

MAR 16 2005
WAYS & MEANS CALENDAR

HOUSE FILE 802

BY COMMITTEE ON WAYS
AND MEANS

(SUCCESSOR TO HSB 8)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act expanding the child and dependent care credit under the
2 individual income tax and including an applicability date.

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

HF 802

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1 Section 1. Section 422.12C, subsection 1, paragraph f,
2 Code 2005, is amended to read as follows:

3 f. For a taxpayer with net income of forty thousand
4 dollars or more, ~~zero~~ but less than fifty thousand dollars,
5 thirty percent.

6 Sec. 2. Section 422.12C, subsection 1, Code 2005, is
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. g. For a taxpayer with net income of fifty
9 thousand dollars or more, zero percent.

10 Sec. 3. APPLICABILITY DATE. This Act applies to tax years
11 beginning on or after January 1, 2006.

12 EXPLANATION

13 Under present law, a child and dependent care credit is
14 allowed under the individual income tax. This credit is a
15 percentage of the federal credit for those with Iowa net
16 incomes of less than \$40,000. This bill expands this credit
17 to those with net incomes of up to \$50,000. The bill provides
18 that those with net incomes between \$40,000 and \$50,000
19 receive a credit equal to 30 percent of the federal credit.
20 Those with \$50,000 or over in net income receive no credit.

21 The bill applies to tax years beginning on or after January
22 1, 2006.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 802 - Child & Dependent Care Tax Credit Expansion (LSB 1509 HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Representative Jeff Kaufmann

Description

House File 802 expands the current Child and Dependent Care Tax Credit by increasing the net income threshold for qualification to \$50,000. The current maximum is \$40,000 of net income. For taxpayers with net income from \$40,000 to \$50,000, the Bill would allow a credit equal to 30.0% of the federal credit. The change is effective for tax years beginning on or after January 1, 2006.

Background

1. In tax year 2000, there were approximately 114,000 Iowa resident household returns with net income between \$40,000 and \$50,000.
2. The tax simulation model of the Department of Revenue was utilized to estimate the net General Fund impact.
3. The model was updated to reflect federal tax credit changes that occurred in 2003.

Assumptions

1. The number of tax returns with \$40,000 to \$50,000 of net income is stable.
2. Although the credit will be available during the last half of FY 2006, only 5.0% of impacted taxpayers will adjust withholding to reflect the expanded credit in FY 2006.

Fiscal Impact

On an annual basis, the expanded tax credit in HF 802 will reduce net General Fund revenue by \$4.4 million per tax year. On a fiscal year basis, the impact is projected as:

- FY 2006 = \$0.1 million
- FY 2007 = \$4.4 million

In future fiscal years, the impact is projected to be similar to FY 2007.

Source

Department of Revenue

/s/ Holly M. Lyons

March 22, 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.

Kaufmann, Ch.
Paulsen
Jochum

Successor
SF 0802

HSB 8
WAYS AND MEANS

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act expanding the child and dependent care credit under the
2 individual income tax and including a retroactive
3 applicability date.

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

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1 Section 1. Section 422.12C, subsection 1, paragraph f,
2 Code 2005, is amended to read as follows:

3 f. For a taxpayer with net income of forty thousand
4 dollars or more, ~~zero~~ but less than fifty thousand dollars,
5 thirty percent.

6 Sec. 2. Section 422.12C, subsection 1, Code 2005, is
7 amended by adding the following new paragraphs:

8 NEW PARAGRAPH. g. For a taxpayer with net income of fifty
9 thousand dollars or more but less than sixty thousand dollars,
10 twenty percent.

11 NEW PARAGRAPH. h. For a taxpayer with net income of sixty
12 thousand dollars or more but less than seventy thousand
13 dollars, ten percent.

14 NEW PARAGRAPH. i. For a taxpayer with net income of
15 seventy thousand dollars or more, zero percent.

16 Sec. 3. APPLICABILITY DATE. This Act applies
17 retroactively to January 1, 2005, for tax years beginning on
18 or after that date.

19 EXPLANATION

20 Under present law, a child and dependent care credit is
21 allowed under the individual income tax. This credit is a
22 percentage of the federal credit for those with Iowa net
23 incomes of less than \$40,000. This bill expands this credit
24 to those with net income of up to \$70,000. The bill provides
25 that those with net incomes between \$40,000 and \$50,000
26 receive a credit equal to 30 percent of the federal credit.
27 Those between \$50,000 and \$60,000 receive a 20 percent credit,
28 those between \$60,000 and \$70,000 receive a 10 percent credit,
29 and those with \$70,000 or over in net income receive no
30 credit.

31 The bill applies retroactively beginning with the 2005 tax
32 year.

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