

Senate File 214 - Introduced

SENATE FILE 214

BY SCHNEIDER

A BILL FOR

1 An Act relating to the establishment of a new deduction for
2 any income of an employee resulting from the payment by an
3 employer on the employee's qualified education loan and
4 including effective date and retroactive applicability
5 provisions.

6 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. 19. *a.* Subtract, to the extent included,
4 income resulting from the payment by an employer of the
5 taxpayer, whether paid to the taxpayer or to a lender, of
6 principal or interest on any qualified education loan incurred
7 by the taxpayer, if such qualified education loan was incurred
8 by the taxpayer.

9 *b.* If the taxpayer has a deduction in computing federal
10 taxable income under section 221 of the Internal Revenue Code
11 for interest on a qualified education loan, the taxpayer shall
12 recompute for purposes of this subsection the amount of the
13 deduction under paragraph "*a*" by not subtracting any amount of
14 income resulting from the employer's payment of interest on a
15 qualified education loan that was also deducted by the taxpayer
16 under section 221 of the Internal Revenue Code.

17 *c.* For purposes of this subsection, "*qualified education*
18 *loan*" means the same as defined in section 221 of the Internal
19 Revenue Code.

20 Sec. 2. 2018 Iowa Acts, chapter 1161, section 112, is
21 amended by striking the section and inserting in lieu thereof
22 the following:

23 SEC. 112. Section 422.7, Code 2018, is amended by adding the
24 following new subsection:

25 NEW SUBSECTION. 18. Add, to the extent deducted for federal
26 tax purposes, charitable contributions under section 170 of
27 the Internal Revenue Code to the extent such contribution was
28 made to an organization for the purpose of deposit in the Iowa
29 education savings plan trust established in [chapter 12D](#), and
30 the taxpayer designated that any part of the contribution be
31 used for the direct benefit of any dependent of the taxpayer or
32 any other single beneficiary designated by the taxpayer.

33 Sec. 3. EFFECTIVE DATE. The following, being deemed of
34 immediate importance, takes effect upon enactment:

35 The section of this Act enacting section 422.7, subsection

1 19.

2 Sec. 4. RETROACTIVE APPLICABILITY. The following applies
3 retroactively to January 1, 2019, for tax years beginning on or
4 after that date for payments made by an employer of principal
5 or interest on a qualified education loan:

6 The section of this Act enacting section 422.7, subsection
7 19.

8

EXPLANATION

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

11 This bill changes the effective date for a new deduction
12 for any income of an employee resulting from the payment by
13 an employer, whether paid to the employee or a lender, of
14 principal or interest on the employee's qualified education
15 loan. Currently, the new deduction is set to begin in tax year
16 2023 or in a later tax year, contingent upon the satisfaction
17 of certain net general fund revenue amount and growth targets.

18 The bill moves up the effective date for this new deduction
19 to tax years beginning on or after January 1, 2019. In order
20 to move up the effective date for the new deduction, the bill
21 strikes 2018 Iowa Acts, chapter 1161, section 112. However,
22 there is an unrelated provision to the new deduction in 2018
23 Iowa Acts, chapter 1161, section 112, thus the bill reinserts
24 the unrelated provision in order to preserve this provision.

25 Federal income tax law does provide a limited deduction for
26 a taxpayer's payment of interest on qualified education loans,
27 and the bill disallows the new Iowa deduction for any amount
28 of income that represents an interest payment that was also
29 deducted by the employee in computing federal taxable income.

30 The bill defines "qualified education loan" to mean the same
31 as defined in section 221 of the Internal Revenue Code.