

FEB 10 2005
WAYS AND MEANS

HOUSE FILE 267
BY HUSER and PETERSEN

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

A BILL FOR

1 An Act providing for income tax credits for the cost of adding
2 mental health coverage to group insurance policies of small
3 businesses and providing effective and retroactive
4 applicability date provisions.

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

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HF 267

1 Section 1. NEW SECTION. 422.11K MENTAL HEALTH COVERAGE
2 TAX CREDIT.

3 1. The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a mental health coverage tax credit. The tax credit may be
6 claimed by a small business, as defined in section 15.102,
7 that adds mental health coverage to its group health insurance
8 policy or that includes mental health coverage in its group
9 health insurance policy when the business first provides group
10 health insurance coverage. The amount of the tax credit
11 equals fifty percent of the additional cost to the small
12 business to add or have included mental health coverage as
13 part of its group health insurance policy.

14 2. a. A small business is entitled to the mental health
15 coverage tax credit for only one tax year. However, any
16 credit in excess of the tax liability for the tax year is
17 nonrefundable but may be credited to the tax liability for the
18 following seven years or until depleted, whichever is the
19 earlier.

20 b. If a small business that has claimed the mental health
21 coverage tax credit is merged with another business or is
22 divided into separate businesses, any resulting business,
23 which is at least fifteen percent directly or indirectly owned
24 or controlled by the owners or controllers of the original
25 small business, is not entitled to the mental health coverage
26 tax credit.

27 3. An individual may claim a mental health coverage tax
28 credit allowed a partnership, limited liability company, S
29 corporation, estate, or trust electing to have the income
30 taxed directly to the individual. The amount claimed by the
31 individual shall be based upon the pro rata share of the
32 individual's earnings of the partnership, limited liability
33 company, S corporation, estate, or trust.

34 Sec. 2. Section 422.33, Code 2005, is amended by adding
35 the following new subsection:

1 fewer than 20 employees or has an annual gross income of less
2 than \$3 million averaged over the previous three fiscal years.

3 The amount of the credit equals 50 percent of the
4 additional cost to the small business to add or to have
5 included mental health coverage as part of its group health
6 insurance policy.

7 The bill takes effect upon enactment and applies
8 retroactively to January 1, 2005, for tax years beginning on
9 or after that date.

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