

**Senate Study Bill 1208 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON DAWSON)

**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:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIVISION I

TUITION AND TEXTBOOK TAX CREDIT

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

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

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

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

DIVISION II

SCHOOL TUITION ORGANIZATION GRANTS

Sec. 4. Section 422.11S, subsection 6, paragraph c, Code 2023, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (05) For eligible students participating in the education savings account program under section 257.11B, as enacted by 2023 Iowa Acts, House File 68, section 7, only provides tuition grants in amounts not to exceed the tuition amount for which the parent or guardian is responsible for

1 payment following application of amounts paid using moneys from  
2 the student's account in the education savings account fund.

3 Sec. 5. Section 422.11S, subsection 8, paragraph a,  
4 subparagraph (2), Code 2023, is amended to read as follows:

5 (2) *"Total approved tax credits"* means for the 2006 calendar  
6 year, two million five hundred thousand dollars, for the  
7 2007 calendar year, five million dollars, for calendar years  
8 beginning on or after January 1, 2008, but before January 1,  
9 2012, seven million five hundred thousand dollars, for calendar  
10 years beginning on or after January 1, 2012, but before January  
11 1, 2014, eight million seven hundred fifty thousand dollars,  
12 for calendar years beginning on or after January 1, 2014, but  
13 before January 1, 2019, twelve million dollars, for calendar  
14 years beginning on or after January 1, 2019, but before  
15 January 1, 2020, thirteen million dollars, for calendar years  
16 beginning on or after January 1, 2020, but before January  
17 1, 2022, fifteen million dollars, ~~and~~ for calendar years  
18 beginning on or after January 1, 2022, but before January 1,  
19 2024, twenty million dollars, for the calendar year beginning  
20 January 1, 2024, seventeen million dollars, and for calendar  
21 years beginning on or after January 1, 2025, fourteen million  
22 dollars.

23 Sec. 6. APPLICABILITY. The section of this division of  
24 this Act amending section 422.11S, subsection 6, paragraph "c",  
25 applies to tuition grants made for school years beginning on  
26 or after July 1, 2023.

27 DIVISION III

28 EDUCATION SAVINGS ACCOUNTS — ADMINISTRATION OF FUNDS

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

32 c. Moneys remaining in a pupil's individual account upon  
33 conclusion of the fiscal year shall remain in the pupil's  
34 individual account for the payment of qualified educational  
35 expenses in future consecutive fiscal years during which the

1 pupil participates in the program until the pupil becomes  
2 ineligible under the program or until the remaining amounts are  
3 transferred to the state general fund under subsection 8. If  
4 moneys remain in a pupil's individual account upon conclusion  
5 of the fiscal year and the pupil does not participate in the  
6 program during the immediately succeeding fiscal year, the  
7 department of education or third-party entity shall close the  
8 pupil's account in the fund, and transfer any remaining moneys  
9 in the account for deposit in the general fund of the state.

10 Sec. 8. Section 257.11B, subsection 7, as enacted by 2023  
11 Iowa Acts, House File 68, section 7, is amended to read as  
12 follows:

13 7. a. A person who makes a false claim for the purpose of  
14 obtaining an education savings account payment or who knowingly  
15 receives the payment or makes a payment from an individual  
16 account within the fund without being legally entitled to do  
17 so is guilty of a fraudulent practice under chapter 714. The  
18 false claim for an education savings account or a payment from  
19 an individual account shall be disallowed. The department of  
20 education or third-party entity shall also close the pupil's  
21 individual account in the fund and transfer any remaining  
22 moneys in the account for deposit in the general fund of the  
23 state. If the improperly obtained amounts have been disbursed  
24 from the applicable individual account, the department of  
25 education or third-party entity shall recover such amounts  
26 from the parent or guardian, including by initiating legal  
27 proceedings to recover such amounts, if necessary. A parent or  
28 guardian who commits a fraudulent practice under this section  
29 is prohibited from participating in the education savings  
30 account program in the future.

