

Senate File 164 - Introduced

SENATE FILE 164

BY BROWN

A BILL FOR

1 An Act exempting from the individual income tax the wages
2 of individuals who are employed in high-demand jobs and
3 including effective date and retroactive applicability
4 provisions.

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

1 Section 1. Section 422.7, Code 2019, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 60. *a.* Subtract, to the extent included,
4 the amount of wages received by an individual domiciled in this
5 state from a high-demand job.

6 *b.* For purposes of this subsection:

7 (1) (a) "*High-demand job*" means the same as defined in
8 section 84A.1B, subsection 13A, as enacted by 2018 Iowa Acts,
9 chapter 1067, section 7.

10 (b) "*High-demand job*" also includes additional job
11 categories in a city or county identified by the city or county
12 where work opportunities are available and qualified applicants
13 are lacking. A city or county shall petition the community
14 college in the region in which the city or county is located to
15 designate such a job category a high-demand job. For purposes
16 of this subsection only, a community college may designate up
17 to ten job categories as high-demand jobs in the region of the
18 community college based upon a petition from a city or county
19 by July 31 of each year. If the community college does not
20 designate a job category as a high-demand job, the community
21 college shall inform the city or county of the reasons for not
22 making such a designation by July 31. For each tax year, a
23 community college shall annually verify to the department the
24 job categories designated high-demand jobs pursuant to this
25 subparagraph division by August 31.

26 (2) "*Small city*" means a city with a population of less than
27 fifteen thousand based upon the most recent federal decennial
28 census.

29 (3) "*Small county*" means one of the ten least populated
30 counties in this state based upon the most recent federal
31 decennial census.

32 *c.* (1) An individual may elect to take the exemption
33 during the first tax year the individual receives wages from
34 a high-demand job or in the second tax year of receiving such
35 wages.

1 (2) After the election in subparagraph (1), the individual
2 shall take the exemption if residing in a small city or small
3 county for a total of five consecutive tax years, or if the
4 individual is not residing in a small city or small county,
5 the individual shall take the exemption for a total of three
6 consecutive tax years.

7 (3) After taking the exemption in consecutive years as
8 provided in subparagraph (2), the individual is prohibited from
9 taking the exemption in future tax years.

10 d. (1) Add the amount to the extent previously exempted
11 pursuant to this subsection under any of the following
12 circumstances:

13 (a) The individual does not have wages from a high-demand
14 job and is unable to take the exemption in consecutive tax
15 years as required under paragraph "c", subparagraph (2).

16 (b) The individual becomes a nonresident of this state
17 within three or five years of first taking the exemption, as
18 applicable.

19 (2) This paragraph does not apply to an individual who
20 becomes disabled and is unable to work in a high-demand job.

21 e. (1) This subsection shall not apply to an individual
22 who has been a resident taxpayer during the tax year prior to
23 the first tax year of taking the exemption in this subsection,
24 unless all of the following apply:

25 (a) The individual graduated from a community college,
26 private college, private university, or regents institution in
27 this state after the effective date of this Act.

28 (b) The individual is receiving wages from a high-demand job
29 in this state.

30 (c) The individual is a resident taxpayer.

31 (2) An individual who becomes a resident of this state
32 in order to take a high-demand job and elects to take the
33 exemption during the second tax year as provided in paragraph
34 "c" shall be considered a resident taxpayer during the tax
35 year prior to the first tax year of taking the exemption for

1 purposes of this paragraph.

2 *f.* The employer during each tax year an individual takes an
3 exemption for a high-demand job shall provide verification to
4 the department that the individual is employed in such a job.

5 *g.* The department of revenue shall report to the general
6 assembly the types of job categories available for the
7 high-demand job program in this subsection, where the
8 high-demand jobs are located, and the number of individuals
9 who have elected to take the exemption under this subsection
10 beginning October 1, 2021, and every October 1 thereafter.

11 *h.* The director shall adopt rules pursuant to chapter 17A
12 to administer this subsection and develop forms for the proper
13 administration of this subsection.

14 Sec. 2. FIRST YEAR DESIGNATION AND VERIFICATION BY
15 COMMUNITY COLLEGES. For the first year after the effective
16 date of this Act, a community college shall be considered to be
17 in compliance with section 422.7, subsection 60, paragraph "b",
18 subparagraph (1), subparagraph division (b), if the community
19 college designates the high-demand job categories by September
20 1, 2019, and verifies such job categories to the department of
21 revenue by October 1, 2019.

22 Sec. 3. EFFECTIVE DATE. This Act, being deemed of immediate
23 importance, takes effect upon enactment.

24 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
25 retroactively to January 1, 2019, for tax years beginning on
26 or after that date.

27

EXPLANATION

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

30 This bill exempts from the individual income tax wages of
31 individuals who are employed in high-demand jobs.

32 Under the bill, "high-demand job" is defined in Code section
33 84A.1B(13A), which becomes effective July 1, 2019 (see 2018
34 Iowa Acts, chapter 1067, sections 7 and 15). The bill also
35 defines "high-demand job" to include a job category in a

1 city or county identified by the city or county where work
2 opportunities are available and qualified applicants are
3 lacking. The bill requires a city or county to petition the
4 community college in the region in which the city or county
5 is located to designate such a job category as a high-demand
6 job. For each tax year a community college may designate up to
7 10 job categories as "high-demand jobs" in the region of the
8 community college based upon a petition from a city or county.

9 An individual may elect to take the exemption during the
10 first tax year the individual receives wages from a high-demand
11 job designated in the bill or in the second tax year of
12 receiving such wages. After the election as to what tax year
13 to begin the exemption, the bill requires the individual to
14 take the exemption for a total of five consecutive tax years
15 if the person resides in a small city or small county, or three
16 consecutive tax years if the person does not reside in such a
17 city or county.

18 The bill defines "small city" to mean a city with a
19 population of less than 15,000 based upon the most recent
20 federal decennial census. The bill defines "small county" to
21 mean 1 of the 10 least populated counties in this state based
22 upon the most recent federal decennial census.

23 Generally, the bill provides that high-demand job wages are
24 to be included in income to the extent previously exempted
25 under any of the following circumstances: the individual
26 ceases to have wages from a high-demand job in any tax year
27 during the consecutive years the individual is required to work
28 in a high-demand job; or the individual becomes a nonresident
29 of this state within three or five years of first taking the
30 exemption, as applicable.

31 However, if an individual becomes disabled after taking
32 the exemption and does not work in a high-demand job for the
33 consecutive years as required by the bill, the individual is
34 not required to include high-demand job wages as income to the
35 extent previously exempted.

1 The bill does not apply to an individual who has been a
2 resident taxpayer during the tax year prior to the first tax
3 year of taking the exemption, unless all of the following
4 apply: the individual graduated from a community college,
5 private college, private university, or regents institution in
6 this state after the effective date of the bill; the individual
7 is receiving wages from a high-demand job in this state; and
8 the individual is a resident taxpayer.

9 The bill requires the employer during each tax year an
10 individual takes an exemption for a high-demand job to provide
11 verification to the department of revenue that the individual
12 is employed in such a job.

13 The bill requires the department of revenue to report to the
14 general assembly the types of job categories available for the
15 high-demand job program in the bill, where the high-demand jobs
16 are located, and the number of individuals who have elected to
17 take the exemption under the bill beginning October 1, 2021.

18 The bill requires the department of revenue to adopt rules to
19 administer the provisions of the bill.

20 The bill takes effect upon enactment and applies
21 retroactively to January 1, 2019, for tax years beginning on
22 or after that date.