

House File 2504 - Introduced

HOUSE FILE 2504

BY LOHSE

A BILL FOR

1 An Act providing a deduction from the individual and corporate
2 income taxes for the amount of certain income derived
3 from indigent representation by an attorney, and including
4 retroactive applicability provisions.

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

1 Section 1. Section 422.7, Code 2024, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 44. *a.* A taxpayer who is a partner,
4 member, or shareholder of a law firm may subtract, to the
5 extent included, the aggregated amount calculated in paragraph
6 "c" for the tax year.

7 *b.* As used in this subsection, "*law firm*" means a law firm
8 in this state consisting of two or more attorneys that has not
9 entered into a contract authorized pursuant to section 13B.4,
10 subsection 3, when an attorney from the law firm who has been
11 licensed to practice law in this state or any other state for
12 less than five years is appointed by the court to represent a
13 person in a case pursuant to section 814.11 or 815.10 on or
14 after July 1, 2024.

15 *c.* An amount equal to the difference between the total
16 hours billed by the attorney in the case multiplied by one
17 hundred fifty dollars or the total hours billed in the case
18 multiplied by the actual hourly rate charged by the law firm
19 for that attorney for such a case, whichever is less, and the
20 total hours billed in the case multiplied by the hourly rate in
21 effect for the case in section 815.7.

22 *d.* A taxpayer who is a partner of a partnership or a
23 shareholder of a subchapter S corporation, or a member of a
24 limited liability company, may deduct the portion of the amount
25 calculated pursuant to paragraph "c" based on the taxpayer's
26 pro rata share of the profits or losses from the partnership,
27 subchapter S corporation, or limited liability company.

28 Sec. 2. Section 422.35, Code 2024, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 14. *a.* A taxpayer who is a partner,
31 member, or shareholder of a law firm may subtract, to the
32 extent included, the aggregated amount calculated in paragraph
33 "c" for the tax year.

34 *b.* As used in this subsection, "*law firm*" means a law firm
35 in this state consisting of two or more attorneys that has not

1 entered into a contract authorized pursuant to section 13B.4,
2 subsection 3, when an attorney from the law firm who has been
3 licensed to practice law in this state or any other state for
4 less than five years is appointed by the court to represent a
5 person in a case pursuant to section 814.11 or 815.10 on or
6 after July 1, 2024.

7 c. An amount equal to the difference between the total
8 hours billed by the attorney in the case multiplied by one
9 hundred fifty dollars or the total hours billed in the case
10 multiplied by the actual hourly rate charged by the law firm
11 for that attorney for such a case, whichever is less, and the
12 total hours billed in the case multiplied by the hourly rate in
13 effect for the case in section 815.7.

14 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
15 retroactively to January 1, 2024, for tax years beginning on
16 or after that date.

17 EXPLANATION

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

20 This bill provides a deduction from the individual income or
21 corporate income tax for the amount of certain income derived
22 from indigent representation by an attorney.

23 The bill defines "law firm" to mean a law firm in this state
24 consisting of two or more attorneys that has not entered into a
25 contract authorized pursuant to Code section 13B.4(3) when an
26 attorney from the law firm who has been licensed to practice
27 law in this state or any other state for less than five years
28 is appointed by the court to represent an indigent person on
29 or after July 1, 2024.

30 The amount of the deduction for each case, which may be
31 deducted by a partner, member, or shareholder of the law firm,
32 shall be equal to the difference between the total hours billed
33 in the case multiplied by \$150, or the total hours billed in
34 the case multiplied by the actual hourly rate charged by the
35 law firm for such a case, whichever is less, and the total

1 hours billed in the case multiplied by the hourly rate in
2 effect for the case in Code section 815.7. The current hourly
3 rate is \$83 per hour for a class "A" felony, \$78 per hour for a
4 class "B" felony, and \$73 per hour for all other cases.

5 A taxpayer who is a partner of a partnership, a shareholder
6 of a subchapter S corporation, or a member of a limited
7 liability corporation may deduct the portion of the amount of
8 the deduction calculated under the bill based on the taxpayer's
9 pro rata share of the profits or losses from the partnership or
10 subchapter S corporation.

11 The bill applies retroactively to tax years beginning on or
12 after January 1, 2024.