

**Senate File 2242 - Introduced**

SENATE FILE 2242

BY MILLER-MEEKS

**A BILL FOR**

1 An Act creating the taxpayers trust fund and the Iowa taxpayers  
2 trust fund tax credit, and making contingent transfers from  
3 the Iowa economic emergency fund.

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

1 Section 1. Section 8.55, subsection 2, paragraph a, Code  
2 2020, is amended to read as follows:

3 a. The first sixty million dollars of the difference  
4 between the actual net revenue for the general fund of the  
5 state for the fiscal year and the adjusted revenue estimate for  
6 the fiscal year shall be transferred to the ~~taxpayer relief~~  
7 taxpayers trust fund created in ~~section 8.57E~~ 8.57G.

8 Sec. 2. NEW SECTION. 8.57G Taxpayers trust fund.

9 1. A taxpayers trust fund is created. The fund shall be  
10 separate from the general fund of the state and the balance in  
11 the fund shall not be considered part of the balance of the  
12 general fund of the state. The moneys credited to the fund  
13 are not subject to section 8.33 and shall not be transferred,  
14 used, obligated, appropriated, or otherwise encumbered except  
15 as provided in this section.

16 2. Moneys in the taxpayers trust fund shall only be used  
17 pursuant to appropriations or transfers made by the general  
18 assembly for tax relief. During each fiscal year beginning on  
19 or after July 1, 2022, in which the balance of the taxpayers  
20 trust fund equals or exceeds thirty million dollars, there is  
21 transferred from the taxpayers trust fund to the Iowa taxpayers  
22 trust fund tax credit fund created in section 422.10C, the  
23 entire balance of the taxpayers trust fund to be used for the  
24 Iowa taxpayers trust fund tax credit in accordance with section  
25 422.10C, subsection 5.

26 3. a. Moneys in the taxpayers trust fund may be used for  
27 cash flow purposes during a fiscal year provided that any  
28 moneys so allocated are returned to the fund by the end of that  
29 fiscal year.

30 b. Except as provided in section 8.58, the taxpayers trust  
31 fund shall be considered a special account for the purposes of  
32 section 8.53 in determining the cash position of the general  
33 fund of the state for the payment of state obligations.

34 4. Notwithstanding section 12C.7, subsection 2, interest or  
35 earnings on moneys deposited in the taxpayers trust fund shall

1 be credited to the fund.

2 Sec. 3. Section 8.58, Code 2020, is amended to read as  
3 follows:

4 **8.58 Exemption from automatic application.**

5 1. To the extent that moneys appropriated under section  
6 8.57 do not result in moneys being credited to the general fund  
7 under [section 8.55, subsection 2](#), moneys appropriated under  
8 section 8.57 and moneys contained in the cash reserve fund,  
9 rebuild Iowa infrastructure fund, environment first fund, Iowa  
10 economic emergency fund, ~~taxpayer relief fund~~ taxpayers trust  
11 fund, and state bond repayment fund shall not be considered  
12 in the application of any formula, index, or other statutory  
13 triggering mechanism which would affect appropriations,  
14 payments, or taxation rates, contrary provisions of the Code  
15 notwithstanding.

16 2. To the extent that moneys appropriated under section  
17 8.57 do not result in moneys being credited to the general fund  
18 under [section 8.55, subsection 2](#), moneys appropriated under  
19 section 8.57 and moneys contained in the cash reserve fund,  
20 rebuild Iowa infrastructure fund, environment first fund, Iowa  
21 economic emergency fund, ~~taxpayer relief fund~~ taxpayers trust  
22 fund, and state bond repayment fund shall not be considered by  
23 an arbitrator or in negotiations under [chapter 20](#).

24 Sec. 4. Section 257.21, subsection 2, Code 2020, is amended  
25 to read as follows:

26 2. The instructional support income surtax shall be imposed  
27 on the state individual income tax for the calendar year during  
28 which the school's budget year begins, or for a taxpayer's  
29 fiscal year ending during the second half of that calendar year  
30 and after the date the board adopts a resolution to participate  
31 in the program or the first half of the succeeding calendar  
32 year, and shall be imposed on all individuals residing in the  
33 school district on the last day of the applicable tax year.  
34 As used in [this section](#), "state individual income tax" means  
35 the taxes computed under [section 422.5](#), less the amounts of

1 nonrefundable credits allowed under chapter 422, division II,  
2 except for the Iowa taxpayers trust fund tax credit allowed  
3 under section 422.10C.

