

Senate File 572 - Introduced

SENATE FILE 572

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1208)

A BILL FOR

1 An Act relating to certain education programs and tax credits
2 and including effective date, applicability, and retroactive
3 applicability provisions.

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

DIVISION I

TUITION AND TEXTBOOK TAX CREDIT

1
2
3 Section 1. Section 422.12, subsection 2, paragraph b, Code
4 2023, is amended to read as follows:

5 b. A tuition credit equal to twenty-five percent of the
6 first two thousand dollars which the taxpayer has paid to
7 others for each dependent in grades kindergarten through
8 twelve, for tuition and textbooks of each dependent who
9 is receiving private instruction or who is attending an
10 elementary or secondary school situated in Iowa, which school
11 is accredited or approved under [section 256.11](#), which is not
12 operated for profit, and which adheres to the provisions of
13 the federal Civil Rights Act of 1964 and [chapter 216](#). Amounts
14 paid from an account in the education savings account fund
15 under section 257.11B, as enacted by 2023 Iowa Acts, House File
16 68, section 7, shall not be eligible for the credit under this
17 paragraph. Notwithstanding any other provision, all other
18 credits allowed under [this subsection](#) shall be deducted before
19 the tuition credit under this paragraph. The department, when
20 conducting an audit of a taxpayer's return, shall also audit
21 the tuition tax credit portion of the tax return.

22 Sec. 2. EFFECTIVE DATE. This division of this Act, being
23 deemed of immediate importance, takes effect upon enactment.

24 Sec. 3. RETROACTIVE APPLICABILITY. This division of this
25 Act applies retroactively to tax years beginning on or after
26 January 1, 2023.

27 DIVISION II

28 SCHOOL TUITION ORGANIZATION GRANTS

29 Sec. 4. Section 422.11S, subsection 6, paragraph c,
30 subparagraph (1), Code 2023, is amended to read as follows:

31 (1) Allocates at least ninety percent of its annual revenue
32 within three calendar years from January 1 of the calendar year
33 during which the revenues were received in tuition grants for
34 children to allow them to attend a qualified school of their
35 parents' choice.

1 Sec. 5. Section 422.11S, subsection 6, paragraph c, Code
2 2023, is amended by adding the following new subparagraph:
3 NEW SUBPARAGRAPH. (05) For eligible students participating
4 in the education savings account program under section 257.11B,
5 as enacted by 2023 Iowa Acts, House File 68, section 7, only
6 provides tuition grants in amounts not to exceed the tuition
7 amount for which the parent or guardian is responsible for
8 payment following application of amounts paid using moneys from
9 the student's account in the education savings account fund.

10 Sec. 6. Section 422.11S, subsection 8, paragraph a,
11 subparagraph (2), Code 2023, is amended to read as follows:

12 (2) *"Total approved tax credits"* means for the 2006 calendar
13 year, two million five hundred thousand dollars, for the
14 2007 calendar year, five million dollars, for calendar years
15 beginning on or after January 1, 2008, but before January 1,
16 2012, seven million five hundred thousand dollars, for calendar
17 years beginning on or after January 1, 2012, but before January
18 1, 2014, eight million seven hundred fifty thousand dollars,
19 for calendar years beginning on or after January 1, 2014, but
20 before January 1, 2019, twelve million dollars, for calendar
21 years beginning on or after January 1, 2019, but before
22 January 1, 2020, thirteen million dollars, for calendar years
23 beginning on or after January 1, 2020, but before January
24 1, 2022, fifteen million dollars, ~~and~~ for calendar years
25 beginning on or after January 1, 2022, but before January 1,
26 2024, twenty million dollars, for the calendar year beginning
27 January 1, 2024, seventeen million dollars, and for calendar
28 years beginning on or after January 1, 2025, fourteen million
29 dollars.

30 Sec. 7. RETROACTIVE APPLICABILITY. The section of this
31 division of this Act amending section 422.11S, subsection 6,
32 paragraph "c", subparagraph (1), applies retroactively to
33 contributions to a school tuition organization made on or after
34 January 1, 2022.

35 Sec. 8. APPLICABILITY. The section of this division of

1 this Act enacting section 422.11S, subsection 6, paragraph "c",
2 subparagraph (05), applies to tuition grants made for school
3 years beginning on or after July 1, 2023.

4 DIVISION III

5 EDUCATION SAVINGS ACCOUNTS — ADMINISTRATION OF FUNDS

6 Sec. 9. Section 257.11B, subsection 6, paragraph c, as
7 enacted by 2023 Iowa Acts, House File 68, section 7, is amended
8 to read as follows:

9 c. Moneys remaining in a pupil's individual account upon
10 conclusion of the fiscal year shall remain in the pupil's
11 individual account for the payment of qualified educational
12 expenses in future consecutive fiscal years during which the
13 pupil participates in the program until the pupil becomes
14 ineligible under the program or until the remaining amounts are
15 transferred to the state general fund under subsection 8. If
16 moneys remain in a pupil's individual account upon conclusion
17 of the fiscal year and the pupil does not participate in the
18 program during the immediately succeeding fiscal year, the
19 department of education or third-party entity shall close the
20 pupil's account in the fund, and transfer any remaining moneys
21 in the account for deposit in the general fund of the state.

