

Senate File 2409

PAG LIN

1 1 SENATE FILE 2409
1 2
1 3 AN ACT
1 4 ALLOWING INDIVIDUAL INCOME TAX CREDITS FOR CONTRIBUTIONS MADE
1 5 TO CERTAIN SCHOOL TUITION ORGANIZATIONS AND INCLUDING
1 6 EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.
1 7
1 8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
1 9
1 10 Section 1. NEW SECTION. 422.11M SCHOOL TUITION
1 11 ORGANIZATION TAX CREDIT.
1 12 1. The taxes imposed under this division less the credits
1 13 allowed under sections 422.12 and 422.12B shall be reduced by
1 14 a school tuition organization tax credit equal to sixty-five
1 15 percent of the amount of the voluntary cash contributions made
1 16 by the taxpayer during the tax year to a school tuition
1 17 organization, subject to the total dollar value of the
1 18 organization's tax credit certificates as computed in
1 19 subsection 7. The tax credit shall be claimed by use of a tax
1 20 credit certificate as provided in subsection 6.
1 21 2. To be eligible for this credit, all of the following
1 22 shall apply:
1 23 a. A deduction pursuant to section 170 of the Internal
1 24 Revenue Code for any amount of the contribution is not taken
1 25 for state tax purposes.
1 26 b. The contribution does not designate that any part of
1 27 the contribution be used for the direct benefit of any
1 28 dependent of the taxpayer or any other student designated by
1 29 the taxpayer.
1 30 3. Any credit in excess of the tax liability is not
1 31 refundable but the excess for the tax year may be credited to
1 32 the tax liability for the following five tax years or until
1 33 depleted, whichever is the earlier.
1 34 4. Married taxpayers who file separate returns or file
1 35 separately on a combined return form must determine the tax
2 1 credit under subsection 1, based upon their combined net
2 2 income and allocate the total credit amount to each spouse in
2 3 the proportion that each spouse's respective net income bears
2 4 to the total combined net income. Nonresidents or part-year
2 5 residents of Iowa must determine their tax credit in the ratio
2 6 of their Iowa source net income to their all source net
2 7 income. Nonresidents or part-year residents who are married
2 8 and elect to file separate returns or to file separately on a
2 9 combined return form must allocate the tax credit between the
2 10 spouses in the ratio of each spouse's Iowa source net income
2 11 to the combined Iowa source net income of the taxpayers.
2 12 5. For purposes of this section:
2 13 a. "Eligible student" means a student who is a member of a
2 14 household whose total annual income during the calendar year
2 15 before the student receives a tuition grant for purposes of
2 16 this section does not exceed an amount equal to three times
2 17 the most recently published federal poverty guidelines in the
2 18 federal register by the United States department of health and
2 19 human services.
2 20 b. "Qualified school" means a nonpublic elementary or
2 21 secondary school in this state which is accredited under
2 22 section 256.11 and adheres to the provisions of the federal
2 23 Civil Rights Act of 1964 and chapter 216.

2 24 c. "School tuition organization" means a charitable
2 25 organization in this state that is exempt from federal
2 26 taxation under section 501(c)(3) of the Internal Revenue Code
2 27 and that does all of the following:

2 28 (1) Allocates at least ninety percent of its annual
2 29 revenue in tuition grants for children to allow them to attend
2 30 a qualified school of their parents' choice.

2 31 (2) Only awards tuition grants to children who reside in
2 32 Iowa.

2 33 (3) Provides tuition grants to students without limiting
2 34 availability to only students of one school.

2 35 (4) Only provides tuition grants to eligible students.

3 1 (5) Prepares an annual reviewed financial statement
3 2 certified by a public accounting firm.

3 3 6. a. In order for the taxpayer to claim the school
3 4 tuition organization tax credit under subsection 1, a tax
3 5 credit certificate issued by the school tuition organization
3 6 to which the contribution was made shall be attached to the
3 7 person's tax return. The tax credit certificate shall contain
3 8 the taxpayer's name, address, tax identification number, the
3 9 amount of the contribution, the amount of the credit, and
3 10 other information required by the department.

