

House File 695 - Introduced

HOUSE FILE 695

BY KONFRST, FORBES,
BAGNIEWSKI, CAHILL,
CROKEN, WILSON, COOLING,
BAETH, TUREK, LEVIN,
STAED, SCHEETZ, KURTH,
AMOS JR., NIELSEN,
BUCK, WESSEL-KROESCHELL,
STECKMAN, MATSON, WILBURN,
JAMES, GAINES, MADISON,
JACOBY, KRESSIG, EHLERT,
BROWN-POWERS, B. MEYER,
SRINIVAS, OLSON, and
SCHOLTEN

A BILL FOR

1 An Act relating to economic development including child
2 care, grants and tax credits relating to child care, and
3 state child care assistance, and including applicability
4 provisions.

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

DIVISION I

CHILD AND DEPENDENT CARE TAX CREDIT

1
2
3 Section 1. Section 422.12C, subsection 1, Code 2023, is
4 amended by striking the subsection and inserting in lieu
5 thereof the following:

6 1. The taxes imposed under this subchapter, less the amounts
7 of nonrefundable credits allowed under this subchapter, shall
8 be reduced by a child and dependent care credit equal to the
9 following percentages of the federal child and dependent care
10 credit provided in section 21 of the Internal Revenue Code,
11 without regard to whether or not the federal credit was limited
12 by the taxpayer's federal tax liability:

13 a. For a taxpayer with net income of forty-five thousand
14 dollars or less, one hundred percent.

15 b. For a taxpayer with net income exceeding forty-five
16 thousand dollars but not exceeding fifty thousand dollars,
17 eighty-eight percent.

18 c. For a taxpayer with net income exceeding fifty thousand
19 dollars but not exceeding sixty thousand dollars, seventy-five
20 percent.

21 d. For a taxpayer with net income exceeding sixty thousand
22 dollars but not exceeding seventy thousand dollars, sixty-three
23 percent.

24 e. For a taxpayer with net income exceeding seventy thousand
25 dollars but not exceeding eighty thousand dollars, fifty
26 percent.

27 f. For a taxpayer with net income exceeding eighty thousand
28 dollars but not exceeding ninety thousand dollars, thirty-eight
29 percent.

30 g. For a taxpayer with net income exceeding ninety thousand
31 dollars but not exceeding one hundred thousand dollars,
32 twenty-five percent.

33 h. For a taxpayer with net income exceeding one hundred
34 thousand dollars but not exceeding one hundred twenty-five
35 thousand dollars, thirteen percent.

1 Sec. 3. NEW SECTION. 237D.2 Child care center and child
2 development home grant fund.

3 1. A child care center and child development home grant fund
4 is created and established as a separate and distinct fund in
5 the state treasury under the control of the department.

6 2. a. The fund may consist of any moneys appropriated by
7 the general assembly for purposes of this chapter and any other
8 moneys that are lawfully available to the department. Moneys
9 in the fund are appropriated to the department and shall be
10 used for the purposes of this chapter.

11 b. Notwithstanding section 8.33, moneys in the fund
12 that remain unencumbered or unobligated at the close of the
13 fiscal year shall not revert but shall remain available for
14 expenditure for the purposes of this section in succeeding
15 fiscal years. Notwithstanding section 12C.7, subsection 2,
16 interest earned on moneys in the fund shall be credited to the
17 fund.

18 Sec. 4. NEW SECTION. 237D.3 Child care center and child
19 development home grant program.

20 1. The department shall adopt rules to establish and
21 administer a child care center and child development home
22 grant program to provide for the allocation of money in the
23 fund in the form of grants, not to exceed fifty thousand
24 dollars per grant, to eligible persons for costs related to
25 the establishment of a new licensed child care center or
26 a new child development home, or for the expansion of an
27 existing licensed child care center or the expansion of an
28 existing child development home. For any one fiscal year, the
29 department shall not approve more than four million dollars
30 in grants. The rules adopted by the department shall specify
31 the eligibility requirements for applicants of the program and
32 the items eligible for a program grant. Items eligible for a
33 program grant must include the costs related to licensing or
34 registration, supplies, employee salaries, and infrastructure.

35 2. A new center or a new home must be licensed or registered

1 and fully operational within two years of the date of an
2 applicant's receipt of a grant.

