

**House File 1 - Introduced**

HOUSE FILE 1

BY BOSSMAN

**A BILL FOR**

1 An Act relating to the child and dependent care and early  
2 childhood development tax credits, and including  
3 applicability provisions.

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

1 Section 1. Section 422.12C, subsection 1, paragraphs f and  
2 g, Code 2021, are amended to read as follows:

3 f. For a taxpayer with net income of forty thousand dollars  
4 or more but less than ~~forty-five~~ ninety thousand dollars,  
5 thirty percent.

6 g. For a taxpayer with net income of ~~forty-five~~ ninety  
7 thousand dollars or more, zero percent.

8 Sec. 2. Section 422.12C, subsection 2, paragraph a, Code  
9 2021, is amended to read as follows:

10 a. The taxes imposed under [this subchapter](#), less the amounts  
11 of nonrefundable credits allowed under [this subchapter](#), may  
12 be reduced by an early childhood development tax credit equal  
13 to twenty-five percent of the first one thousand dollars  
14 which the taxpayer has paid to others for each dependent, as  
15 defined in the Internal Revenue Code, ages three through five  
16 for early childhood development expenses. In determining the  
17 amount of early childhood development expenses for the tax year  
18 beginning in the 2006 calendar year only, such expenses paid  
19 during November and December of the previous tax year shall  
20 be considered paid in the tax year for which the tax credit  
21 is claimed. This credit is available to a taxpayer whose net  
22 income is less than ~~forty-five~~ ninety thousand dollars. If the  
23 early childhood development tax credit is claimed for a tax  
24 year, the taxpayer and the taxpayer's spouse shall not claim  
25 the child and dependent care credit under [subsection 1](#).

26 Sec. 3. APPLICABILITY. This Act applies to tax years  
27 beginning on or after January 1, 2021.

28 EXPLANATION

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

31 This bill increases the maximum Iowa net income threshold  
32 level for purposes of calculating the Iowa child and dependent  
33 care credit and the early childhood development tax credit  
34 available against the individual income tax.

35 CHILD AND DEPENDENT CARE CREDIT. Currently, an individual

1 may claim 30 percent of the federal child and dependent care  
2 credit provided in section 21 of the Internal Revenue Code  
3 against the individual income tax if the individual's net  
4 income is less than \$45,000. Under the bill, an individual may  
5 claim 30 percent of the federal child and dependent care credit  
6 provided in section 21 of the Internal Revenue Code against the  
7 individual income tax if the individual's net income is less  
8 than \$90,000.

9 EARLY CHILDHOOD DEVELOPMENT TAX CREDIT. The bill increases  
10 the income threshold determining the eligibility of a taxpayer  
11 for the early childhood development tax credit. The bill  
12 increases the eligibility threshold from a taxpayer whose net  
13 income is less than \$45,000 per year to less than \$90,000 per  
14 year. By increasing the eligibility threshold, taxpayers whose  
15 net income is less than \$90,000 are now eligible to take the  
16 early childhood development tax credit equaling 25 percent of  
17 the first \$1,000 which the taxpayer has paid to others for  
18 early childhood development expenses for each dependent ages  
19 three through five.

20 APPLICABILITY. The bill applies to tax years beginning on or  
21 after January 1, 2021.