

House File 617 - Introduced

HOUSE FILE 617

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A BILL FOR

1 An Act providing small businesses with income, franchise,
2 moneys and credits, and gross premiums tax credits for
3 providing child care benefits to employees of the small
4 business, making appropriations, and including retroactive
5 applicability date provisions.

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

DIVISION I

SMALL BUSINESS CHILD CARE TAX CREDIT

1
2
3 Section 1. NEW SECTION. 237A.31 **Small business child care**
4 **tax credit.**

5 1. As used in this section "*small business*" means any
6 enterprise which is located in this state, which is operated
7 for profit and under a single management, and which has either
8 fewer than twenty employees or an annual gross income of less
9 than four million dollars computed as the average of the three
10 preceding fiscal years. This definition does not apply to any
11 program or activity for which a definition for small business
12 is provided for the program or activity by federal law or
13 regulation or other state law.

14 2. The taxes imposed against the income tax imposed under
15 chapter 422, subchapter II or III, the franchise tax imposed
16 under chapter 422, subchapter V, the gross premiums tax imposed
17 under chapter 432, or the moneys and credits tax imposed in
18 section 533.329 shall be reduced by a small business child
19 care tax credit for a small business that provides child care
20 employee benefits to employees of the business as provided in
21 this section. The amount of the credit equals the costs to
22 provide the benefit up to three thousand dollars per employee
23 per year.

24 3. The aggregate amount of tax credits authorized pursuant
25 to this section shall not exceed a total of two million
26 dollars per fiscal year, and shall be awarded on a first-come,
27 first-served basis.

28 4. To be eligible for a small business child care tax
29 credit, the small business must provide child care employee
30 benefits to employees of the business through any of the
31 following:

32 a. Building a new structure or rehabilitating an existing
33 structure to be used as a child care center at or near the small
34 business where the children of the employees of the business
35 are provided child care. A small business may construct or

1 rehabilitate the structure in conjunction with another business
2 but only the actual cost of the business shall be considered in
3 determining the credit.

4 *b.* Operating or leasing a child care center at or near
5 the small business where the children of the employees of the
6 business are provided child care.

7 5. Any credit in excess of the tax liability is not
8 refundable but the excess for the tax year may be credited
9 to the tax liability for the following five years or until
10 depleted, whichever is earlier.

11 6. The director of revenue shall adopt rules to implement
12 this section.

13 **Sec. 2. NEW SECTION. 422.120 Small business child care tax**
14 **credit.**

15 1. The taxes imposed under this subchapter, less the credits
16 allowed under section 422.12, shall be reduced by a small
17 business child care tax credit allowed pursuant to section
18 237A.31.

19 2. An individual may claim the tax credit allowed a
20 partnership, S corporation, limited liability company, estate,
21 or trust electing to have the income taxed directly to the
22 individual. The amount claimed by the individual shall be
23 based upon the pro rata share of the individual's earnings of a
24 partnership, S corporation, limited liability company, estate,
25 or trust.

26 **Sec. 3.** Section 422.33, Code 2021, is amended by adding the
27 following new subsection:

28 **NEW SUBSECTION.** 31. The taxes imposed under this subchapter
29 shall be reduced by a small business child care tax credit
30 allowed pursuant to section 237A.31.

31 **Sec. 4.** Section 422.60, Code 2021, is amended by adding the
32 following new subsection:

33 **NEW SUBSECTION.** 14. The taxes imposed under this subchapter
34 shall be reduced by a small business child care tax credit
35 allowed pursuant to section 237A.31.

1 Sec. 5. NEW SECTION. 432.12N Small business child care tax
2 credit.

3 The taxes imposed under this chapter shall be reduced by
4 a small business child care tax credit allowed pursuant to
5 section 237A.31.

6 Sec. 6. Section 533.329, subsection 2, Code 2021, is amended
7 by adding the following new paragraph:

8 NEW PARAGRAPH. 1. The moneys and credits tax imposed under
9 this section shall be reduced by a small business child care
10 tax credit allowed pursuant to section 237A.31.

11 Sec. 7. RETROACTIVE APPLICABILITY. This Act applies
12 retroactively to January 1, 2021, for tax years beginning on
13 or after that date.

14 DIVISION II

15 APPROPRIATION

16 Sec. 8. TAXPAYER RELIEF FUND — APPROPRIATION. There is
17 appropriated from the taxpayer relief fund created in section
18 8.57E to the general fund of the state for the fiscal year
19 beginning July 1, 2021, and ending June 30, 2022, the following
20 amounts, or so much thereof as is necessary, to be used for the
21 purposes designated:

22 For the small business child care tax credit pursuant to
23 section 237A.31:

24 \$ 2,000,000

25 EXPLANATION

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

28 This bill provides small businesses with income, franchise,
29 moneys and credits, and gross premiums tax credits for
30 providing child care benefits to employees of the small
31 business.

32 DIVISION I — SMALL BUSINESS CHILD CARE TAX CREDIT. The
33 bill defines "small business" to mean any enterprise which is
34 located in this state, which is operated for profit and under a
35 single management, and which has either fewer than 20 employees

1 or an annual gross income of less than \$4 million computed as
2 the average of the three preceding fiscal years.

3 The child care employee benefits include the following:
4 building or rehabilitating an existing structure at or near
5 the small business as a child care center for employee use,
6 or operating or leasing a child care center for children of
7 employees to attend at or near the small business.

8 The amount of the credit equals the costs to provide the
9 benefit up to \$3,000 per employee per year. The aggregate
10 amount of tax credits authorized pursuant to the bill shall
11 not exceed a total of \$2 million per fiscal year, and shall be
12 awarded on a first-come, first-served basis. The credit is
13 nonrefundable but any excess may be carried forward for up to
14 five tax years.

15 The division applies retroactively to tax years beginning on
16 or after January 1, 2021.

17 DIVISION II — APPROPRIATIONS. The bill makes an
18 appropriation from the taxpayer relief fund to the general fund
19 of the state for fiscal year 2022 in the same amount as the
20 amount of small business child care tax credits allowed in the
21 bill for that fiscal year.