

House File 566 - Introduced

HOUSE FILE 566
BY WHEELER

A BILL FOR

1 An Act modifying individual income tax rates and providing tax
2 credits for certain married persons filing a joint return,
3 and including effective date and retroactive applicability
4 provisions.

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

unofficial

1 Section 1. Section 421.27, subsection 9, paragraph a,
2 subparagraph (3), Code 2025, is amended to read as follows:

3 (3) In the case of all other entities, including corporations
4 described in section 422.36, subsection 5, and all other entities
5 required to file an information return under section 422.15,
6 subsection 2, the entity's Iowa net income after the application
7 of the Iowa business activity ratio, if applicable, multiplied by
8 the highest income tax rate imposed under section 422.5 for the
9 tax year, less any Iowa tax credits available to the entity.

10 Sec. 2. Section 422.5, subsection 1, paragraph a, Code 2025,
11 is amended to read as follows:

12 a. A tax is imposed upon every resident and nonresident of
13 the state which tax shall be levied, collected, and paid annually
14 upon and with respect to the entire taxable income as defined in
15 this subchapter at a ~~rate of three and eight-tenths percent.~~ the
16 following rates:

17 (1) In the case of married persons filing jointly with five
18 or more dependents under the age of eighteen, zero percent.

19 (2) In the case of married persons filing jointly for the
20 first or second time in their lifetimes, zero percent.

21 (3) In the case of any other taxpayer other than described in
22 subparagraphs (1) and (2), three and eight-tenths percent.

23 Sec. 3. NEW SECTION. 422.10C Additional dependent tax
24 credit.

25 1. For married persons filing a joint return the taxes
26 imposed under this subchapter less the credits allowed under
27 section 422.12 shall be reduced by an additional dependent tax
28 credit equal to the product of the number of dependents exceeding
29 five but not more than ten that are under the age of eighteen
30 multiplied by one thousand dollars.

31 2. Any credit in excess of the tax liability is refundable.
32 In lieu of claiming a refund, the taxpayer may elect to have
33 the overpayment shown on the taxpayer's final, completed return
34 credited to the tax liability for the following five years until
35 depleted, whichever is earlier.

1 3. The director of revenue shall adopt rules to implement
2 this section.

3 Sec. 4. Section 422.16, subsection 2, paragraph e, Code 2025,
4 is amended to read as follows:

5 e. For the purposes of this subsection, state income tax
6 shall be withheld at the highest rate described in section 422.5
7 from supplemental wages of an employee in those circumstances
8 in which the employer treats the supplemental wages as wholly
9 separate from regular wages for purposes of withholding and
10 federal income tax is withheld from the supplemental wages under
11 section 3402(g) of the Internal Revenue Code.

12 Sec. 5. Section 422.16B, subsection 2, paragraph a,
13 subparagraph (2), Code 2025, is amended to read as follows:

14 (2) The tax rate applicable to a tiered pass-through entity
15 shall be the highest state income tax rate under section 422.5.

16 Sec. 6. Section 422.16C, subsection 4, paragraph a, Code
17 2025, is amended to read as follows:

18 a. A taxpayer making an election under this section shall
19 be subject to tax in an amount equal to the maximum rate under
20 section 422.5, imposed against the taxable income of the taxpayer
21 for the taxable year properly determined under this chapter and
22 allocated and apportioned to the state under the rules adopted by
23 the department. The tax shall be due with the taxpayer's return
24 required under this chapter.

25 Sec. 7. Section 422.16C, subsection 5, paragraph a,
26 subparagraph (2), Code 2025, is amended to read as follows:

27 (2) The difference between one hundred percent and the
28 highest individual income tax rate in effect for the tax year.

29 Sec. 8. EFFECTIVE DATE. This Act, being deemed of immediate
30 importance, takes effect upon enactment.

31 Sec. 9. RETROACTIVE APPLICABILITY. This Act applies
32 retroactively to January 1, 2025, for tax years beginning on or
33 after that date.

34 EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1 the explanation's substance by the members of the general assembly.

2 This bill modifies individual income tax rates and provides
3 tax credits for certain married persons filing a joint return.

4 The bill decreases the income tax rate on taxable income for
5 married persons filing jointly from 3.8 percent to 0 percent, if
6 such married persons have 5 or more dependents under the age of
7 18. The bill decreases the income tax rate on taxable income for
8 married persons filing jointly from 3.8 percent to 0 percent, if
9 such married persons are filing jointly for the first or second
10 time in their lifetimes.

11 The bill also creates an additional dependent credit for
12 married persons filing a joint return equal to the product of the
13 number of dependents exceeding 5 but not more than 10 that are
14 under the age of 18 multiplied by \$1,000.

15 Any credit in excess of the tax liability is refundable.
16 In lieu of claiming a refund, the taxpayer may elect to have
17 the overpayment shown on the taxpayer's final, completed return
18 credited to the tax liability for the following five years until
19 depleted, whichever is earlier.

20 The bill takes effect upon enactment and applies retroactively
21 to tax years beginning on or after January 1, 2025.