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SENATE FILE 87
BY VEENSTRA

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

A BILL FOR

1 An Act providing a tax credit under the individual income tax for
2 an individual who provides household services and care for
3 certain dependents and including a retroactive applicability
4 date provision.

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

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SF 87
WAYS & MEANS

1 Section 1. NEW SECTION. 422.12F DEPENDENT CARE TAX
2 CREDIT -- REFUND.

3 1. The taxes imposed under this division, less the credit
4 allowed under section 422.12 and other nonrefundable credits,
5 shall be reduced by a dependent care tax credit for married
6 taxpayers where one spouse is not gainfully employed for more
7 than one hundred four hours during each calendar quarter
8 during the tax year and that spouse provides household
9 services and care for a qualifying individual. The credit is
10 also available to an unmarried head of household where the
11 head of household is not gainfully employed for more than one
12 hundred four hours during each calendar quarter during the tax
13 year and the head of household provides household services and
14 care for a qualifying individual. An individual who has net
15 earnings from self-employment which are subject to the self-
16 employment tax under the federal Social Security Act of six
17 hundred dollars or more during a calendar quarter or two
18 thousand four hundred dollars or more during a calendar year
19 is considered gainfully employed for more than one hundred
20 four hours during a calendar quarter. The amount of the
21 credit shall be computed as follows:

22 a. Calculate a provisional credit equal to the product of
23 the applicable percentage and the household services and care
24 expenses.

25 b. Calculate the actual credit as follows:

26 (1) For a taxpayer with net income of less than ten
27 thousand dollars, seventy-five percent of the provisional
28 credit.

29 (2) For a taxpayer with net income of ten thousand dollars
30 or more but less than twenty thousand dollars, sixty-five
31 percent of the provisional credit.

32 (3) For a taxpayer with net income of twenty thousand
33 dollars or more but less than twenty-five thousand dollars,
34 fifty-five percent of the provisional credit.

35 (4) For a taxpayer with net income of twenty-five thousand

1 dollars or more but less than thirty-five thousand dollars,
2 fifty percent of the provisional credit.

3 (5) For a taxpayer with net income of thirty-five thousand
4 dollars or more but less than forty thousand dollars, forty
5 percent of the provisional credit.

6 (6) For a taxpayer with net income of forty thousand
7 dollars or more, zero percent of the provisional credit.

8 2. For purposes of this section:

9 a. "Applicable percentage" means the same as defined in
10 section 21(a)(2) of the Internal Revenue Code.

11 b. "Household services and care expenses" equals two
12 thousand four hundred dollars if there is only one qualifying
13 individual, and four thousand eight hundred dollars if there
14 are two or more qualifying individuals.

15 c. "Qualifying individual" means the same as defined in
16 section 21(b)(1) of the Internal Revenue Code.

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

22 4. The credit is only available to married taxpayers
23 filing jointly and unmarried heads of household. A taxpayer
24 shall not claim a credit under this section and section
25 422.12C for the same tax year. Nonresidents or part-year
26 residents of Iowa must determine their Iowa dependent care tax
27 credit in the ratio of their Iowa source net income to their
28 all source net income.

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 refundable tax credit under the
34 individual income tax for a spouse or unmarried head of
35 household who remains at home to provide household services

1 and care for a dependent and who is not gainfully employed for
2 more than 104 hours during each calendar quarter during the
3 tax year. Net earnings from self-employment of at least \$600
4 in a calendar quarter or \$2,400 in a calendar year is
5 considered gainfully employed for more than 104 hours during a
6 calendar quarter. The computation of the amount of the credit
7 is patterned after the method for computing the federal credit
8 available for persons who incurred expenses for household and
9 dependent care services so that they may be gainfully employed
10 and patterned after Iowa's child and dependent care credit,
11 which is a percentage of that federal credit.

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

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