31 b. (1) If, prior to the end of the required attendance  
32 period of the school year, a pupil who receives an education  
33 savings account payment withdraws from enrollment in the  
34 nonpublic school or is expelled, the nonpublic school shall  
35 notify the department of education or third-party entity in

1 writing of the pupil's withdrawal or expulsion.

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

7 (3) Upon receipt of a notice of withdrawal and a  
8 determination that the pupil did not enroll in a different  
9 nonpublic school in this state for the remainder of the school  
10 year, the department of education or third-party entity shall  
11 cease disbursements of remaining moneys in the pupil's account  
12 in the fund, close the pupil's account, and transfer any moneys  
13 remaining in the pupil's account for deposit in the general  
14 fund of the state.

15 Sec. 9. EFFECTIVE DATE. This division of this Act, being  
16 deemed of immediate importance, takes effect upon enactment.

17 Sec. 10. RETROACTIVE APPLICABILITY. This division of this  
18 Act applies retroactively to January 24, 2023.

19 DIVISION IV

20 NONPUBLIC SCHOOL PUPIL TEXTBOOK SERVICES

21 Sec. 11. Section 301.1, subsections 2 and 3, Code 2023, are  
22 amended by striking the subsections.

23 Sec. 12. EFFECTIVE DATE. This division of this Act takes  
24 effect July 1, 2025.

25 DIVISION V

26 EDUCATION SAVINGS ACCOUNTS — CORRECTIONS

27 Sec. 13. Section 257.11B, subsection 2, paragraph a,  
28 subparagraph (1), subparagraph division (c), as enacted by 2023  
29 Iowa Acts, House File 68, section 7, is amended to read as  
30 follows:

31 (c) A resident pupil who is eligible to enroll in grades one  
32 through twelve and was enrolled in a nonpublic school for the  
33 school year immediately preceding the school year for which the  
34 education savings account payment is requested if the pupil's  
35 household has an annual income less than or equal to three

1 hundred percent of the most recently revised poverty income  
2 guidelines published by the United States department of health  
3 and human services.

4 Sec. 14. Section 257.46, subsection 3, Code 2023, as amended  
5 by 2023 Iowa Acts, House File 68, section 16, is amended to  
6 read as follows:

7 3. If any portion of the gifted and talented program budget  
8 remains unexpended at the end of the budget year, the remainder  
9 shall be carried over to the subsequent budget year and added  
10 to the gifted and talented program budget for that year. At  
11 the end of a fiscal year beginning on or after July 1, 2022,  
12 the school district may use all or a portion of funds for  
13 the purposes authorized under section 257.10, subsection 9,  
14 paragraph "d".

15 Sec. 15. EFFECTIVE DATE. This division of this Act, being  
16 deemed of immediate importance, takes effect upon enactment.

17 Sec. 16. RETROACTIVE APPLICABILITY. This division of this  
18 Act applies retroactively to January 24, 2023.

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 relates to certain education programs and tax  
23 credits.

24 DIVISION I — TUITION AND TEXTBOOK TAX CREDIT. Code section  
25 422.12(2)(b) provides an income tax tuition credit equal to  
26 25 percent of the first \$2,000 which the taxpayer has paid to  
27 others for each dependent in grades kindergarten through 12,  
28 for tuition and textbooks of each dependent who is receiving  
29 private instruction or who is attending an elementary or  
30 secondary school situated in Iowa meeting certain criteria.  
31 The bill specifies that amounts paid from an account in the  
32 education savings account fund under Code section 257.11B, as  
33 enacted by 2023 Iowa Acts, House File 68, shall not be eligible  
34 for the credit.

35 Division I takes effect upon enactment and applies

1 retroactively to tax years beginning on or after January 1,  
2 2023.

3 DIVISION II — SCHOOL TUITION ORGANIZATION GRANTS.

4 Code sections 422.11S and 422.33 provide a school tuition  
5 organization tax credit against the individual income tax  
6 and corporate income tax, respectively, for contributions  
7 made by the taxpayer during the tax year to a school tuition  
8 organization. The bill adds a requirement to the criteria for  
9 a school tuition organization by specifying that for eligible  
10 students participating in the education savings account program  
11 under Code section 257.11B, the organization only provides  
12 tuition grants in amounts not to exceed the tuition amount  
13 for which the parent or guardian is responsible for payment  
14 following application of amounts paid using moneys from the  
15 student's account in the education savings account fund. This  
16 provision applies to tuition grants made for school years  
17 beginning on or after July 1, 2023.

