

JAN 10 2005
WAYS AND MEANS

HOUSE FILE 13
BY TYMESON

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing an individual income tax credit for certain
2 teacher expenses and including a retroactive applicability
3 date provision.

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

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HF 13

1 Section 1. NEW SECTION. 422.11K TEACHER EXPENSE CREDIT.

2 The taxes imposed under this division, less the credits
3 allowed under section 422.12, shall be reduced by a teacher
4 expense credit equal to the first two hundred fifty dollars of
5 the cost incurred to purchase supplies by the taxpayer to
6 assist the taxpayer in teaching at an elementary or secondary
7 school situated in Iowa, which school is accredited under
8 section 256.11. To qualify for the credit, the costs must be
9 nonreimbursable from any source. If the cost incurred has
10 been deducted in computing federal adjusted gross income, the
11 amount of such deduction shall be added in determining net
12 income under section 422.7. Any credit in excess of the tax
13 liability is nonrefundable.

14 As used in this section, "supplies" includes but is not
15 limited to paper supplies, bulletin boards, books, maps,
16 charts, computer software but not hardware, and other items
17 directly used by the taxpayer as a teacher. The cost incurred
18 to purchase supplies for which a tax credit may be received
19 under this section shall not be used by a school district to
20 supplement its costs of instructional materials.

21 Sec. 2. APPLICABILITY. This Act applies retroactively to
22 January 1, 2005, for tax years beginning on or after that
23 date.

24 EXPLANATION

25 This bill provides an income tax credit of up to \$250 for
26 teachers that incur expenses for supplies directly used by
27 them in the teaching at accredited elementary or secondary
28 schools in Iowa. To qualify, the expenses must be
29 nonreimbursable from any source. If the expenses were
30 deducted in computing federal adjusted gross income, the
31 deduction shall be added in determining Iowa net income.
32 These supplies include paper supplies, bulletin boards, books,
33 maps, charts, computer software but not hardware, and other
34 similar items directly used by the taxpayer as a teacher. The
35 cost incurred to purchase supplies for which a tax credit may

1 be received under this section shall not be used by a school
2 district to supplement its costs of instructional materials.

3 The bill applies retroactively to January 1, 2005, for tax
4 years beginning on or after that date.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 13 - Teacher Tax Credit (LSB 1404 YH)

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Fiscal Note Version - New

Requested by Representative Jodi Tymeson

Description

House File 13 provides a maximum \$250 per year income tax credit for supply expenses incurred by a teacher. The supplies must be used directly in teaching at an accredited elementary or secondary school in Iowa. The credit is retroactive to tax year 2005 and is not refundable.

Assumptions

1. Approximately 36,000 Iowa teachers could qualify for the tax credit.
2. All teachers with qualified out-of-pocket expenses will claim the credit.
3. Although retroactive to January 1, 2005, the credit will not reduce General Fund receipts until FY 2006.
4. Iowa teachers average the following amounts of out-of-pocket expenses annually:

<u>Percent of Total Teachers</u>	<u>Number of Teachers</u>	<u>Average Out-of-Pocket Expenses</u>	<u>Total Credits Claimed</u>
15.00%	5,400	\$ 50	\$ 270,000
28.00%	10,080	\$ 160	\$ 1,600,000
57.00%	20,520	Greater than \$ 250	\$ 5,130,000
100.00%	36,000		\$ 7,000,000

5. The Local Option School and Emergency Medical Services (EMS) income taxes generate an amount equal to 2.9% of net income tax revenue.

Fiscal Impact

The tax credit provided in HF 13 will reduce net General Fund receipts by an estimated \$7.0 million per year, beginning FY 2006.

The tax credit will also reduce the amount of revenue generated by the Local Option School and EMS income taxes by \$203,000 per year.

Sources

Department of Revenue
Department of Education
Iowa State Education Association Survey

/s/ Holly M. Lyons

March 28, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
