

House File 661 - Introduced

HOUSE FILE 661

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A BILL FOR

1 An Act relating to child care, including the child and dependent
2 care tax credit, a child care workforce matching grant
3 program, a small business child care tax credit, and state
4 child care assistance, and including applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

CHILD AND DEPENDENT CARE TAX CREDIT

Section 1. Section 422.12C, subsection 1, Code 2025, is amended by striking the subsection and inserting in lieu thereof the following:

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

Sec. 2. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2025, for tax years beginning on or after that date.

DIVISION II

CHILD CARE WORKFORCE MATCHING GRANT PROGRAM

Sec. 3. NEW SECTION. **237A.15 Child care workforce matching grant program.**

1. For purposes of this section, "program" means the child care workforce matching grant program established in this section.

2. There is established a child care workforce matching grant program. Moneys appropriated by the general assembly to the department for the program shall be used for the following purposes:

- a. To raise wages for persons employed by a child care facility.
- b. To provide health insurance, paid leave, and retirement benefits for persons employed by a child care facility.
- c. To raise the quality of the work environment at each child care facility.
- d. To collect data to assess the needs of persons employed by a child care facility.
- e. To assist persons employed by a child care facility to

1 identify sources and apply for benefits for which a person may
2 qualify.

3 3. The department shall adopt rules pursuant to chapter 17A
4 to administer the program.

5 DIVISION III

6 SMALL BUSINESS CHILD CARE TAX CREDIT

7 Sec. 4. NEW SECTION. **237A.32 Small business child care tax**
8 **credit.**

9 1. As used in this section, "small business" means any
10 enterprise which is located in this state, which is operated for
11 profit and under a single management, and which has either fewer
12 than twenty employees or an annual gross income of less than four
13 million dollars computed as the average of the three preceding
14 fiscal years. This definition does not apply to any program or
15 activity for which a definition for small business is provided
16 for the program or activity by federal law or regulation or other
17 state law.

18 2. A small business may receive a child care tax credit
19 for providing child care employee benefits to employees of the
20 business. The credit may be applied against income tax imposed
21 under chapter 422, subchapter II or III, the franchise tax
22 imposed under chapter 422, subchapter V, the gross premiums tax
23 imposed under chapter 432, or the moneys and credits tax imposed
24 in section 533.329. The amount of the credit equals the costs to
25 provide the benefit up to three thousand dollars per employee per
26 year.

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

31 4. To be eligible for a small business child care tax credit,
32 the small business must provide child care employee benefits to
33 employees of the business through any of the following:

34 a. Build a new structure or rehabilitate an existing
35 structure to be used as a child care center at or near the small

1 business where the children of the employees of the business
2 are provided child care. A small business may construct or
3 rehabilitate the structure in conjunction with another business
4 but only the actual cost of the business shall be considered in
5 determining the credit.

6 b. Operate or lease a child care center at or near the small
7 business where the children of the employees of the business are
8 provided child care.

9 5. A taxpayer who elects to claim the small business child
10 care tax credit shall not claim the employer child care tax
11 credit under section 237A.31.

12 6. Any credit in excess of the tax liability is not
13 refundable but the excess for the tax year may be credited to
14 the tax liability for the following five years or until depleted,
15 whichever is earlier.

16 7. The director of revenue shall adopt rules to implement
17 this section.

18 Sec. 5. NEW SECTION. **422.12Q Small business child care tax**
19 **credit.**

20 1. The taxes imposed under this subchapter, less the credits
21 allowed under section 422.12, shall be reduced by a small
22 business child care tax credit received pursuant to section
23 237A.32.

24 2. An individual may claim the tax credit allowed a
25 partnership, S corporation, limited liability company, estate,
26 or trust electing to have the income taxed directly to the
27 individual. The amount claimed by the individual shall be
28 based upon the pro rata share of the individual's earnings of a
29 partnership, S corporation, limited liability company, estate, or
30 trust.

31 Sec. 6. Section 422.33, Code 2025, is amended by adding the
32 following new subsection:

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

1 Sec. 7. Section 422.60, Code 2025, is amended by adding the
2 following new subsection:

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

6 Sec. 8. NEW SECTION. **432.12P Small business child care tax**
7 **credit.**

8 The taxes imposed under this chapter shall be reduced by a
9 small business child care tax credit received pursuant to section
10 237A.32.