3 11 b. The department shall authorize a school tuition
3 12 organization to issue tax credit certificates for
3 13 contributions made to the school tuition organization. The
3 14 aggregate amount of tax credit certificates that the
3 15 department shall authorize for a school tuition organization
3 16 for a tax year shall be determined for that organization
3 17 pursuant to subsection 7. However, a school tuition
3 18 organization shall not be authorized to issue tax credit
3 19 certificates unless the organization is controlled by a board
3 20 of directors consisting of seven members. The names and
3 21 addresses of the members shall be provided to the department
3 22 and shall be made available by the department to the public,
3 23 notwithstanding any state confidentiality restrictions.

3 24 c. Pursuant to rules of the department, a school tuition
3 25 organization shall initially register with the department.
3 26 The organization's registration shall include proof of section
3 27 501(c)(3) status and provide a list of the schools the school
3 28 tuition organization serves. Once the school tuition
3 29 organization has registered, it is not required to
3 30 subsequently register unless the schools it serves changes.

3 31 d. Each school that is served by a school tuition
3 32 organization shall submit a participation form annually to the
3 33 department by October 15 providing the following information:

3 34 (1) Certified enrollment as of the third Friday of
3 35 September.

4 1 (2) The school tuition organization that represents the
4 2 school. A school shall only be represented by one school
4 3 tuition organization.

4 4 7. a. For purposes of this subsection:

4 5 (1) "Certified enrollment" means the enrollment at schools
4 6 served by school tuition organizations as indicated by
4 7 participation forms provided to the department each October.

4 8 (2) "Total approved tax credits" means for the tax year
4 9 beginning in the 2006 calendar year, two million five hundred
4 10 thousand dollars and for tax years beginning on or after
4 11 January 1, 2007, five million dollars.

4 12 (3) "Tuition grant" means grants to students to cover all
4 13 or part of the tuition at a qualified school.

4 14 b. Each year by November 15, the department shall
4 15 authorize school tuition organizations to issue tax credit
4 16 certificates for the following tax year. However, for the tax
4 17 year beginning in the 2006 calendar year only, the department,
4 18 by September 1, 2006, shall authorize school tuition

4 19 organizations to issue tax credit certificates for the 2006
4 20 calendar tax year. For the tax year beginning in the 2006
4 21 calendar year only, each school served by a school tuition
4 22 organization shall submit a participation form to the
4 23 department by August 1, 2006, providing the certified
4 24 enrollment as of the third Friday of September 2005, along
4 25 with the school tuition organization that represents the
4 26 school. Tax credit certificates available for issue by each
4 27 school tuition organization shall be determined in the
4 28 following manner:

4 29 (1) Total the certified enrollment of each participating
4 30 qualified school to arrive at the total participating
4 31 certified enrollment.

4 32 (2) Determine the per student tax credit available by
4 33 dividing the total approved tax credits by the total
4 34 participating certified enrollment.

4 35 (3) Multiply the per student tax credit by the total
5 1 participating certified enrollment of each school tuition
5 2 organization.

5 3 8. A school tuition organization that receives a voluntary
5 4 cash contribution pursuant to this section shall report to the
5 5 department, on a form prescribed by the department, by January
5 6 12 of each tax year all of the following information:

5 7 a. The name and address of the members and the chairperson
5 8 of the governing board of the school tuition organization.

5 9 b. The total number and dollar value of contributions
5 10 received and the total number and dollar value of the tax
5 11 credits approved during the previous tax year.

5 12 c. A list of the individual donors for the previous tax
5 13 year that includes the dollar value of each donation and the
5 14 dollar value of each approved tax credit.

5 15 d. The total number of children utilizing tuition grants
5 16 for the school year in progress and the total dollar value of
5 17 the grants.

5 18 e. The name and address of each represented school at
5 19 which tuition grants are currently being utilized, detailing
5 20 the number of tuition grant students and the total dollar
5 21 value of grants being utilized at each school served by the
5 22 school tuition organization.

5 23 Sec. 2. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
5 24 This Act, being deemed of immediate importance, takes effect
5 25 upon enactment and applies retroactively to January 1, 2006,
5 26 for tax years beginning on or after that date.

5 27

5 28

5 29

5 30 JEFFREY M. LAMBERTI
5 31 President of the Senate

5 32

5 33

5 34

5 35 CHRISTOPHER C. RANTS
6 1 Speaker of the House

6 2

6 3 I hereby certify that this bill originated in the Senate and
6 4 is known as Senate File 2409, Eighty-first General Assembly.

6 5

6 6

6 7

6 8 MICHAEL E. MARSHALL
6 9 Secretary of the Senate

6 10 Approved _____, 2006