

House File 668 - Introduced

HOUSE FILE 668

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OLDSON, BROWN-POWERS,
THEDE, DONAHUE,
RUNNING-MARQUARDT, FORBES,
BENNETT, WOLFE, and
STECKMAN

A BILL FOR

1 An Act relating to the Iowa child and dependent care credit
2 by increasing the Iowa net income threshold levels for
3 purposes of calculating the Iowa child and dependent care
4 credit available against the individual income tax, making
5 appropriations, and including retroactive applicability
6 provisions.

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

DIVISION I

CHILD AND DEPENDENT CARE CREDIT

1
2
3 Section 1. Section 422.12C, subsection 1, Code 2021, is
4 amended by striking the subsection and inserting in lieu
5 thereof the following:

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

13 a. For a taxpayer with net income of less than forty-five
14 thousand dollars, one hundred percent.

15 b. For a taxpayer with net income of forty-five thousand
16 dollars or more but less than ninety thousand dollars, thirty
17 percent.

18 c. For a taxpayer with net income of ninety thousand dollars
19 or more but less than one hundred thousand dollars, twenty-five
20 percent.

21 d. For a taxpayer with net income of one hundred thousand
22 dollars or more but less than one hundred twenty-five thousand
23 dollars, twenty percent.

24 e. For a taxpayer with net income of one hundred twenty-five
25 thousand dollars or more but less than one hundred fifty
26 thousand dollars, fifteen percent.

27 f. For a taxpayer with net income of one hundred fifty
28 thousand dollars or more but less than one hundred seventy-five
29 thousand dollars, ten percent.

30 g. For a taxpayer with net income of one hundred
31 seventy-five thousand dollars or more but less than two hundred
32 fifty thousand dollars, five percent.

33 h. For a taxpayer with net income of two hundred fifty
34 thousand dollars or more, zero percent.

35 Sec. 2. RETROACTIVE APPLICABILITY. This division of this

1 Act applies retroactively to January 1, 2021, for tax years
2 beginning on or after that date.

3 DIVISION II

4 APPROPRIATION

5 Sec. 3. TAXPAYER RELIEF FUND — APPROPRIATION. There is
6 appropriated from the taxpayer relief fund created in section
7 8.57E to the general fund of the state for the fiscal year
8 beginning July 1, 2021, and ending June 30, 2022, the following
9 amount, or so much thereof as is necessary, to be used for the
10 purposes designated:

11 For the child and dependent care credit pursuant to section
12 422.12C:

13 \$ 15,000,000

14 EXPLANATION

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

17 This bill increases the Iowa net income threshold levels
18 for purposes of calculating the Iowa child and dependent care
19 credit available against the individual income tax, and makes
20 an appropriation.

21 DIVISION I — CHILD AND DEPENDENT CARE CREDIT. The Iowa
22 child and dependent care tax credit is a refundable credit
23 calculated as a percentage of the nonrefundable federal child
24 and dependent care tax credit, depending on the Iowa net income
25 of the taxpayer.

26 Currently, there are seven graduated Iowa net income
27 thresholds used to calculate the credit. The bill increases
28 these graduated thresholds from seven threshold levels to
29 eight threshold levels, and changes the percentage of the
30 nonrefundable federal child and dependent care tax credit
31 used to calculate the Iowa child and dependent child care tax
32 credit.

33 Currently, the credit percentages in these seven Iowa
34 net income thresholds range from a high of 75 percent of
35 the federal credit for taxpayers with net income of less

1 than \$10,000, to a low of 30 percent of the federal credit
2 for taxpayers with net income of \$40,000 or more but less
3 than \$45,000. Under the bill, the credit percentages in the
4 thresholds range from a high of 100 percent of the federal
5 credit for taxpayers with a net income of less than \$45,000 to
6 a low of 5 percent of the federal credit for taxpayers with net
7 income of \$175,000 or more but less than \$250,000.

8 The division applies retroactively to January 1, 2021, for
9 tax years beginning on or after that date.

10 DIVISION II. The bill makes an appropriation from the
11 taxpayer relief fund to the general fund of the state for
12 fiscal year 2022 to account for the increase in the amount of
13 child and dependent care credits allowed in tax year 2021 due
14 to the bill.