand dollars, one hundred percent.

13 b. For a taxpayer with net income of forty-five thousand
14 dollars or more but less than ninety thousand dollars, thirty
15 percent.

16 c. For a taxpayer with net income of ninety thousand dollars
17 or more but less than one hundred thousand dollars, twenty-five
18 percent.

19 d. For a taxpayer with net income of one hundred thousand
20 dollars or more but less than one hundred twenty-five thousand
21 dollars, twenty percent.

22 e. For a taxpayer with net income of one hundred twenty-five
23 thousand dollars or more but less than one hundred fifty
24 thousand dollars, fifteen percent.

25 f. For a taxpayer with net income of one hundred fifty
26 thousand dollars or more but less than one hundred seventy-five
27 thousand dollars, ten percent.

28 g. For a taxpayer with net income of one hundred
29 seventy-five thousand dollars or more but less than two hundred
30 fifty thousand dollars, five percent.

31 h. For a taxpayer with net income of two hundred fifty
32 thousand dollars or more, zero percent.

33 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
34 retroactively to January 1, 2020 for tax years beginning on or
35 after that date.

1

EXPLANATION

2

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

3

4 This bill increases the Iowa net income threshold levels for
5 purposes of calculating the Iowa child and dependent child care
6 tax credit available against the individual income tax. The
7 Iowa child and dependent care tax credit is a refundable credit
8 calculated as a percentage of the nonrefundable federal child
9 and dependent care tax credit, depending on the Iowa net income
10 of the taxpayer.

11 Currently, there are seven graduated Iowa net income
12 thresholds used to calculate the credit. The bill increases
13 these graduated thresholds from seven threshold levels to
14 eight threshold levels, and changes the percentage of the
15 nonrefundable federal child and dependent care tax credit
16 used to calculate the Iowa child and dependent child care tax
17 credit.

18 Currently, the credit percentages in these seven Iowa
19 net income thresholds range from a high of 75 percent of
20 the federal credit for taxpayers with net income of less
21 than \$10,000, to a low of 30 percent of the federal credit
22 for taxpayers with net income of \$40,000 or more but less
23 than \$45,000. Under the bill, the credit percentages in the
24 thresholds range from a high of 100 percent of the federal
25 credit for taxpayers with a net income of less than \$45,000 to
26 a low of 5 percent of the federal credit for taxpayers with net
27 income of \$175,000 or more but less than \$250,000.

28 The bill applies retroactively to January 1, 2020, for tax
29 years beginning on or after that date.