

House Study Bill 544 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON HIGHER
EDUCATION BILL BY CHAIRPERSON
COLLINS)

A BILL FOR

1 An Act creating an endowment tax on the endowment value
2 of certain Iowa colleges and universities, limited charges
3 relating to certain endowment funds, making appropriations
4 to workforce grant and incentive programs, and making
5 appropriations to supplement tuition grants for high-wage and
6 high-demand jobs.

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

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

3 Sec. 2. Section 256.189, subsection 1, Code 2026, is amended
4 by adding the following new paragraph:

5 NEW PARAGRAPH. d. (1) Approve and award supplemental
6 tuition grants after January 1, 2028.

7 (2) The commission shall adopt rules pursuant to chapter 17A
8 to administer the approval and awarding of supplemental tuition
9 grants.

10 Sec. 3. Section 256.189, subsection 3, Code 2026, is amended
11 to read as follows:

12 3. a. An Iowa tuition grants fund is established in the
13 state treasury. The fund shall be administered by the commission
14 and shall consist of moneys appropriated by the general assembly
15 and other moneys received by the commission for deposit in
16 the fund. The moneys in the fund are appropriated to the
17 commission for purposes of providing tuition grants to qualified
18 students who are enrolled in accredited private institutions.
19 Notwithstanding section 8.33, moneys in the fund at the close
20 of the fiscal year shall not revert to the general fund of the
21 state but shall remain available for expenditure for purposes of
22 providing tuition grants to qualified students who are enrolled
23 in accredited private institutions for subsequent fiscal years.
24 Notwithstanding section 12C.7, subsection 2, interest or earnings
25 on moneys in the fund shall be credited to the fund and are
26 appropriated to the commission for purposes of administering any
27 scholarship or grant program described in this subchapter VII,
28 part 4.

29 b. After January 1, 2028, a high-wage and high-demand jobs
30 account shall be created within the fund. Moneys credited to
31 the account from the tax, interest, and penalties collected
32 under section 422B.1, subsection 3, paragraph "b", shall be used
33 to supplement tuition grants to qualified students enrolled in
34 accredited private institutions in majors that correspond with
35 high-wage and high-demand jobs identified pursuant to section

1 84A.1B, subsection 5.

2 Sec. 4. NEW SECTION. **262.29 Endowment — fees.**

3 1. As used in this section:

4 a. "Endowment" means the same as defined in section 422B.1.

5 b. "Endowment value" means the same as defined in section
6 422B.1.

7 c. "Institution" means an institution of higher education
8 governed by the board.

9 2. An institution shall not charge or pay another entity more
10 than five percent of the gross proceeds of any gift made to the
11 institution.

12 3. An institution shall not charge an annual fee in excess
13 of one percent of the endowment value for the management and
14 administration of the endowment of the institution.

15 Sec. 5. NEW SECTION. **422B.1 Endowment tax.**

16 1. For purposes of this chapter:

17 a. "Department" means the department of revenue.

18 b. "Educational institution" means any institution of higher
19 education governed by the state board of regents or an accredited
20 private institution as defined in section 256.183, with an
21 endowment value in excess of two hundred fifty million dollars.

22 c. "Endowment" means the corpus of funds or other assets
23 held and administered by an educational institution or a related
24 organization to the educational institution, the principal of
25 which is intended to be preserved and invested for the purpose
26 of generating income to support the educational institution's
27 operations, scholarships, research, or other institutional
28 purposes, whether unrestricted, temporarily restricted, or
29 permanently restricted.

30 d. "Endowment value" means the total aggregate fair market
31 value of all assets constituting the endowment at the close of
32 the preceding tax year.

33 e. "Related organization" means any organization which
34 controls or is controlled by the educational institution, is
35 controlled by one or more persons which also controls the

1 educational institution, or is a supported organization as
2 defined in section 509(f)(3) of the Internal Revenue Code or
3 an organization described in section 509(a)(3) of the Internal
4 Revenue Code.

5 2. A tax shall be imposed annually upon an educational
6 institution's endowment value in excess of two hundred fifty
7 million dollars at a rate of fifteen percent for tax years
8 beginning on or after January 1, 2027.

9 3. a. Taxes, interest, and penalties collected under this
10 chapter from educational institutions governed by the state
11 board of regents shall be deposited in the Iowa workforce grant
12 incentive fund established in section 256.230.

13 b. Taxes, interest, and penalties collected from educational
14 institutions that are accredited private institutions shall be
15 deposited into the high-wage and high-demand account established
16 in section 256.189, subsection 3, paragraph "b".

17 4. The department shall adopt rules pursuant to chapter 17A
18 to administer this chapter.

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 creates an endowment tax on the endowment value of
23 certain Iowa colleges and universities, limits charges relating
24 to certain endowment funds, makes appropriations to workforce
25 grant and incentive programs, and makes appropriations to
26 supplemental tuition grants for high-wage and high-demand jobs.
27 The bill shall be known as the "Tax the Endowments Act".

28 The bill imposes an endowment tax annually upon an educational
29 institution's endowment value in excess of \$250 million at the
30 close of the preceding tax year at a rate of 15 percent for tax
31 years beginning on or after January 1, 2027. The bill specifies
32 the department of revenue may adopt rules to administer the tax.

33 The bill defines "educational institution" to mean any
34 institution of higher education governed by the state board of
35 regents or an accredited private institution as defined in Code

1 section 256.183.

2 The bill defines "endowment" to mean the corpus of any fund
3 or account held and administered by an educational institution
4 or a related organization to the educational institution,
5 the principal of which is intended to be preserved and
6 invested for the purpose of generating income to support the
7 educational institution's operations, scholarships, research, or
8 other institutional purposes, whether unrestricted, temporarily
9 restricted, or permanently restricted.

10 The bill defines "endowment value" to mean the total aggregate
11 fair market value of all assets constituting the endowment at the
12 close of the preceding tax year.

13 The endowment tax collected from educational institutions
14 governed by the state board of regents are credited to the
15 Iowa workforce grant incentive fund established in Code section
16 256.230(8), for the uses specified in the fund.

17 The bill creates a high-wage and high-demand job account
18 within the Iowa tuition grants fund created in Code section
19 256.189(3) (private colleges). The bill specifies the endowment
20 tax collected from educational institutions that are accredited
21 private institutions are to be deposited into to the high-wage
22 and high-demand job account established in new Code section
23 256.189(3)(b). The moneys in the high-wage and high-demand job
24 account are to be used to supplement Iowa tuition grants to
25 students enrolled at private colleges in majors that correspond
26 with the high-wage and high-demand jobs identified by the
27 workforce development board and state board of regents pursuant
28 to Code section 84A.1B(5). The bill requires the college student
29 aid commission to adopt rules to administer the approval and
30 awarding of supplemental tuition grants.

31 The bill limits the amount a higher education institution
32 governed by the state board of regents may charge another entity
33 for gifts made to the institution to 5 percent of the gross
34 proceeds of the gift. The bill also limits such an institution
35 from annually charging more than 1 percent of the endowment value

H.F. _____

1 for the management and administration of the endowment.

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