18 The bill also reduces the total annual amount of available  
19 school tuition organization tax credits for the calendar year  
20 beginning January 1, 2024, from \$20 million to \$17 million, and  
21 to \$14 million for calendar years beginning on or after January  
22 1, 2025.

23 DIVISION III — EDUCATION SAVINGS ACCOUNTS — ADMINISTRATION

24 OF FUNDS. Code section 257.11B, as enacted by 2023 Iowa Acts,  
25 House File 68, section 7, specifies that moneys remaining in a  
26 pupil's individual account upon conclusion of the fiscal year  
27 shall remain in the pupil's individual account for the payment  
28 of qualified educational expenses in future fiscal years during  
29 which the pupil participates in the program until the pupil  
30 becomes ineligible under the program or until the remaining  
31 amounts are transferred to the state general fund as required  
32 in that Code section. The bill provides that such remaining  
33 moneys are available for future consecutive fiscal years during  
34 which the pupil participates in the program. The bill further  
35 provides that if moneys remain in a pupil's individual account

1 upon conclusion of the fiscal year and the pupil does not  
2 participate in the program during the immediately succeeding  
3 fiscal year, the department of education or third-party entity  
4 shall close the pupil's account in the fund, and transfer any  
5 remaining moneys in the account for deposit in the general fund  
6 of the state.

7 The bill also amends the education savings account program  
8 under Code section 257.11B by providing that if, prior to the  
9 end of the required attendance period of the school year,  
10 a pupil who receives an education savings account payment  
11 withdraws from enrollment in the nonpublic school or is  
12 expelled, the nonpublic school shall notify the department  
13 of education or third-party entity in writing of the pupil's  
14 withdrawal or expulsion. Under the bill, upon receipt of a  
15 notice of expulsion, the department of education or third-party  
16 entity shall cease disbursements of remaining moneys in the  
17 pupil's account, close the pupil's account in the fund, and  
18 transfer any remaining moneys in the account for deposit in  
19 the general fund of the state. Additionally, upon receipt of  
20 a notice of withdrawal and a determination that the pupil did  
21 not enroll in a different nonpublic school in this state for  
22 the remainder of the school year, the department of education  
23 or third-party entity shall cease disbursements of remaining  
24 moneys in the pupil's account in the fund, close the pupil's  
25 account, and transfer any moneys remaining in the pupil's  
26 account for deposit in the general fund of the state.

27 Division III takes effect upon enactment and applies  
28 retroactively to January 24, 2023.

29 DIVISION IV — NONPUBLIC SCHOOL PUPIL TEXTBOOK SERVICES.  
30 Code section 301.1 authorizes each school board to adopt  
31 textbooks for the district, and to contract for and buy such  
32 books and any and all other necessary school supplies at  
33 contract prices, and to sell them to the pupils of their  
34 respective districts at cost, loan such textbooks to such  
35 pupils free, or rent them to pupils. In addition, Code section



1 301.1, subsections 2 and 3, provides that textbooks adopted  
2 and purchased by a school district shall, to the extent funds  
3 are appropriated by the general assembly, be made available to  
4 pupils attending accredited nonpublic schools upon request of  
5 the pupil or the pupil's parent under comparable terms as made  
6 available to pupils attending public schools. The bill strikes  
7 those subsections of Code section 301.1 relating to a school  
8 district making such textbooks available to pupils attending  
9 nonpublic schools.

10 Division IV takes effect July 1, 2025.

11 DIVISION V — EDUCATION SAVINGS ACCOUNTS — CORRECTIONS.

12 Division V corrects errors and omissions in Code section  
13 257.11B, as enacted by 2023 Iowa Acts, House File 68, section  
14 7.

15 Division V takes effect upon enactment and applies  
16 retroactively to January 24, 2023.