

Senate File 432 - Introduced

SENATE FILE 432

BY ZAUN

A BILL FOR

1 An Act providing a deduction from the individual income tax for
2 the amount of interest paid on a qualified education loan
3 and including retroactive applicability provisions.

4 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. 63. Subtract, to the extent not already
4 excluded, the amount of interest paid by the taxpayer during
5 the tax year on a qualified education loan, as defined in
6 section 221 of the Internal Revenue Code.

7 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
8 retroactively to January 1, 2021, for tax years beginning on
9 or after that date.

10 EXPLANATION

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

13 This bill relates to the deduction of student loan interest
14 for purposes of the individual income tax.

15 Under current law for federal income tax purposes and Iowa
16 income tax purposes, an individual is allowed to deduct up to
17 \$2,500 of interest paid on a qualified education loan (section
18 221 of the Internal Revenue Code). However, this deduction is
19 gradually phased out for individuals with income in excess of
20 \$70,000 (\$140,000 for a married couple filing a joint return),
21 and is completely phased out for individuals with income of
22 \$85,000 or more (\$170,000 for a married couple filing a joint
23 return). These income phase-out levels are adjusted for
24 inflation each year according to federal law.

25 The bill allows an individual to deduct, for Iowa income tax
26 purposes, the total amount of interest paid during the tax year
27 on a qualified education loan.

28 The bill applies retroactively to tax years beginning on or
29 after January 1, 2021.