3 3. Of the children for whom a new or expanded center or a
4 new or expanded home provide child care, a minimum of twenty
5 percent of the children must be from a family that qualifies
6 for state child care assistance pursuant to section 237A.13.

7 4. A person that is awarded a grant shall enter into an
8 agreement with the department that specifies the requirements
9 that must be maintained throughout the period of the agreement
10 in order for the person to retain the grant. The agreement
11 must contain, at a minimum, provisions addressing all of the
12 following:

13 a. The legal name of the person receiving the grant.

14 b. The amount of the grant.

15 c. Annual certification by the person to the department of
16 compliance with the requirements of the agreement, the program,
17 and this chapter.

18 d. The repayment of the grant, or a portion of the grant,
19 if the person does not meet all of the requirements of the
20 agreement, the program, and this chapter.

21 e. If a new center or a new home for which the grant was
22 received goes out of business within two years of the date the
23 new center or new home becomes fully operational pursuant to
24 subsection 2, the grant shall be subject to repayment. If an
25 expanded center or an expanded home for which the grant was
26 received goes out of business within two years of the date on
27 which the grant was received, the grant shall be subject to
28 repayment.

29 DIVISION III

30 SMALL BUSINESS CHILD CARE TAX CREDIT

31 Sec. 5. NEW SECTION. 237A.32 Small business child care tax
32 credit.

33 1. As used in this section "small business" means any
34 enterprise which is located in this state, which is operated
35 for profit and under a single management, and which has either

1 fewer than twenty employees or an annual gross income of less
2 than four million dollars computed as the average of the three
3 preceding fiscal years. This definition does not apply to any
4 program or activity for which a definition for small business
5 is provided for the program or activity by federal law or
6 regulation or other state law.

7 2. A small business may receive a child care tax credit
8 for providing child care employee benefits to employees of the
9 business. The credit may be applied against income tax imposed
10 under chapter 422, subchapter II or III, the franchise tax
11 imposed under chapter 422, subchapter V, the gross premiums
12 tax imposed under chapter 432, or the moneys and credits tax
13 imposed in section 533.329. The amount of the credit equals
14 the costs to provide the benefit up to three thousand dollars
15 per employee per year.

16 3. The aggregate amount of tax credits authorized pursuant
17 to this section shall not exceed a total of two million
18 dollars per fiscal year, and shall be awarded on a first-come,
19 first-served basis.

20 4. To be eligible for a small business child care tax
21 credit, the small business must provide child care employee
22 benefits to employees of the business through any of the
23 following:

24 a. Build a new structure or rehabilitate an existing
25 structure to be used as a child care center at or near the small
26 business where the children of the employees of the business
27 are provided child care. A small business may construct or
28 rehabilitate the structure in conjunction with another business
29 but only the actual cost of the business shall be considered in
30 determining the credit.

31 b. Operate or lease a child care center at or near the small
32 business where the children of the employees of the business
33 are provided child care.

34 5. A taxpayer who elects to claim the small business child
35 care tax credit shall not claim the employer child care tax

1 credit under section 237A.31

2 6. Any credit in excess of the tax liability is not
3 refundable but the excess for the tax year may be credited
4 to the tax liability for the following five years or until
5 depleted, whichever is earlier. The director of revenue shall
6 adopt rules to implement this section.

7 Sec. 6. NEW SECTION. **422.12P Small business child care tax**
8 **credit.**

9 1. The taxes imposed under this subchapter, less the credits
10 allowed under section 422.12, shall be reduced by a small
11 business child care tax credit received pursuant to section
12 237A.32.

13 2. An individual may claim the tax credit allowed a
14 partnership, S corporation, limited liability company, estate,
15 or trust electing to have the income taxed directly to the
16 individual. The amount claimed by the individual shall be
17 based upon the pro rata share of the individual's earnings of a
18 partnership, S corporation, limited liability company, estate,
19 or trust.

20 Sec. 7. Section 422.33, Code 2023, is amended by adding the
21 following new subsection:

22 NEW SUBSECTION. 33. The taxes imposed under this subchapter
23 shall be reduced by a small business child care tax credit
24 received pursuant to section 237A.32.

25 Sec. 8. Section 422.60, Code 2022, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 16. The taxes imposed under this subchapter
28 shall be reduced by a small business child care tax credit
29 received pursuant to section 237A.32.