11 Sec. 9. Section 533.329, subsection 2, Code 2025, is amended
12 by adding the following new paragraph:

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

16 Sec. 10. RETROACTIVE APPLICABILITY. This division of this
17 Act applies retroactively to January 1, 2025, for tax years
18 beginning on or after that date.

19 DIVISION IV

20 STATE CHILD CARE ASSISTANCE

21 Sec. 11. Section 237A.13, subsection 1, paragraph c, Code
22 2025, is amended to read as follows:

23 c. The child's parent, guardian, or custodian is employed a
24 minimum of ~~thirty-two hours per week or an average of thirty-two~~
25 ~~hours per week during the month if the child requires basic care,~~
26 ~~or~~ twenty-eight hours per week or an average of twenty-eight
27 hours per week during the month ~~if the child is a special needs~~
28 ~~child.~~

29 Sec. 12. Section 237A.13, subsection 2, paragraph a, Code
30 2025, is amended to read as follows:

31 a. (1) ~~One~~ Two hundred ~~sixty~~ fifty percent of the federal
32 poverty level applicable to the family size for children needing
33 basic care.

34 (2) Two hundred ninety percent of the federal poverty level
35 applicable to the family size for children needing special needs

1 care.

2 Sec. 13. Section 237A.13, subsection 4, paragraph a, Code
3 2025, is amended by striking the paragraph and inserting in lieu
4 thereof the following:

5 a. The department shall reimburse a provider at a rate equal
6 to the rate the provider charges a private-pay family for child
7 care.

8 Sec. 14. Section 237A.13, subsection 5, Code 2025, is amended
9 to read as follows:

10 5. The department's billing and payment provisions for the
11 program shall allow providers to elect either biweekly or monthly
12 billing and payment ~~for child care provided under~~ based on the
13 number of hours of child care scheduled for a child enrolled
14 in the program. The department shall remit payment to a
15 provider within ten business days of receiving a bill or claim
16 ~~for services provided~~. However, if the department determines
17 that a bill has an error or omission, the department shall
18 notify the provider of the error or omission and identify any
19 correction needed before issuance of payment to the provider.
20 The department shall provide the notice within five business
21 days of receiving the billing from the provider and shall remit
22 payment to the provider within ten business days of receiving the
23 corrected billing.

24 Sec. 15. Section 237A.13, subsection 6, Code 2025, is amended
25 by striking the subsection.

26 Sec. 16. Section 237A.13, subsection 8, Code 2025, is amended
27 by adding the following new paragraph:

28 NEW PARAGRAPH. e. Persons deemed to be eligible for benefits
29 under the state child care assistance program in accordance with
30 section 237A.13A.

31 Sec. 17. NEW SECTION. **237A.13A State child care assistance**
32 **— child care personnel.**

33 1. Notwithstanding section 237A.13, subsections 1 and 2, a
34 child shall be eligible for the state child care assistance
35 program under section 237A.13 if a parent, guardian, or custodian

1 meets the following requirements:

2 a. The parent, guardian, or custodian is employed at a child
3 care facility, a child care home registered with the department,
4 or an unregistered child care home with an agreement with the
5 department to accept reimbursements from the state child care
6 assistance program.

7 b. The parent, guardian, or custodian works an average
8 minimum of thirty-two hours per week during the month in a
9 position with a primary duty of providing child care directly to
10 children, and is regularly counted in the minimum child-to-staff
11 ratio established by the department by rule.

12 c. If the parent, guardian, or custodian is employed at
13 a child care home or a child development home, the parent,
14 guardian, or custodian does not provide child care to the parent,
15 guardian, or custodian's own child. A co-provider at a child
16 development home may qualify for state child care assistance if
17 such person meets all requirements set by this section and by the
18 department by rule.

19 d. The parent, guardian, or custodian is not a substitute or
20 an assistant at a child development home.

21 e. Based on the department's evaluation of the parent,
22 guardian, or custodian's application for state child care
23 assistance, the department has determined the parent, guardian,
24 or custodian has a need for child care.

25 2. A director, co-director, or other administrative staff
26 member of a child care facility may qualify for state child care
27 assistance pursuant to subsection 1 if such person is regularly
28 counted in the minimum child-to-staff ratio established by the
29 department by rule.