4 Sec. 5. NEW SECTION. 422.10C Iowa taxpayers trust fund tax  
5 credit.

6 1. For purposes of this section, unless the context  
7 otherwise requires:

8 a. *"Eligible individual"* means, with respect to a tax year,  
9 an individual who makes and files an individual income tax  
10 return pursuant to section 422.13. *"Eligible individual"* does  
11 not include an estate or trust, or an individual for whom an  
12 individual income tax return was not timely filed, including  
13 extensions.

14 b. *"Unclaimed tax credit"* means, with respect to a tax  
15 year, the aggregate amount by which the Iowa taxpayers trust  
16 fund tax credits that were eligible to be claimed by eligible  
17 individuals, if any, exceeds the Iowa taxpayers trust fund tax  
18 credits actually claimed by eligible individuals, if any.

19 2. The taxes imposed under this division, less the credits  
20 allowed under this division except the credits for withheld  
21 tax and estimated tax paid in section 422.16, shall be reduced  
22 by an Iowa taxpayers trust fund tax credit to an eligible  
23 individual for the tax year beginning January 1 immediately  
24 preceding July 1 of any fiscal year during which a transfer, if  
25 any, is made from the taxpayers trust fund in section 8.57G to  
26 the Iowa taxpayers trust fund tax credit fund created in this  
27 section.

28 3. The credit shall be equal to the quotient of the amount  
29 transferred to the Iowa taxpayers trust fund tax credit fund in  
30 the applicable fiscal year, divided by the number of eligible  
31 individuals for the tax year immediately preceding the tax year  
32 for which the credit in this section is allowed, as determined  
33 by the director of revenue in accordance with this section,  
34 rounded down to the nearest whole dollar. The department of  
35 revenue shall draft the income tax form for any tax year in

1 which a credit will be allowed under this section to provide  
2 the information and space necessary for eligible individuals to  
3 claim the credit.

4 4. Any credit in excess of the taxpayer's liability for the  
5 tax year is not refundable and shall not be credited to the tax  
6 liability for any following year or carried back to a tax year  
7 prior to the tax year in which the taxpayer claims the credit.

8 5. *a.* There is established within the state treasury under  
9 the control of the department an Iowa taxpayers trust fund  
10 tax credit fund consisting of any moneys transferred by the  
11 general assembly by law from the taxpayers trust fund created  
12 in section 8.57G for purposes of the credit provided in this  
13 section. For the fiscal year beginning July 1, 2022, and for  
14 each fiscal year thereafter, the department shall transfer  
15 from the Iowa taxpayers trust fund tax credit fund to the  
16 general fund of the state, the lesser of the balance of the  
17 Iowa taxpayers trust fund tax credit fund or an amount of money  
18 equal to the Iowa taxpayers trust fund tax credits claimed in  
19 that fiscal year, if any. Any moneys in the Iowa taxpayers  
20 trust fund tax credit fund which represent unclaimed tax  
21 credits shall immediately revert to the taxpayers trust fund  
22 created in section 8.57G. Interest or earnings on moneys in  
23 the Iowa taxpayers trust fund tax credit fund shall be credited  
24 to the taxpayers trust fund created in section 8.57G.

25 *b.* The moneys transferred to the general fund of the state  
26 in accordance with this subsection shall not be considered new  
27 revenues for purposes of the state general fund expenditure  
28 limitation under section 8.54 but instead as replacement of  
29 a like amount included in the expenditure limitation for the  
30 fiscal year in which the transfer is made.

31 Sec. 6. Section 422D.2, Code 2020, is amended to read as  
32 follows:

33 **422D.2 Local income surtax.**

34 A county may impose by ordinance a local income surtax as  
35 provided in [section 422D.1](#) at the rate set by the board of

1 supervisors, of up to one percent, on the state individual  
2 income tax of each individual residing in the county at the  
3 end of the individual's applicable tax year. However, the  
4 cumulative total of the percents of income surtax imposed on  
5 any taxpayer in the county shall not exceed twenty percent.  
6 The reason for imposing the surtax and the amount needed  
7 shall be set out in the ordinance. The surtax rate shall be  
8 set to raise only the amount needed. For purposes of this  
9 section, "state individual income tax" means the tax computed  
10 under [section 422.5](#), less the amounts of nonrefundable credits  
11 allowed under [chapter 422, division II](#), except for the Iowa  
12 taxpayers trust fund tax credit allowed under section 422.10C.