30 Sec. 9. NEW SECTION. **432.12P Small business child care tax**
31 **credit.**

32 The taxes imposed under this chapter shall be reduced by
33 a small business child care tax credit received pursuant to
34 section 237A.32.

35 Sec. 10. Section 533.329, subsection 2, Code 2022, is

1 amended by adding the following new paragraph:

2 NEW PARAGRAPH. *n.* The moneys and credits tax imposed under
3 this section shall be reduced by a small business child care
4 tax credit received pursuant to section 237A.32.

5 Sec. 11. APPLICABILITY. This division of this Act applies
6 to tax years beginning on or after January 1, 2023.

7 DIVISION IV

8 STATE CHILD CARE ASSISTANCE

9 Sec. 12. Section 237A.13, subsection 8, paragraph c, Code
10 2023, is amended to read as follows:

11 *c.* Families with an income of more than one hundred
12 percent but not more than ~~one~~ two hundred ~~forty-five~~ percent
13 of the federal poverty level whose members, for at least
14 twenty-eight hours per week in the aggregate, are employed
15 or are participating at a satisfactory level in an approved
16 training program or educational program.

17 Sec. 13. DIRECTIVE TO DEPARTMENT OF HEALTH AND HUMAN
18 SERVICES — CHILD CARE ASSISTANCE.

19 1. The department of health and human services shall amend
20 its administrative rules pursuant to chapter 17A to do all of
21 the following:

22 a. Provide income eligibility for state child care
23 assistance, according to family size for children needing basic
24 care, to families whose nonexempt gross monthly income does not
25 exceed two hundred percent of the federal poverty level.

26 b. Adjust the state child care assistance copayment
27 schedule in incrementally increased amounts for families whose
28 nonexempt gross monthly income does not exceed two hundred
29 percent of the federal poverty level.

30 2. The rules adopted pursuant to this section shall take
31 effect January 1, 2024.

32 EXPLANATION

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

35 This bill relates to economic development including child

1 care, grants and tax credits relating to child care, and state
2 child care assistance.

3 DIVISION I — CHILD AND DEPENDENT CARE TAX CREDIT. The
4 bill adjusts the percentage of the federal child and dependent
5 care tax credit by which a taxpayer may reduce the taxpayer's
6 individual state income taxes. A taxpayer with net income of
7 \$45,000 or less receives 100 percent of the credit; a taxpayer
8 with net income exceeding \$45,000 but not exceeding \$50,000
9 receives 88 percent of the credit; a taxpayer with net income
10 exceeding \$50,000 but not exceeding \$60,000 receives 75 percent
11 of the credit; a taxpayer with net income exceeding \$60,000
12 but not exceeding \$70,000 receives 63 percent of the credit; a
13 taxpayer with net income exceeding \$70,000 but not exceeding
14 \$80,000 receives 50 percent of the credit; a taxpayer with net
15 income exceeding \$80,000 but not exceeding \$90,000 receives 38
16 percent of the credit; a taxpayer with net income exceeding
17 \$90,000 but not exceeding \$100,000 receives 25 percent of the
18 credit; a taxpayer with net income exceeding \$100,000 but
19 not exceeding \$125,000 receives 13 percent of the credit; a
20 taxpayer with net income exceeding \$125,000 but not exceeding
21 \$150,000 receives 10 percent of the credit; a taxpayer with net
22 income exceeding \$150,000 but not exceeding \$175,000 receives
23 5 percent of the credit; a taxpayer with net income exceeding
24 \$175,000 but not exceeding \$200,000 receives 3 percent of the
25 credit; a taxpayer with net income exceeding \$200,000 but not
26 exceeding \$250,000 receives 2 percent of the credit; and a
27 taxpayer with net income exceeding \$250,000 receives 0 percent
28 of the credit.

29 DIVISION II — CHILD CARE CENTER AND CHILD DEVELOPMENT HOME
30 GRANTS — FUND. The bill creates a new Code chapter relating
31 to child care center and child care development home grants.

32 The bill creates definitions for "child", "child care",
33 "child development home", "department", "facility", "fund",
34 "home", "licensed child care center", and "program".