30 3. A family participating in the state child care assistance
31 program pursuant to eligibility established under this section
32 shall make copayments for child care services received under the
33 program based on the family's household income.

34 4. The department shall adopt rules pursuant to chapter 17A
35 to implement and administer this section.

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EXPLANATION

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

This bill relates to child care and is separated into divisions.

DIVISION I — CHILD AND DEPENDENT CARE TAX CREDIT. The Iowa child and dependent care tax credit is a refundable credit calculated as a percentage of the federal child and dependent care tax credit, depending on the Iowa net income of the taxpayer. Currently, there are seven graduated Iowa net income thresholds used to calculate the credit. This division strikes the Iowa net income thresholds, and specifies a taxpayer may claim a tax credit to reduce Iowa net income equal to the amount of the child and dependent care credit of the federal child and dependent care credit provided in section 21 of the Internal Revenue Code, without regard to whether or not the federal credit was limited by the taxpayer's federal tax liability.

The division applies retroactively to tax years beginning on or after January 1, 2025.

DIVISION II — CHILD CARE WORKFORCE MATCHING GRANT PROGRAM. This division establishes a child care workforce matching grant program (program). Moneys appropriated by the general assembly to the department of health and human services (HHS) for the program must be used to raise wages for persons employed by a child care facility; provide health insurance, paid leave, and retirement benefits for persons employed by a child care facility; raise the quality of the work environment at each child care facility; collect data to assess the needs of persons employed by a child care facility; and assist persons employed by a child care facility to identify sources and apply for benefits for which a person may qualify. The division requires HHS to adopt rules to administer the program.

DIVISION III — SMALL BUSINESS CHILD CARE TAX CREDIT. This division creates a small business child care tax credit available against the individual and corporate income taxes, the franchise

1 tax, the insurance premiums tax, and the moneys and credits tax.

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

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

16 The division applies retroactively to tax years beginning on
17 or after January 1, 2025.

18 DIVISION IV — STATE CHILD CARE ASSISTANCE. This division
19 relates to state child care assistance (CCA).

20 Under current law, to be eligible for the CCA program, a
21 family must be described by one of six different circumstances
22 and meet income requirements. One of the six eligibility
23 circumstances is that a child's parent, guardian, or custodian
24 (parent) is employed a minimum of 32 hours per week or an average
25 of 32 hours per week during the month if the child requires basic
26 care, or 28 hours per week or an average of 28 hours per week
27 during the month if the child is a special needs child. The
28 division changes the work requirements to 28 hours per week or an
29 average of 28 hours per week during the month for parents of any
30 child.

31 Under current law, a family is required to have income at or
32 below 160 percent of the federal poverty level applicable to the
33 family's size (FPL) for a family of a child needing basic care;
34 200 percent of the FPL for a family of a special needs child; or
35 85 percent of the state median gross monthly income, whichever is

1 lower. The division sets initial eligibility at the lesser of 85
2 percent of the state median gross monthly income, or 250 percent
3 of the FPL for families of children needing basic care or 290
4 percent of the FPL for families of special needs children.

5 The division requires HHS to reimburse child care providers
6 participating in the CCA program at a rate equal to the rate the
7 provider charges a private-pay family for child care.

8 The division provides that HHS shall pay providers based on
9 the number of hours of child care scheduled for a child enrolled
10 in the CCA program instead of for child care provided.

11 The division makes a child eligible for CCA if the child is
12 in a family with a parent, guardian, or custodian who is employed
13 at a child care facility, a child care home registered with HHS,
14 or an unregistered child care home with an agreement with HHS to
15 accept CCA reimbursements; and who meets certain requirements as
16 detailed in the division (qualified parent).

17 The division provides that a director, co-director, or other
18 administrative staff of a child care facility may qualify as
19 a qualified parent if such person is regularly counted in the
20 minimum child-to-staff ratio established by HHS by rule.

21 The division requires a family who participates in CCA to
22 make copayments for services received from the program, if the
23 family's eligibility is based on a parent being a qualified
24 parent.

25 The division directs HHS to adopt rules to implement
26 and administer the division's provisions related to qualified
27 parents.

28 The division prohibits HHS from applying waiting list
29 requirements for CCA on persons deemed eligible for CCA due to
30 eligibility based on a qualified parent.

31 The division makes a conforming change by striking Code
32 section 237A.13(6).