

HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 1020	House Committee:	PASSED on 4/16/25 (24-0)
Committee:	Ways and Means	House Floor:	
Floor Manager:	Rep. Jones	Senate Floor:	
Date:	April 23, 2025	Governor:	
Staff:	Kristi Kious (2-5290)		

Child and Dependent Care Tax Credits

- Removes income maximum to qualify for the child and dependent care tax credit.
- Decreases the number of income brackets from seven to four.
- **Fiscal Note:**
The proposed increase of the CDC Tax Credit is projected to decrease revenue to the State General Fund revenue by the following amounts:
 - FY 2025 = \$0.1 million
 - FY 2026 = \$17.7 million
 - FY 2027 = \$16.2 million
 - FY 2028 = \$17.2 million

Section by Section Analysis

Section 1 – Child and dependent care or early childhood development tax credits (422.12C)

The Iowa child and dependent care credit is a refundable credit calculated as a percentage of the federal child and dependent care credit, depending on the Iowa net income of the taxpayer. Currently, there are seven graduated Iowa net income thresholds used to calculate the credit.

This section reduces the number of Iowa net income thresholds from seven thresholds to four thresholds and removes the maximum Iowa net income threshold amount used by the taxpayer to calculate the Iowa child and dependent care tax credit. By removing the maximum Iowa net income threshold of \$90,000—any taxpayer with Iowa net income equal to or exceeding \$25,000 is eligible to use 50 percent of the federal child and dependent care credit as a refundable credit against the Iowa individual income tax, regardless of whether the taxpayer's federal credit is limited by the taxpayer's federal tax liability.

Section 2 – Retroactive applicability

This section provides that the bill applies retroactively to tax years beginning on or after January 1, 2025.