

# House Study Bill 191 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON HEIN)

## A BILL FOR

1 An Act relating to the establishment of a new deduction for  
2 any income of an employee resulting from the payment by an  
3 employer on the employee's qualified education loan and  
4 including applicability provisions.

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

1 Section 1. Section 422.7, Code 2021, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 19. *a.* Subtract, to the extent included,  
4 income resulting from the payment by an employer of the  
5 taxpayer, whether paid to the taxpayer or to a lender, of  
6 principal or interest on any qualified education loan incurred  
7 by the taxpayer.

8 *b.* If the taxpayer has a deduction in computing federal  
9 taxable income under section 221 of the Internal Revenue Code  
10 for interest on a qualified education loan, the taxpayer shall  
11 recompute for purposes of this subsection the amount of the  
12 deduction under paragraph "*a*" by not subtracting any amount of  
13 income resulting from the employer's payment of interest on a  
14 qualified education loan that was also deducted by the taxpayer  
15 under section 221 of the Internal Revenue Code.

16 *c.* For purposes of this subsection, "*qualified education*  
17 *loan*" means the same as defined in section 221 of the Internal  
18 Revenue Code.

19 Sec. 2. 2018 Iowa Acts, chapter 1161, section 112, is  
20 amended by striking the section and inserting in lieu thereof  
21 the following:

22 SEC. 112. Section 422.7, Code 2018, is amended by adding the  
23 following new subsection:

24 NEW SUBSECTION. 18. Add, to the extent deducted for federal  
25 tax purposes, charitable contributions under section 170 of  
26 the Internal Revenue Code to the extent such contribution was  
27 made to an organization for the purpose of deposit in the Iowa  
28 education savings plan trust established in [chapter 12D](#), and  
29 the taxpayer designated that any part of the contribution be  
30 used for the direct benefit of any dependent of the taxpayer or  
31 any other single beneficiary designated by the taxpayer.

32 Sec. 3. APPLICABILITY. The following applies to tax years  
33 beginning on or after January 1, 2022:

34 The section of this Act amending section 422.7.

35

EXPLANATION

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

3           This bill changes the effective date for a new deduction  
4 for any income of an employee resulting from the payment by  
5 an employer, whether paid to the employee or a lender, of  
6 principal or interest on the employee's qualified education  
7 loan. Currently, the new deduction is set to begin in tax year  
8 2023 or in a later tax year, contingent upon the satisfaction  
9 of certain net general fund revenue amount and growth targets.

10          The bill moves up the effective date for this new deduction  
11 to tax years beginning on or after January 1, 2022. To move  
12 up the effective date for the new deduction, the bill strikes  
13 2018 Iowa Acts, chapter 1161, section 112. However, there is  
14 an unrelated provision to the new deduction in 2018 Iowa Acts,  
15 chapter 1161, section 112, and the bill reinserts the unrelated  
16 provision to preserve this provision.

17          Federal income tax law does provide a limited deduction for  
18 a taxpayer's payment of interest on qualified education loans,  
19 and the bill disallows the new Iowa deduction for any amount  
20 of income that represents an interest payment that was also  
21 deducted by the employee in computing federal taxable income.

22          The bill defines "qualified education loan" to mean the same  
23 as defined in section 221 of the Internal Revenue Code.

24          The new deduction applies to tax years beginning on or after  
25 January 1, 2022.