

Senate File 365 - Introduced

SENATE FILE 365

BY JOCHUM

A BILL FOR

1 An Act relating to the child and dependent care credit and the
2 early childhood development credit available against the
3 individual income tax, and including effective date and
4 retroactive applicability provisions.

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

1 Section 1. Section 422.12C, subsection 1, Code 2019, is
2 amended to read as follows:

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

10 a. For a taxpayer with net income of less than ~~ten~~ twelve
11 thousand seven hundred fifty dollars, seventy-five percent.

12 b. For a taxpayer with net income of ~~ten~~ twelve thousand
13 seven hundred fifty dollars or more but less than ~~twenty~~
14 twenty-five thousand four hundred ninety dollars, sixty-five
15 percent.

16 c. For a taxpayer with net income of ~~twenty~~ twenty-five
17 thousand four hundred ninety dollars or more but less than
18 ~~twenty-five~~ thirty-one thousand eight hundred sixty dollars,
19 fifty-five percent.

20 d. For a taxpayer with net income of ~~twenty-five~~ thirty-one
21 thousand eight hundred sixty dollars or more but less than
22 ~~thirty-five~~ forty-four thousand six hundred ten dollars, fifty
23 percent.

24 e. For a taxpayer with net income of ~~thirty-five~~ forty-four
25 thousand six hundred ten dollars or more but less than ~~forty~~
26 fifty thousand nine hundred eighty dollars, forty percent.

27 f. For a taxpayer with net income of ~~forty~~ fifty thousand
28 nine hundred eighty dollars or more but less than ~~forty-five~~
29 fifty-seven thousand three hundred sixty dollars, thirty
30 percent.

31 g. For a taxpayer with net income of ~~forty-five~~ fifty-seven
32 thousand three hundred sixty dollars or more, zero percent.

33 Sec. 2. Section 422.12C, subsection 2, paragraph a, Code
34 2019, is amended to read as follows:

35 a. The taxes imposed under this division, less the amounts

1 of nonrefundable credits allowed under this division, may be
2 reduced by an early childhood development tax credit equal to
3 twenty-five percent of the first one thousand dollars which
4 the taxpayer has paid to others for each dependent, as defined
5 in the Internal Revenue Code, ages three through five for
6 early childhood development expenses. In determining the
7 amount of early childhood development expenses for the tax year
8 beginning in the 2006 calendar year only, such expenses paid
9 during November and December of the previous tax year shall
10 be considered paid in the tax year for which the tax credit
11 is claimed. This credit is available to a taxpayer whose net
12 income is less than ~~forty-five~~ fifty-seven thousand three
13 hundred sixty dollars. If the early childhood development
14 tax credit is claimed for a tax year, the taxpayer and the
15 taxpayer's spouse shall not claim the child and dependent care
16 credit under subsection 1.

17 Sec. 3. Section 422.12C, Code 2019, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 5. Upon determination of the latest
20 cumulative inflation factor, the director shall multiply
21 each net income level set forth in subsection 1 or 2 by this
22 cumulative inflation factor, shall round off the resulting
23 product to the nearest one dollar, and shall incorporate the
24 result into the net income levels in subsection 1 or 2 for each
25 tax year beginning on or after January 1, 2019.

26 Sec. 4. EFFECTIVE DATE. This Act, being deemed of immediate
27 importance, takes effect upon enactment.

28 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
29 retroactively to tax years beginning on or after January 1,
30 2019.

31 EXPLANATION

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

34 This bill increases the Iowa net income threshold levels
35 for purposes of calculating the Iowa child and dependent

1 child care tax credit and the early childhood development tax
2 credit available against the individual income tax. The Iowa
3 child and dependent care tax credit is a refundable credit
4 calculated as a percentage of the nonrefundable federal child
5 and dependent care tax credit, depending on the Iowa net income
6 of the taxpayer. The early childhood development tax credit
7 is a refundable credit equaling 25 percent of the first \$1,000
8 which the taxpayer has paid to others for each dependent ages
9 three through five for early childhood development expenses.

10 IOWA CHILD AND DEPENDENT CHILD CARE TAX CREDIT. Currently,
11 there are seven graduated Iowa net income thresholds used to
12 calculate the credit. The bill increases these graduated
13 thresholds, but does not change the percentage of the
14 nonrefundable federal child and dependent care tax credit
15 used to calculate the Iowa child and dependent child care tax
16 credit.

17 Currently, the credit percentages in these seven Iowa
18 net income thresholds range from a high of 75 percent of
19 the federal credit for taxpayers with net income of less
20 than \$10,000, to a low of 30 percent of the federal credit
21 for taxpayers with net income of \$40,000 or more but less
22 than \$45,000. Under the bill, the credit percentages in the
23 thresholds range from a high of 75 percent of the federal
24 credit for taxpayers with a net income of less than \$12,750,
25 to a low of 30 percent of the federal credit for taxpayers with
26 net income of \$50,980 or more but less than \$57,360.

27 The bill also adjusts the future amount of each of the Iowa
28 net income amounts in the seven graduated Iowa net income
29 thresholds by indexing the thresholds to inflation.

30 EARLY CHILDHOOD DEVELOPMENT TAX CREDIT. The bill increases
31 the income threshold determining the eligibility of a taxpayer
32 for the early childhood development tax credit. The bill
33 increases the eligibility threshold from a taxpayer earning
34 \$45,000 per year to \$57,360 per year. By increasing the
35 eligibility threshold, taxpayers earning less than \$57,360 are

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1 now eligible to take the early childhood development tax credit
2 equaling 25 percent of the first \$1,000 which the taxpayer has
3 paid to others for early childhood development expenses for
4 each dependent ages three through five. The bill also adjusts
5 the future amount of the net income threshold by indexing the
6 threshold to inflation.

7 EFFECTIVE DATE AND APPLICABILITY. The bill takes effect
8 upon enactment and applies retroactively to tax years beginning
9 on or after January 1, 2019.