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SENATE FILE 386 WAYS & MEANS
BY BRUNKHORST

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

A BILL FOR

1 An Act allowing individual income tax credits for contributions
2 made to certain school tuition organizations and including an
3 applicability date provision.

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

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SF 386
WAYS & MEANS

1 Section 1. NEW SECTION. 422.11K SCHOOL TUITION
2 ORGANIZATION 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 school tuition organization tax credit equal to seventy-five
6 percent of the amount of the voluntary cash contributions made
7 by the taxpayer during the tax year to a school tuition
8 organization, not to exceed either of the following:

- 9 a. Seven hundred dollars for a single individual.
- 10 b. Eight hundred dollars for a married couple.

11 2. To be eligible for this credit, all of the following
12 shall apply:

13 a. A deduction pursuant to section 170 of the Internal
14 Revenue Code for any amount of the contribution is not taken
15 for state tax purposes.

16 b. The contribution does not designate that any part of
17 the contribution be used for the direct benefit of any
18 dependent of the taxpayer or any other student designated by
19 the taxpayer.

20 3. Any credit in excess of the tax liability is not
21 refundable but the excess for the tax year may be credited to
22 the tax liability for the following five tax years or until
23 depleted, whichever is the earlier.

24 4. Married taxpayers who file separate returns or file
25 separately on a combined return form must determine the tax
26 credit under subsection 1, paragraph "b", based upon their
27 combined net income and allocate the total credit amount to
28 each spouse in the proportion that each spouse's respective
29 net income bears to the total combined net income.

30 Nonresidents or part-year residents of Iowa must determine
31 their tax credit in the ratio of their Iowa source net income
32 to their all source net income. Nonresidents or part-year
33 residents who are married and elect to file separate returns
34 or to file separately on a combined return form must allocate
35 the tax credit between the spouses in the ratio of each

1 spouse's Iowa source net income to the combined Iowa source
2 net income of the taxpayers.

3 5. For purposes of this section:

4 a. "Disabled student" means a child requiring special
5 education, as defined in section 256B.2, subsection 1.

6 b. "New student" means a child who did not attend an
7 accredited nonpublic school in Iowa during the previous school
8 year.

9 c. "Qualified school" means a preschool for disabled
10 students in this state or a nonpublic elementary or secondary
11 school in this state which is accredited under section 256.11
12 and adheres to the provisions of the federal Civil Rights Act
13 of 1964 and chapter 216.

14 d. "School tuition organization" means a charitable
15 organization in this state that is exempt from federal
16 taxation under all of section 501(c)(3) of the Internal
17 Revenue Code and that does all of the following:

18 (1) Allocates at least ninety percent of its annual
19 revenue for educational scholarships or tuition grants to
20 children to allow them to attend any qualified school of their
21 parents' choice of which one-third of the children who receive
22 scholarships or grants are new students. Once a child has
23 been deemed a new student, that child shall continue to be
24 counted as a new student for each school year the child
25 receives a scholarship or grant from the organization to
26 attend a qualified school.

27 (2) Only awards educational scholarships and tuition
28 grants to children who reside in Iowa.

29 (3) Provides educational scholarships or tuition grants to
30 students without limiting availability to only students of one
31 school.

32 (4) Prioritizes the providing of such scholarships and
33 grants to students from families whose incomes are less than
34 two hundred percent of the federal poverty level, as defined
35 by the most recently revised income guidelines published by

1 the United States department of health and human services.

2 6. A school tuition organization that receives a voluntary
3 cash contribution pursuant to this subsection shall report to
4 the department, on a form prescribed by the department, by
5 February 28 of each year all of the following information:

6 a. The name, address, and contact name of the school
7 tuition organization.

8 b. The total number of contributions received during the
9 previous calendar year.

10 c. The total dollar amount of contributions received
11 during the previous calendar year.

12 d. The total number of children awarded educational
13 scholarships or tuition grants during the previous calendar
14 year and the number of these children who are new students,
15 who reside in the state, and who are from families with
16 incomes of less than two hundred percent of the federal
17 poverty level.

18 e. The total dollar amount of educational scholarships and
19 tuition grants awarded during the previous calendar year.

20 f. For each school to which educational scholarships or
21 tuition grants were awarded all of the following shall be
22 provided:

23 (1) The name and address of the school.

24 (2) The number of educational scholarships and tuition
25 grants awarded during the previous calendar year.

26 (3) The total dollar amount of educational scholarships
27 and tuition grants awarded during the previous calendar year.

28 7. The department shall annually file a report with the
29 chairpersons and ranking members of the senate and house
30 committees on ways and means detailing a compilation of the
31 information received from the reports of all school tuition
32 organizations filed pursuant to the requirements of subsection
33 6.

34 8. This section is repealed January 1, 2014.

35 Sec. 2. APPLICABILITY DATE. This Act applies to tax years

1 beginning on or after January 1, 2006, but before January 1,
2 2014.

3 EXPLANATION

4 This bill provides for an individual income tax credit
5 equal to 75 percent of the voluntary contributions made to a
6 school tuition organization that is exempt from federal income
7 tax. The tax credit is limited to \$700 for single individuals
8 and \$800 for married persons filing jointly. If married
9 individuals file separately, the \$800 is divided between them
10 based upon each individual's net income. At least 90 percent
11 of total contributions must be used by the school tuition
12 organization to provide educational scholarships or tuition
13 grants to children attending nonpublic schools or preschools
14 for disabled students that are accredited under state law and
15 adhere to the federal Civil Rights Act of 1964 and the state
16 civil rights law. In addition, one-third of the scholarships
17 or grants must be provided to students who did not attend a
18 nonpublic school in the previous year. The contribution may
19 not be deducted as a charitable deduction for state tax
20 purposes or be designated for the direct benefit of the
21 taxpayer's dependents or any other student designated by the
22 taxpayer.

23 The school tuition organization must limit scholarships and
24 grants to children that reside in Iowa, must provide
25 scholarships and grants to students at more than one school,
26 and must prioritize the awarding of scholarships and grants to
27 students of low-income families.

28 The school tuition organization must report to the
29 department of revenue information related to the amount of
30 contributions made to the organization, and the number,
31 school, and amount of scholarships and grants awarded.

32 The bill applies to tax years beginning on or after January
33 1, 2006, but before January 1, 2014.

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