

House File 962 - Introduced

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DUNWELL, C. JOHNSON, YOUNG,
HOLT, HENDERSON, BARKER, and
NORDMAN

A BILL FOR

- 1 An Act modifying the child and dependent care credit available
2 against the individual income tax, and including retroactive
3 applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.12C, subsection 1, Code 2025, is
2 amended to read as follows:

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

10 a. For a taxpayer with net income of less than ten thousand
11 dollars, seventy-five percent.

12 b. For a taxpayer with net income of ten thousand dollars or
13 more but less than twenty thousand dollars, sixty-five percent.

14 c. For a taxpayer with net income of twenty thousand dollars
15 or more but less than twenty-five thousand dollars, fifty-five
16 percent.

17 d. For a taxpayer with net income of twenty-five thousand
18 dollars or more ~~but less than thirty-five thousand dollars~~, fifty
19 percent.

20 ~~e. For a taxpayer with net income of thirty-five thousand~~
21 ~~dollars or more but less than forty thousand dollars, forty~~
22 ~~percent.~~

23 ~~f. For a taxpayer with net income of forty thousand dollars~~
24 ~~or more but less than ninety thousand dollars, thirty percent.~~

25 ~~g. For a taxpayer with net income of ninety thousand dollars~~
26 ~~or more, zero percent.~~

27 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
28 retroactively to January 1, 2025, for tax years beginning on or
29 after that date.

30 EXPLANATION

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

33 This bill relates to the Iowa child and dependent care credit
34 available against the individual income tax.

35 The Iowa child and dependent care credit is a refundable

1 credit calculated as a percentage of the federal child and
2 dependent care credit, depending on the Iowa net income of the
3 taxpayer. Currently, there are seven graduated Iowa net income
4 thresholds used to calculate the credit. The bill reduces
5 the number of Iowa net income thresholds from seven thresholds
6 to four thresholds, and removes the maximum Iowa net income
7 threshold amount used by the taxpayer to calculate the Iowa child
8 and dependent care tax credit. By removing the maximum Iowa net
9 income threshold amount for eligibility purposes (\$90,000), any
10 taxpayer with Iowa net income equal to or exceeding \$25,000 is
11 eligible to use 50 percent of the federal child and dependent
12 care credit as a refundable credit against the Iowa individual
13 income tax, regardless of whether the taxpayer's federal credit
14 is limited by the taxpayer's federal tax liability.

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