

CHAPTER 161STATE EARNED INCOME TAX CREDIT —
MISCELLANEOUS CHANGES

S.F. 590

ANACT relating to the state earned income tax credit by increasing the amount of the tax credit and making the tax credit refundable and including effective and retroactive applicability date provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 422.12B, subsection 1, Code 2007, is amended to read as follows:

1. The taxes imposed under this division less the credits allowed under section 422.12 shall be reduced by an earned income credit equal to ~~six and one-half~~ seven percent of the federal earned income credit provided in section 32 of the Internal Revenue Code. Any credit in excess of the tax liability is ~~nonrefundable~~ refundable.

COORDINATING AMENDMENTS

Sec. 2. Section 422.11, Code 2007, is amended to read as follows:

422.11 FRANCHISE TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~sections~~ section 422.12 and ~~422.12B~~, shall be reduced by a franchise tax credit. A taxpayer who is a shareholder in a financial institution, as defined in section 581 of the Internal Revenue Code, which has in effect for the tax year an election under subchapter S of the Internal Revenue Code, or is a member of a financial institution organized as a limited liability company under chapter 524 that is taxed as a partnership for federal income tax purposes, shall compute the amount of the tax credit by recomputing the amount of tax under this division by reducing the taxable income of the taxpayer by the taxpayer's pro rata share of the items of income and expense of the financial institution and subtracting the credits allowed under ~~sections~~ section 422.12 and ~~422.12B~~. This recomputed tax shall be subtracted from the amount of tax computed under this division after the deduction for credits allowed under ~~sections~~ section 422.12 and ~~422.12B~~. The resulting amount, which shall not exceed the taxpayer's pro rata share of the franchise tax paid by the financial institution, is the amount of the franchise tax credit allowed.

Sec. 3. Section 422.11A, Code 2007, is amended to read as follows:

422.11A NEW JOBS TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~sections~~ section 422.12 and ~~422.12B~~, shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 260E and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 37, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. An individual may claim the new jobs tax credit allowed a partnership, subchapter S corporation, or estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual

shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, or estate or trust. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted, whichever is the earlier. For purposes of this section, "agreement", "industry", "new job", and "project" mean the same as defined in section 260E.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 260E on the date of that agreement.

Sec. 4. Section 422.11C, subsection 2, unnumbered paragraph 1, Code 2007, is amended to read as follows:

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an ethanol blended gasoline tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this section. In order to be eligible, all of the following must apply:

Sec. 5. Section 422.11D, subsection 1, Code 2007, is amended to read as follows:

1. The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by a historic preservation and cultural and entertainment district tax credit equal to the amount as computed under chapter 404A for rehabilitating eligible property. Any credit in excess of the tax liability shall be refunded as provided in section 404A.4, subsection 3.

Sec. 6. Section 422.11E, subsection 1, Code 2007, is amended to read as follows:

1. The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an assistive device tax credit. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device or for making the workplace modifications. Any credit in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. If the small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal tax purposes.

Sec. 7. Section 422.11F, Code 2007, is amended to read as follows:

422.11F INVESTMENT TAX CREDITS.

1. The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an investment tax credit authorized pursuant to section 15E.43 for an investment in a qualifying business or a community-based seed capital fund.

2. The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by investment tax credits authorized pursuant to sections 15.333 and 15E.193B, subsection 6.

Sec. 8. Section 422.11G, Code 2007, is amended to read as follows:

422.11G VENTURE CAPITAL FUND INVESTMENT TAX CREDIT.

The tax imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by a venture capital fund investment tax credit authorized pursuant to section 15E.51.

Sec. 9. Section 422.11H, Code 2007, is amended to read as follows:

422.11H ENDOW IOWA TAX CREDIT.

The tax imposed under this division, less the credits allowed under ~~sections section 422.12~~

and ~~422.12B~~, shall be reduced by an endow Iowa tax credit authorized pursuant to section 15E.305.

