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SENATE FILE 365

BY HANSEN

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

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

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

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SF 365  
WAYS & MEANS

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

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 an elderly dependent care tax credit for a  
6 taxpayer that provides household services and care for a  
7 qualifying individual. The amount of the credit shall be  
8 computed as follows:

9 a. Calculate a provisional credit equal to the product of  
10 the applicable percentage and the household services and care  
11 expenses.

12 b. Calculate the actual credit as follows:

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

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

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

22 (4) For a taxpayer with net income of twenty-five thousand  
23 dollars or more but less than thirty-five thousand dollars,  
24 fifty percent of the provisional credit.

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

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

30 2. For purposes of this section:

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

33 b. "Household services and care expenses" equals two  
34 thousand four hundred dollars if there is only one qualifying  
35 individual, and four thousand eight hundred dollars if there

1 are two or more qualifying individuals.

2 c. "Qualifying individual" means an individual who is  
3 sixty-two years of age or older and is claimed as a dependent  
4 by the taxpayer.

5 3. Any credit in excess of the tax liability shall be  
6 refunded. In lieu of claiming a refund, a taxpayer may elect  
7 to have the overpayment shown on the taxpayer's final,  
8 completed return credited to the tax liability for the  
9 following taxable year.

10 4. Married taxpayers electing to file separate returns or  
11 to file separately on a combined return form must determine  
12 the elderly dependent care tax credit under subsection 1 based  
13 upon their combined net income and allocate the total credit  
14 amount to each spouse in the proportion that each spouse's  
15 respective net income bears to the total combined net income.  
16 Nonresidents or part-year residents of Iowa must determine  
17 their elderly dependent care tax credit in the ratio of their  
18 Iowa source net income to their all source net income.  
19 Nonresidents or part-year residents who are married and elect  
20 to file separate returns or to file separately on a combined  
21 return form must allocate the elderly dependent care tax  
22 credit between the spouses in the ratio of each spouse's Iowa  
23 source net income to the combined Iowa source net income of  
24 the taxpayers.

25 5. A taxpayer shall not claim the Iowa child and dependent  
26 care credit and elderly dependent care tax credit for the same  
27 individual.

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

31 EXPLANATION

32 This bill provides a refundable tax credit under the  
33 individual income tax for a taxpayer who provides household  
34 services and care for a dependent who is 62 years or older.  
35 The computation of the amount of the credit is patterned after

1 the method for computing the federal credit available for  
2 persons who incurred expenses for household and dependent care  
3 services so that they may be gainfully employed and patterned  
4 after Iowa's child and dependent care credit, which is a  
5 percentage of that federal credit. A taxpayer may not claim  
6 the elderly dependent care tax credit and the Iowa child and  
7 dependent care credit for the same individual.

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

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