

House File 230 - Introduced

HOUSE FILE 230

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 1)

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.