

**House File 2078 - Introduced**

HOUSE FILE 2078

BY FETT

**A BILL FOR**

1 An Act relating to resident dependents not enrolled in a public  
2 school or receiving an educational savings account payment  
3 by creating an opportunity tax credit available against the  
4 individual income tax, creating a fund, making appropriations,  
5 and including effective date and retroactive applicability  
6 provisions.

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

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1 Section 1. SHORT TITLE. This Act shall be known as the  
2 "Opportunity Tax Credit Act".

3 Sec. 2. NEW SECTION. **422.12R Opportunity tax credit.**

4 1. As used in this section, "dependent" has the same meaning  
5 as provided by the Internal Revenue Code.

6 2. a. The taxes imposed under this subchapter, less the  
7 credits allowed under section 422.12, shall be reduced by an  
8 opportunity tax credit equal to four thousand dollars for each  
9 resident dependent of the taxpayer eligible to enroll in a  
10 school district in this state and who is not enrolled in a  
11 school district or receiving an education savings account payment  
12 pursuant to section 257.11B, if any of the following apply to the  
13 resident dependent in the tax year the credit is claimed:

14 (1) Eligibility to attend kindergarten in a public school in  
15 this state.

16 (2) Attendance at a public school in this state for at least  
17 one semester in the immediately preceding academic year.

18 (3) Receipt of an educational savings account payment  
19 pursuant to section 257.11B for the immediately preceding  
20 academic year by the parent or guardian.

21 (4) Receipt of the credit by the parent or guardian in the  
22 previous tax year and resident dependent remains eligible to  
23 enroll in a school district in this state but who is not enrolled  
24 in a school district in the tax year the credit is claimed and  
25 the parent or guardian is not receiving an education savings  
26 account payment pursuant to section 257.11B in the tax year the  
27 credit is claimed.

28 b. A taxpayer is ineligible to claim the credit for the tax  
29 year if the taxpayer received an educational savings account  
30 payment pursuant to section 257.11B that covers the same academic  
31 year as the tax credit award.

32 3. a. Any credit in excess of tax liability is refundable.

33 b. In lieu of claiming the credit on a return the taxpayer  
34 may make application to the department to have the credit  
35 payable to the taxpayer in advance prior to the close of the

1 tax year in the same form and manner as payments made under  
2 section 257.11B. An opportunity fund is created in the state  
3 treasury under the control of the department consisting of moneys  
4 appropriated to the department for the purpose of providing  
5 advanced payments made under this paragraph. For the fiscal  
6 year commencing July 1, 2026, and each succeeding fiscal year,  
7 there is appropriated from the general fund of the state to the  
8 opportunity fund an amount necessary to pay all advanced payments  
9 approved for that fiscal year.

10 4. By making a claim for the credit pursuant to this  
11 section, whether by return or application, the taxpayer shall be  
12 considered to have granted the department permission to review  
13 any enrollment status or educational account payments with the  
14 department of education to determine eligibility for the credit.

15 5. Beginning January 15, 2028, and each January 15  
16 thereafter, the department shall prepare and file a report with  
17 the general assembly on the credit, detailing the number of  
18 claims including any known fraudulent claims, and any other  
19 relevant information the department deems necessary.

20 6. The department shall adopt rules pursuant to chapter 17A  
21 to administer this section.

22 Sec. 3. EFFECTIVE DATE. This Act, being deemed of immediate  
23 importance, takes effect upon enactment.

24 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies  
25 retroactively to January 1, 2026, for tax years beginning on or  
26 after that date.

27 **EXPLANATION**

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

30 This bill relates to resident dependents not enrolled in  
31 a public school or receiving an educational savings account  
32 payment by creating an opportunity tax credit available against  
33 the individual income tax, creating a fund, and making  
34 appropriations. The bill shall be known as the "Opportunity Tax  
35 Credit Act".

1 The tax credit is equal to \$4,000 for each resident dependent  
2 of a taxpayer (parent or guardian) who is eligible to enroll in a  
3 school district in this state and who is not enrolled in a school  
4 district or the taxpayer is not receiving an ESA payment, and  
5 any of the following apply to the dependent: (1) eligibility to  
6 attend kindergarten; (2) attendance at a public school in this  
7 state for at least one semester in the previous academic year;  
8 (3) receipt of an ESA payment by the taxpayer in the previous  
9 academic year; or (4) receipt of the credit in the previous tax  
10 year by the taxpayer and the dependent remains eligible to be  
11 enrolled in a school district but is not enrolled in the tax year  
12 the credit is claimed and the taxpayer is not receiving an ESA  
13 payment in the tax year.

14 A taxpayer is ineligible to claim the credit if the taxpayer  
15 received an ESA payment that covers the same academic year as the  
16 opportunity tax credit awarded under the bill.

17 Any credit in excess of tax liability is refundable under the  
18 bill. In lieu of claiming the credit on a return, the taxpayer  
19 may make application to the department of revenue (department)  
20 to have the credit payable to the taxpayer in advance prior to  
21 the close of the tax year in the same form and manner as ESA  
22 payments.

23 The bill creates an opportunity fund in the state treasury  
24 under the control of the department for the purpose of providing  
25 advanced payments. For the fiscal year commencing July 1, 2026,  
26 and each succeeding fiscal year, there is appropriated from the  
27 general fund of the state to the opportunity fund an amount  
28 necessary to pay all advanced payments approved for that fiscal  
29 year.

30 By making a claim for the credit, the taxpayer shall be  
31 considered to have granted the department permission to review  
32 the enrollment status or ESA payments with the department of  
33 education to determine eligibility for the credit.

34 Beginning January 15, 2028, and each January 15 thereafter,  
35 the department shall prepare and file a report with the general

1 assembly on the credit, detailing the number of claims including  
2 any known fraudulent claims and any other relevant information  
3 the department deems necessary.

4 The bill requires the department to adopt rules to administer  
5 the credit.

6 The bill takes effect upon enactment and applies retroactively  
7 to tax years beginning on or after January 1, 2026.

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