13     Sec. 7. TAXPAYERS TRUST FUND — TAXPAYER RELIEF FUND  
14 TRANSFER. During the fiscal year beginning July 1, 2020,  
15 there is transferred from the taxpayer relief fund created in  
16 section 8.57E to the taxpayers trust fund created in section  
17 8.57G, an amount equal to the sum of the remaining balance of  
18 the taxpayer relief fund as determined after the close of the  
19 fiscal year beginning July 1, 2019, and ending June 30, 2020.

20     Sec. 8. REPEAL. Section 8.57E, Code 2020, is repealed.

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 creates the taxpayers trust fund and Iowa  
25 taxpayers trust fund tax credit, and makes contingent transfers  
26 from the Iowa economic emergency fund.

27     The taxpayers trust fund is established in the bill as  
28 separate from the general fund of the state to be used for  
29 appropriations for tax relief. If the Iowa economic emergency  
30 fund reaches the maximum balance of 2.5 percent of the adjusted  
31 revenue estimate for the fiscal year, a portion of the excess  
32 may be transferred to the trust fund. The transfer amount is  
33 limited to the first \$60 million of the difference between  
34 the actual net general fund revenue and the adjusted revenue  
35 estimate for the fiscal year that was used to establish the

1 state general fund expenditure limitation.  
2 The bill creates a taxpayers trust fund tax credit and  
3 provides for the transfer of moneys from the taxpayers trust  
4 fund for purposes of the credit. The taxpayers trust fund  
5 tax credit is available to an "eligible individual", which is  
6 defined as an individual who timely files an Iowa individual  
7 income tax return, including extensions, but not including  
8 an estate or trust. The credit is allowed for any tax year  
9 beginning January 1 immediately preceding July 1 of any fiscal  
10 year in which a transfer is made from the taxpayers trust  
11 fund for purposes of the credit. The credit will be equal  
12 to the amount transferred divided by the number of eligible  
13 individuals for the previous tax year, rounded down to the  
14 nearest whole dollar. The credit may be claimed against any  
15 individual income tax liability remaining after subtracting  
16 all refundable and nonrefundable credits except the credits  
17 for withheld tax and estimated tax paid. The tax credit is  
18 nonrefundable and may not be carried forward or back to a  
19 different tax year. In order to administer the credit, the  
20 bill creates an Iowa taxpayers trust fund tax credit fund  
21 within the state treasury under the control of the department  
22 of revenue. Transfers from the taxpayers trust fund for  
23 purposes of the credit are placed into this fund and used  
24 to reimburse the general fund of the state for the amount  
25 of credits claimed. Any moneys in the fund which represent  
26 unclaimed tax credits immediately revert back to the taxpayers  
27 trust fund. An "unclaimed tax credit" means the amount by  
28 which the credits that were eligible to be claimed by eligible  
29 individuals exceeds the credits actually claimed by eligible  
30 individuals. The bill provides for a transfer from the  
31 taxpayers trust fund during fiscal year 2022-2023 for purposes  
32 of the tax credit. The amount transferred shall be the ending  
33 balance of the taxpayers trust fund at the close of the fiscal  
34 year ending June 30, 2022, plus the amount transferred for that  
35 fiscal year into the taxpayers trust fund during fiscal year

1 2022-2023. This transfer will result in a taxpayers trust  
2 fund tax credit being allowed for the 2022 tax year. The bill  
3 requires that for fiscal year 2022-2023, and for each fiscal  
4 year thereafter, if the balance of the taxpayers trust fund  
5 equals or exceeds \$30 million, the entire balance of the fund  
6 is transferred to the taxpayers trust fund tax credit fund  
7 created in the bill to be used to provide the taxpayers trust  
8 fund tax credit to eligible individuals. The bill excludes the  
9 taxpayers trust fund tax credit from the definition of "state  
10 individual income tax" for purposes of computing the emergency  
11 medical services income surtax, the instructional support  
12 income surtax, the educational improvement income surtax, and  
13 the physical plant and equipment income surtax.

14 The bill transfers the balance of the taxpayer relief fund  
15 in Code section 8.57E to the taxpayer trust fund at the end of  
16 the fiscal year ending June 30, 2020, and repeals the taxpayer  
17 relief fund.