35 The bill creates a child care center and child development

1 home grant fund (fund) in the state treasury under the control
2 of the department of health and human services (HHS). The fund
3 may consist of any moneys appropriated by the general assembly
4 for purposes of the fund and any other moneys that are lawfully
5 available to HHS. Moneys in the fund do not revert to the
6 general fund of the state, and interest earned on the fund is
7 credited to the fund.

8 The bill requires HHS to adopt rules to establish and
9 administer a child care center and child development home
10 program (program) to provide for the allocation of moneys
11 in the fund in the form of grants, not to exceed \$50,000
12 per grant, to eligible persons for costs related to the
13 establishment of a new licensed child care center or a new
14 child development home, or for the expansion of an existing
15 child care center or child development home. For any one
16 fiscal year, HHS may not approve more than \$4 million in
17 grants. Rules adopted by HHS must specify the eligibility
18 requirements for applicants of the program grant and the items
19 eligible for a program grant. Items eligible for a program
20 grant must include costs related to licensing or registration,
21 supplies, employee salaries, and infrastructure.

22 The bill requires a program grant recipient to build and
23 make a new child care center or child development home fully
24 operational within two years of receiving a program grant.

25 The bill requires that a new or expanded facility that
26 receives a program grant must have a minimum of 20 percent of
27 its children from families that qualify for state child care
28 assistance.

29 The bill requires a person who receives a program grant
30 to enter into an agreement with HHS that specifies the
31 requirements that must be maintained throughout the period of
32 the agreement in order for the person to retain the grant, as
33 detailed in the bill.

34 DIVISION III — SMALL BUSINESS CHILD CARE TAX CREDIT. The
35 bill creates a small business child care tax credit.

1 The bill defines "small business" as any enterprise located
2 in this state, which is operated for profit under a single
3 management and which has either fewer than 20 employees or an
4 annual gross income of less than \$4 million computed as the
5 average of the three preceding fiscal years.

6 The bill allows a small business to receive a tax credit
7 for providing child care employee benefits to employees of the
8 business. The amount of the credit equals the costs to provide
9 the benefit up to \$3,000 per employee per year. The aggregate
10 amount of tax credits cannot exceed a total of \$2 million per
11 fiscal year and are awarded on a first-come, first-served
12 basis. The bill requires a small business to provide child
13 care employee benefits to employees through certain methods
14 in order to be eligible for the small business child care tax
15 credit.

16 The small business child care tax credit applies toward
17 reducing personal net income taxes, the taxes on corporations,
18 the taxes on financial institutions, and the taxes on insurance
19 companies. The tax reduction applies to tax years beginning on
20 or after January 1, 2023.

21 DIVISION IV — STATE CHILD CARE ASSISTANCE. The state
22 offers child care assistance (CCA) to persons who meet certain
23 eligibility requirements. CCA is only open to a certain number
24 of participants at one time. If CCA is currently unavailable
25 to new participants, families applying for CCA will be placed
26 on a waiting list. The priority of families on the waiting
27 list are, in descending order of prioritization, families with
28 an income at or below 100 percent of the federal poverty level
29 (FPL) whose members, for at least 28 hours per week in the
30 aggregate, are employed or are participating at a satisfactory
31 level in an approved training program or educational program,
32 and parents with a family income at or below 100 percent of
33 the FPL who are under 21 years of age and are participating
34 in an educational program leading to a high school diploma
35 or the equivalent; parents with a family income at or below

1 100 percent of the FPL who are under 21 years of age and are
2 participating, at a satisfactory level, in an approved training
3 program or in an educational program; families with an income
4 of more than 100 percent but not more than 145 percent of
5 the FPL whose members, for at least 28 hours per week in the
6 aggregate, are employed or are participating at a satisfactory
7 level in an approved training program or educational program;
8 and families with an income at or below 200 percent of the
9 FPL whose members are employed at least 28 hours per week
10 with a special needs child as a member of the family. The
11 bill changes the maximum income to be eligible for the third
12 category of prioritization for purposes of the waiting list
13 from 145 percent to 200 percent.

14 The bill directs HHS to amend its administrative rules
15 to provide income eligibility for state CCA, according to
16 family size for children needing basic care, to families whose
17 nonexempt gross monthly income does not exceed 200 percent
18 of the FPL and to adjust the state CCA copayment schedule in
19 incrementally increased amounts for families whose nonexempt
20 gross monthly income does not exceed 200 percent of the FPL.
21 The bill makes such adopted rules effective January 1, 2024.