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SENATE FILE

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MCKINLEY, KING, FREEMAN,
SEXTON, and BOETTGER

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

A BILL FOR

1 An Act providing a child care tax credit under the individual
2 income tax for certain families and including a retroactive
3 applicability date provision.

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

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SF 41
WAYS & MEANS

1 Section 1. NEW SECTION. 422.12F CHILD CARE TAX CREDIT.
2 1. The taxes imposed under this division, less the credits
3 allowed under section 422.12 and section 422.12B, shall be
4 reduced by a child care tax credit for married taxpayers where
5 one spouse is not gainfully employed for more than one hundred
6 four hours during each calendar quarter during the tax year
7 and that spouse provides household services and care for a
8 qualifying child. An individual who has net earnings from
9 self-employment which are subject to the self-employment tax
10 under the federal Social Security Act of six hundred dollars
11 or more during a calendar quarter or two thousand four hundred
12 dollars or more during a calendar year is considered gainfully
13 employed for more than one hundred four hours during a
14 calendar quarter. The amount of the credit is equal to two
15 hundred fifty dollars for each qualified child.
16 2. Any credit in excess of the tax liability is
17 nonrefundable. The credit is only available to married
18 taxpayers filing jointly. A taxpayer shall not claim a credit
19 under this section and section 422.12C for the same tax year.
20 Nonresidents or part-year residents of Iowa must determine
21 their Iowa child care tax credit in the ratio of their Iowa
22 source net income to their all source net income.
23 3. "Qualifying child" means a dependent with respect to
24 whom the taxpayer is entitled to a deduction under section
25 151(c) of the Internal Revenue Code who is a child, stepchild,
26 or adopted child, or other lineal descendent of the taxpayer
27 and who is less than six years of age at the end of the tax
28 year.

29 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
30 retroactively to January 1, 2001, for tax years beginning on
31 or after that date.

32 EXPLANATION

33 This bill provides a \$250 individual income tax credit for
34 each qualified child for married taxpayers where one spouse
35 remains at home to provide household services and care for a

1 qualifying child and is not gainfully employed for more than
2 104 hours during each calendar quarter during the tax year.
3 Net earnings from self-employment of at least \$600 in a
4 calendar quarter or \$2,400 in a calendar year is considered
5 gainfully employed for more than 104 hours during a calendar
6 quarter.

7 A qualifying child is a dependent who is a child,
8 stepchild, adopted child, or other lineal descendent of the
9 taxpayer who is less than six years old at the end of the tax
10 year.

11 The bill applies retroactively to January 1, 2001, for tax
12 years beginning on or after that date.

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