22 Sec. 10. Section 257.11B, subsection 7, as enacted by 2023
23 Iowa Acts, House File 68, section 7, is amended to read as
24 follows:

25 7. a. A person who makes a false claim for the purpose of
26 obtaining an education savings account payment or who knowingly
27 receives the payment or makes a payment from an individual
28 account within the fund without being legally entitled to do
29 so is guilty of a fraudulent practice under chapter 714. The
30 false claim for an education savings account or a payment from
31 an individual account shall be disallowed. The department of
32 education or third-party entity shall also close the pupil's
33 individual account in the fund and transfer any remaining
34 moneys in the account for deposit in the general fund of the
35 state. If the improperly obtained amounts have been disbursed

1 from the applicable individual account, the department of
2 education or third-party entity shall recover such amounts
3 from the parent or guardian, including by initiating legal
4 proceedings to recover such amounts, if necessary. A parent or
5 guardian who commits a fraudulent practice under this section
6 is prohibited from participating in the education savings
7 account program in the future.

8 b. (1) If, prior to the end of the required attendance
9 period of the school year, a pupil who receives an education
10 savings account payment withdraws from enrollment in the
11 nonpublic school or is expelled, the nonpublic school shall
12 notify the department of education or third-party entity in
13 writing of the pupil's withdrawal or expulsion.

14 (2) Upon receipt of a notice of expulsion, the department
15 of education or third-party entity shall cease disbursements
16 of remaining moneys in the pupil's account, close the pupil's
17 account in the fund, and transfer any remaining moneys in the
18 account for deposit in the general fund of the state.

19 (3) Upon receipt of a notice of withdrawal and a
20 determination that the pupil did not enroll in a different
21 nonpublic school in this state for the remainder of the school
22 year, the department of education or third-party entity shall
23 cease disbursements of remaining moneys in the pupil's account
24 in the fund, close the pupil's account, and transfer any moneys
25 remaining in the pupil's account for deposit in the general
26 fund of the state.

27 Sec. 11. EFFECTIVE DATE. This division of this Act, being
28 deemed of immediate importance, takes effect upon enactment.

29 Sec. 12. RETROACTIVE APPLICABILITY. This division of this
30 Act applies retroactively to January 24, 2023.

31 DIVISION IV

32 NONPUBLIC SCHOOL PUPIL TEXTBOOK SERVICES

33 Sec. 13. Section 301.1, subsections 2 and 3, Code 2023, are
34 amended by striking the subsections.

35 Sec. 14. EFFECTIVE DATE. This division of this Act takes

1 effect July 1, 2025.

2 DIVISION V

3 EDUCATION SAVINGS ACCOUNTS — CORRECTIONS

4 Sec. 15. Section 257.11B, subsection 2, paragraph a,
5 subparagraph (1), subparagraph division (c), as enacted by 2023
6 Iowa Acts, House File 68, section 7, is amended to read as
7 follows:

8 (c) A resident pupil who is eligible to enroll in grades one
9 through twelve and was enrolled in a nonpublic school for the
10 school year immediately preceding the school year for which the
11 education savings account payment is requested if the pupil's
12 household has an annual income less than or equal to three
13 hundred percent of the most recently revised poverty income
14 guidelines published by the United States department of health
15 and human services.

16 Sec. 16. Section 257.46, subsection 3, Code 2023, as amended
17 by 2023 Iowa Acts, House File 68, section 16, is amended to
18 read as follows:

19 3. If any portion of the gifted and talented program budget
20 remains unexpended at the end of the budget year, the remainder
21 shall be carried over to the subsequent budget year and added
22 to the gifted and talented program budget for that year. At
23 the end of a fiscal year beginning on or after July 1, 2022,
24 the school district may use all or a portion of funds for
25 the purposes authorized under section 257.10, subsection 9,
26 paragraph "d".

27 Sec. 17. EFFECTIVE DATE. This division of this Act, being
28 deemed of immediate importance, takes effect upon enactment.

29 Sec. 18. RETROACTIVE APPLICABILITY. This division of this
30 Act applies retroactively to January 24, 2023.

31 EXPLANATION

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

34 This bill relates to certain education programs and tax
35 credits.

1 DIVISION I — TUITION AND TEXTBOOK TAX CREDIT. Code section
2 422.12(2)(b) provides an income tax tuition credit equal to
3 25 percent of the first \$2,000 which the taxpayer has paid to
4 others for each dependent in grades kindergarten through 12,
5 for tuition and textbooks of each dependent who is receiving
6 private instruction or who is attending an elementary or
7 secondary school situated in Iowa meeting certain criteria.
8 The bill specifies that amounts paid from an account in the
9 education savings account fund under Code section 257.11B, as
10 enacted by 2023 Iowa Acts, House File 68, shall not be eligible
11 for the credit.

