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COMMERCE

SENATE FILE 2225

BY LAMBERTI

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

A BILL FOR

1 An Act relating to a small business health care tax credit and
 2 including a retroactive applicability date provision.
 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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COMMERCE
SF 2225

1 Section 1. NEW SECTION. 422.11M SMALL BUSINESS HEALTH
2 CARE TAX CREDIT.

3 1. a. The taxes imposed under this division, less the
4 amounts of nonrefundable credits allowed under this division,
5 shall be reduced by a small business health care tax credit,
6 to the extent available, for the cost to a small business of
7 providing health care benefits or contributions to employees
8 of the business. The amount of the credit for each employee
9 equals the first one thousand dollars of the cost of providing
10 health care benefits to the employee or the first one thousand
11 dollars of the contribution made on behalf of the employee to
12 a health savings account of that employee.

13 b. The total amount of all credits for all employees under
14 paragraph "a" shall not exceed twenty-five thousand dollars.

15 c. For purposes of this section:

16 (1) "Health savings account" means a health savings
17 account as defined in section 223(d) of the Internal Revenue
18 Code.

19 (2) "Small business" means a for-profit enterprise that
20 employed during the tax year less than fifty full-time
21 equivalent employees.

22 d. Any credit in excess of the tax liability shall be
23 refunded. In lieu of claiming a refund, a taxpayer may elect
24 to have the overpayment shown on the taxpayer's final,
25 completed return credited to the tax liability for the
26 following taxable year.

27 2. An individual may claim a small business health care
28 tax 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 3. A taxpayer claiming a credit under this section shall
35 not be precluded, in computing taxable income, from deducting

1 the amount of costs for providing health care benefits allowed
2 under any section of the Internal Revenue Code.

3 4. To receive the small business health care tax credit, a
4 small business must submit an application to the department.
5 If the taxpayer meets the criteria for eligibility, the
6 department shall issue to the taxpayer a certification of
7 entitlement for the small business health care tax credit.
8 However, the combined amount of tax credits that may be
9 approved for a fiscal year under this section, section 422.33,
10 subsection 20, section 422.60, subsection 11, section 432.12H,
11 and section 533.24, subsection 8, shall not exceed the amount
12 specified in subsection 5. Tax credit certificates shall be
13 issued on an earliest filed application basis. The
14 certification shall contain the taxpayer's name, address, tax
15 identification number, the amount of the credit, and tax year
16 for which the certificate applies. The taxpayer must file the
17 tax credit certificate with the taxpayer's tax return in order
18 to claim the tax credit. The department shall adopt rules to
19 administer this section and shall provide by rule for the
20 method to be used to determine for which fiscal year the tax
21 credits are approved.

22 5. For purposes of subsection 4, the combined amount of
23 small business health care tax credits that may be approved in
24 a fiscal year is as follows:

25 a. For the fiscal year beginning July 1, 2006, the
26 combined amount equals fifty million dollars.

27 b. For the fiscal year beginning July 1, 2007, the
28 combined amount equals one hundred million dollars.

29 c. For the fiscal year beginning July 1, 2008, the
30 combined amount equals one hundred fifty million dollars.

31 d. For the fiscal year beginning July 1, 2009, the
32 combined amount equals two hundred million dollars.

33 e. For each fiscal year beginning on or after July 1,
34 2010, the combined amount equals two hundred fifty million
35 dollars.

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

3 NEW SUBSECTION. 20. The taxes imposed under this division
4 shall be reduced by a small business health care tax credit,
5 to the extent available, provided for in section 422.11M. The
6 tax credit shall be subject to the same conditions,
7 requirements, and dollar limitations as provided for in
8 section 422.11M.

9 Sec. 3. Section 422.60, Code Supplement 2005, is amended
10 by adding the following new subsection:

11 NEW SUBSECTION. 11. The taxes imposed under this division
12 shall be reduced by a small business health care tax credit,
13 to the extent available, provided for in section 422.11M. The
14 tax credit shall be subject to the same conditions,
15 requirements, and dollar limitations as provided for in
16 section 422.11M.

17 Sec. 4. NEW SECTION. 432.12H SMALL BUSINESS HEALTH CARE
18 TAX CREDIT.

19 The taxes imposed under this chapter shall be reduced by a
20 small business health care tax credit, to the extent
21 available, provided for in section 422.11M. The tax credit
22 shall be subject to the same conditions, requirements, and
23 dollar limitations as provided for in section 422.11M.

24 Sec. 5. Section 533.24, Code Supplement 2005, is amended
25 by adding the following new subsection:

26 NEW SUBSECTION. 8. The moneys and credits tax imposed
27 under this section shall be reduced by a small business health
28 care tax credit, to the extent available, provided for in
29 section 422.11M. The tax credit shall be subject to the same
30 conditions, requirements, and dollar limitations as provided
31 for in section 422.11M.

32 Sec. 6. RETROACTIVE AND APPLICABILITY DATE. This Act
33 applies retroactively to January 1, 2006, for tax years
34 beginning on or after that date.

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EXPLANATION

1 This bill provides for a small business health care tax
2 credit. The credit can be used to reduce the individual and
3 corporate income taxes, franchise tax, premiums tax, and
4 moneys and credits tax liabilities. A small business is a
5 for-profit enterprise with fewer than 50 permanent full-time
6 equivalent employees during the tax year. To be eligible for
7 the credit, the small business must provide health care
8 benefits to its employees or contribute to health savings
9 accounts established for them pursuant to federal law. The
10 amount of the credit equals the first \$1,000 of the cost of
11 the benefits or the first \$1,000 of the contribution to the
12 account. The total credits for the business cannot exceed
13 \$25,000. Any excess credit is refundable or the excess may be
14 carried forward to the next tax year.

15 The bill provides for a limit on the combined amount of
16 credits that may be approved in a fiscal year. For the first
17 fiscal year, FY 2006-2007, \$50 million may be approved. The
18 amount increases by \$50 million for each subsequent fiscal
19 year until the maximum of \$250 million may be approved for FY
20 2010-2011 and each subsequent fiscal year.

21 The bill applies retroactively to January 1, 2006, for tax
22 years beginning on or after that date.

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