

House File 2679 - Introduced

HOUSE FILE 2679

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2504)

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 eligible law firm, and
4 including 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.* As used in this subsection:

4 (1) "*Eligible attorney*" means an attorney who is appointed
5 to an eligible case and who, at the time of such appointment,
6 has been licensed to practice law for fewer than five years.

7 (2) "*Eligible case*" means an appointment on or after July 1,
8 2024, by an Iowa court of an eligible attorney to represent a
9 person in a case pursuant to section 814.11 or 815.10.

10 (3) "*Eligible law firm*" means a law firm in this state that
11 has two or more attorneys that practice law in the law firm for
12 at least half of each tax year during which the law firm is
13 engaged in an eligible case.

14 *b.* (1) An eligible law firm may subtract, to the extent
15 included, the aggregated amount equal to the difference between
16 the total hours billed by the eligible attorney in the eligible
17 case multiplied by one hundred fifty dollars or the actual
18 hourly rate charged by the eligible law firm for that eligible
19 attorney for such a case, whichever is less, and the total
20 hours billed by the eligible attorney in the eligible case
21 multiplied by the hourly rate in effect for the eligible case
22 in section 815.7.

23 (2) The amount of the deduction allowed pursuant to this
24 subsection for an individual taxpayer of an eligible law
25 firm shall be calculated using the same percentage as the
26 taxpayer's pro rata percentage share of the profits or losses
27 from the partnership, limited liability company, or subchapter
28 S corporation.

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

31 NEW SUBSECTION. 14. *a.* As used in this subsection:

32 (1) "*Eligible attorney*" means an attorney who is appointed
33 to an eligible case and who, at the time of such appointment,
34 has been licensed to practice law for fewer than five years.

35 (2) "*Eligible case*" means an appointment on or after July 1,

1 2024, by an Iowa court of an eligible attorney to represent a
2 person in a case pursuant to section 814.11 or 815.10.

3 (3) "Eligible law firm" means a law firm in this state that
4 has two or more attorneys that practice law in the law firm for
5 at least half of each tax year during which the law firm is
6 engaged in an eligible case.

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

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

19 EXPLANATION

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

22 This bill provides a deduction from the individual income or
23 corporate income tax for the amount of certain income derived
24 from indigent representation by an eligible law firm.

25 The bill defines "eligible law firm" to mean a law firm in
26 this state that has two or more attorneys that practice law in
27 the law firm for at least half of each tax year during which the
28 law firm is engaged in an eligible case.

29 The bill defines "eligible case" to mean an appointment on or
30 after July 1, 2024, by an Iowa court of an eligible attorney to
31 represent a person in a case pursuant to Code section 814.11
32 (indigent's right to counsel) or 815.10 (appointment of counsel
33 by court).

34 The bill defines "eligible attorney" to mean an attorney who
35 is appointed to an eligible case and who, at the time of such

1 appointment, has been licensed to practice law for fewer than
2 five years.

3 The amount of the deduction shall equal the aggregated
4 amount equal to the difference between the total hours billed
5 by the eligible attorney in the eligible case multiplied by
6 \$150 or the actual hourly rate charged by the eligible law firm
7 for that eligible attorney for such a case, whichever is less,
8 and the total hours billed by the eligible attorney in the
9 eligible case multiplied by the hourly rate in effect for the
10 eligible case in Code section 815.7.

11 The current hourly rate is \$83 per hour for a class "A"
12 felony, \$78 per hour for a class "B" felony, and \$73 per hour
13 for all other cases.

14 For individual income tax purposes, a taxpayer who is a
15 partner of a partnership, a shareholder of a subchapter S
16 corporation, or a member of a limited liability corporation may
17 deduct the portion of the amount of the deduction calculated
18 under the bill based on the taxpayer's pro rata share of
19 the profits or losses from the partnership or subchapter S
20 corporation.

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