12 Division I takes effect upon enactment and applies
13 retroactively to tax years beginning on or after January 1,
14 2023.

15 DIVISION II — SCHOOL TUITION ORGANIZATION GRANTS.
16 Code sections 422.11S and 422.33 provide a school tuition
17 organization tax credit against the individual income tax
18 and corporate income tax, respectively, for contributions
19 made by the taxpayer during the tax year to a school tuition
20 organization. The bill adds a requirement to the criteria for
21 a school tuition organization by specifying that for eligible
22 students participating in the education savings account program
23 under Code section 257.11B, the organization only provides
24 tuition grants in amounts not to exceed the tuition amount
25 for which the parent or guardian is responsible for payment
26 following application of amounts paid using moneys from the
27 student's account in the education savings account fund. This
28 provision applies to tuition grants made for school years
29 beginning on or after July 1, 2023.

30 The bill requires school tuition organizations to allocate
31 90 percent of annual revenues as tuition grants within three
32 years from January 1 of the calendar year during which the
33 revenues were received. This provision applies retroactively
34 to contributions to a school tuition organization made on or
35 after January 1, 2022.

1 The bill also reduces the total annual amount of available
2 school tuition organization tax credits for the calendar year
3 beginning January 1, 2024, from \$20 million to \$17 million, and
4 to \$14 million for calendar years beginning on or after January
5 1, 2025.

6 DIVISION III — EDUCATION SAVINGS ACCOUNTS — ADMINISTRATION
7 OF FUNDS. Code section 257.11B, as enacted by 2023 Iowa Acts,
8 House File 68, section 7, specifies that moneys remaining in a
9 pupil's individual account upon conclusion of the fiscal year
10 shall remain in the pupil's individual account for the payment
11 of qualified educational expenses in future fiscal years during
12 which the pupil participates in the program until the pupil
13 becomes ineligible under the program or until the remaining
14 amounts are transferred to the state general fund as required
15 in that Code section. The bill provides that such remaining
16 moneys are available for future consecutive fiscal years during
17 which the pupil participates in the program. The bill further
18 provides that if moneys remain in a pupil's individual account
19 upon conclusion of the fiscal year and the pupil does not
20 participate in the program during the immediately succeeding
21 fiscal year, the department of education or third-party entity
22 shall close the pupil's account in the fund, and transfer any
23 remaining moneys in the account for deposit in the general fund
24 of the state.

25 The bill also amends the education savings account program
26 under Code section 257.11B by providing that if, prior to the
27 end of the required attendance period of the school year,
28 a pupil who receives an education savings account payment
29 withdraws from enrollment in the nonpublic school or is
30 expelled, the nonpublic school shall notify the department
31 of education or third-party entity in writing of the pupil's
32 withdrawal or expulsion. Under the bill, upon receipt of a
33 notice of expulsion, the department of education or third-party
34 entity shall cease disbursements of remaining moneys in the
35 pupil's account, close the pupil's account in the fund, and

1 transfer any remaining moneys in the account for deposit in
2 the general fund of the state. Additionally, upon receipt of
3 a notice of withdrawal and a determination that the pupil did
4 not enroll in a different nonpublic school in this state for
5 the remainder of the school year, the department of education
6 or third-party entity shall cease disbursements of remaining
7 moneys in the pupil's account in the fund, close the pupil's
8 account, and transfer any moneys remaining in the pupil's
9 account for deposit in the general fund of the state.

10 Division III takes effect upon enactment and applies
11 retroactively to January 24, 2023.

12 DIVISION IV — NONPUBLIC SCHOOL PUPIL TEXTBOOK SERVICES.

13 Code section 301.1 authorizes each school board to adopt
14 textbooks for the district, and to contract for and buy such
15 books and any and all other necessary school supplies at
16 contract prices, and to sell them to the pupils of their
17 respective districts at cost, loan such textbooks to such
18 pupils free, or rent them to pupils. In addition, Code section
19 301.1, subsections 2 and 3, provides that textbooks adopted
20 and purchased by a school district shall, to the extent funds
21 are appropriated by the general assembly, be made available to
22 pupils attending accredited nonpublic schools upon request of
23 the pupil or the pupil's parent under comparable terms as made
24 available to pupils attending public schools. The bill strikes
25 those subsections of Code section 301.1 relating to a school
26 district making such textbooks available to pupils attending
27 nonpublic schools.

28 Division IV takes effect July 1, 2025.

29 DIVISION V — EDUCATION SAVINGS ACCOUNTS — CORRECTIONS.

30 Division V corrects errors and omissions in Code section
31 257.11B, as enacted by 2023 Iowa Acts, House File 68, section
32 7.

33 Division V takes effect upon enactment and applies
34 retroactively to January 24, 2023.