Sec. 10. Section 422.11I, subsection 1, unnumbered paragraph 1, Code 2007, is amended to read as follows:

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by a soy-based cutting tool oil tax credit. A manufacturer, as defined in section 428.20, is eligible to receive a soy-based cutting tool oil tax credit which is equal to the costs incurred by the manufacturer during the tax year for the purchase and replacement costs relating to the transition from using nonsoy-based cutting tool oil to using soy-based cutting tool oil. The costs eligible for the credit are limited to those costs meeting all of the following requirements:

Sec. 11. Section 422.11J, Code 2007, is amended to read as follows:

422.11J TAX CREDITS FOR WIND ENERGY PRODUCTION AND RENEWABLE ENERGY.

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by tax credits for wind energy production allowed under chapter 476B and for renewable energy allowed under chapter 476C.

Sec. 12. Section 422.11K, Code 2007, is amended to read as follows:

422.11K ECONOMIC DEVELOPMENT REGION REVOLVING FUND CONTRIBUTION TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an economic development region revolving fund contribution tax credit authorized pursuant to section 15E.232.

Sec. 13. Section 422.11L, Code 2007, is amended to read as follows:

422.11L WAGE-BENEFITS TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by a wage-benefits tax credit authorized pursuant to section 15I.2.

Sec. 14. Section 422.11M, Code 2007, is amended to read as follows:

422.11M AGRICULTURAL ASSETS TRANSFERRED TO BEGINNING FARMERS.

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an agricultural assets transfer tax credit as allowed under section 175.37.

Sec. 15. Section 422.11N, subsection 3, unnumbered paragraph 1, Code 2007, is amended to read as follows:

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an ethanol promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this section. In order to be eligible, all of the following must apply:

Sec. 16. Section 422.11O, subsection 2, unnumbered paragraph 1, Code 2007, is amended to read as follows:

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12 and 422.12B~~, shall be reduced by an E-85 gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this subsection. In order to be eligible, all of the following must apply:

Sec. 17. Section 422.11P, subsection 2, unnumbered paragraph 1, Code 2007, is amended to read as follows:

The taxes imposed under this division, less the credits allowed under ~~sections section 422.12~~

and 422.12B, shall be reduced by the amount of the biodiesel blended fuel tax credit for each tax year that the taxpayer is eligible to claim a tax credit under this subsection.

Sec. 18. Section 422.11Q, Code 2007, is amended to read as follows:

422.11Q IOWA FUND OF FUNDS TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~sections~~ section 422.12 and 422.12B, shall be reduced by a tax credit authorized pursuant to section 15E.66, if redeemed, for investments in the Iowa fund of funds.

Sec. 19. Section 422.11R, Code 2007, is amended to read as follows:

422.11R SOY-BASED TRANSFORMER FLUID TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~sections~~ section 422.12 and 422.12B, shall be reduced by a soy-based transformer fluid tax credit allowed under chapter 476D.

This section is repealed December 31, 2008.

Sec. 20. Section 422.11S, subsection 1, Code 2007, is amended to read as follows:

1. The taxes imposed under this division, less the credits allowed under ~~sections~~ section 422.12 and 422.12B, shall be reduced by a school tuition organization tax credit equal to sixty-five percent of the amount of the voluntary cash contributions made by the taxpayer during the tax year to a school tuition organization, subject to the total dollar value of the organization's tax credit certificates as computed in subsection 7. The tax credit shall be claimed by use of a tax credit certificate as provided in subsection 6.

Sec. 21. Section 422.12, subsection 2, unnumbered paragraph 1, Code 2007, is amended to read as follows:

A tuition credit equal to twenty-five percent of the first one thousand dollars which the taxpayer has paid to others for each dependent in grades kindergarten through twelve, for tuition and textbooks of each dependent in attending an elementary or secondary school situated in Iowa, which school is accredited or approved under section 256.11, which is not operated for profit, and which adheres to the provisions of the federal Civil Rights Act of 1964 and chapter 216. As used in this subsection, "textbooks" means books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state and does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship. "Textbooks" includes books or materials used for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or programs of a similar nature. Notwithstanding any other provision, all other credits allowed under this section and ~~section~~ 422.12B shall be deducted before the tuition credit under this subsection. The department, when conducting an audit of a taxpayer's return, shall also audit the tuition tax credit portion of the tax return.

Sec. 22. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon enactment and applies retroactively to January 1, 2007, for tax years beginning on or after that date.

Approved May 15, 2007