

**Senate File 490 - Introduced**

SENATE FILE 490  
BY COMMITTEE ON LABOR AND  
BUSINESS RELATIONS

(SUCCESSOR TO SSB 1033)

**A BILL FOR**

1 An Act creating a new resident tax credit available against  
2 the individual income tax, and including applicability  
3 provisions.

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

1 Section 1. NEW SECTION. 422.120 New resident tax credit.

2 1. For purposes of this section, "new resident" means an  
3 individual who establishes residency in this state on or after  
4 January 1, 2022, is employed by an employer located in this  
5 state, and who has not been a resident of this state at any  
6 time during the previous two tax years prior to establishing  
7 residency in this state.

8 2. a. The taxes imposed under this subchapter less the  
9 credits allowed under section 422.12 shall be reduced by a new  
10 resident tax credit equal to a percent of the taxes imposed  
11 under this subchapter less the amounts of credits allowed under  
12 this subchapter, as determined as follows:

13 (1) For the first year, twenty percent.

14 (2) For the second year, forty percent.

15 (3) For the third year, sixty percent.

16 (4) For the fourth year, eighty percent.

17 (5) For the fifth year, one hundred percent.

18 b. A new resident may begin to claim the credit in the first  
19 year of residency or begin to claim the credit in the following  
20 year after residency has been established.

21 c. Except for the first year of residency, a new resident  
22 must be a resident of this state for the entire tax year for  
23 each tax year that the new resident claims the credit. If the  
24 new resident does not maintain residency in this state during  
25 such time, the new resident is disqualified from claiming the  
26 credit in that tax year and all future years.

27 d. An individual may establish residency in this state  
28 for purposes of the credit only one time in the individual's  
29 lifetime.

30 3. Married taxpayers electing to file separate returns or  
31 filing separately on a combined return may avail themselves  
32 of the new resident tax credit by allocating the new resident  
33 tax credit to each spouse in the proportion that each spouse's  
34 respective earned income bears to the total combined earned  
35 income.

1 4. The department shall adopt rules pursuant to chapter 17A  
2 to administer this section.

3 Sec. 2. APPLICABILITY. This Act applies to tax years  
4 beginning on or after January 1, 2022.

5 EXPLANATION

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

8 This bill creates a new resident tax credit available  
9 against the individual income tax.

10 The bill defines "new resident" to mean an individual who  
11 establishes residency in this state on or after January 1,  
12 2022, is employed by an employer in this state, and who has not  
13 been a resident of this state at any time during the previous  
14 two tax years prior to establishing residency.

15 The credit authorized in the bill is available to a new  
16 resident for the five consecutive tax years following the  
17 establishment of residency in this state. A new resident may  
18 begin to claim the credit in the first year of residency or  
19 begin to claim the credit in the following year after residency  
20 has been established.

21 Except for the first year of residency, the bill requires a  
22 new resident to remain a resident of this state for each year  
23 the credit is claimed. If the new resident does not maintain  
24 residency, the new resident is disqualified from claiming  
25 the tax credit in that tax year and future tax years. An  
26 individual may establish residency in this state for purposes  
27 of the credit only one time in the individual's lifetime.  
28 The amount of the credit is equal to a percent of the income  
29 tax imposed, determined as follows: for the first year, 20  
30 percent; for the second year, 40 percent; for the third year,  
31 60 percent; for the fourth year, 80 percent; and for the fifth  
32 year, 100 percent.

33 The bill requires the department of revenue to adopt rules  
34 to administer the bill.

35 The bill applies to tax years beginning on or after January

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1 1, 2022.