

JAN 24 2001

WAYS AND MEANS

HOUSE FILE 85
BY GRUNDBERG

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act providing a refundable newborn tax credit under the
2 individual income tax and including effective date and
3 retroactive applicability date provisions.

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

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HF 85

1 Section 1. NEW SECTION. 422.12A NEWBORN TAX CREDIT --
2 REFUND.

3 1. a. The taxes imposed under this division, less the
4 credits allowed under section 422.12 and other nonrefundable
5 credits, shall be reduced by a newborn tax credit equal to
6 five hundred dollars for each calendar month that a child of
7 the taxpayer meets all of the following conditions:

8 (1) The child is living with the parent for more than one-
9 half of the month or was living with the parent during the
10 month the child died.

11 (2) The child is not older than six months at the end of
12 the month or, in the case where the child died, the child
13 would not have been older than six months at the end of the
14 month.

15 (3) The child is claimed as a dependent of the taxpayer.

16 b. The newborn tax credit applies to each child meeting
17 the qualifications in this subsection. For purposes of the
18 newborn tax credit, "child" includes an adopted child.

19 2. Any credit in excess of the tax liability shall be
20 refunded. In lieu of claiming a refund, a taxpayer may elect
21 to have the overpayment shown on the taxpayer's final,
22 completed return credited to the tax liability for the
23 following taxable year.

24 3. Married taxpayers who have filed joint federal returns
25 electing to file separate returns or to file separately on a
26 combined return form must determine the newborn tax credit
27 under subsection 1 based upon their combined net income and
28 allocate the total credit amount to each spouse in the
29 proportion that each spouse's respective net income bears to
30 the total combined net income. Nonresidents or part-year
31 residents of Iowa must determine their Iowa newborn tax credit
32 in the ratio of their Iowa source net income to their all
33 source net income. Nonresidents or part-year residents who
34 are married and elect to file separate returns or to file
35 separately on a combined return form must allocate the Iowa

1 newborn tax credit between the spouses in the ratio of each
2 spouse's Iowa source net income to the combined Iowa source
3 net income of the taxpayers.

4 Sec. 2. EFFECTIVE DATE AND APPLICABILITY. This Act, being
5 deemed of immediate importance, takes effect upon enactment
6 and applies retroactively to January 1, 2001, for tax years
7 beginning on or after that date.

8 EXPLANATION

9 This bill provides a newborn tax credit under the
10 individual income tax. The credit equals \$500 per month per
11 child for the first six months of the child's life. The child
12 must be living with the taxpayer. The credit is refundable.
13 The bill takes effect upon enactment and applies retroactively
14 to January 1, 2001, for the years beginning on or after that
15 date.

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