



Iowa Department of Revenue

Director: Courtney M. Kay-Decker
Hoover State Office Building
Des Moines, Iowa 50319
www.iowa.gov/tax

To: Married Taxpayers claiming a School Tuition Organization (STO) Tax Credit

From: Iowa Department of Revenue

RE: Claiming the STO Credit on an Iowa individual income tax return

The purpose of this notification is to set forth the method to claim the STO credit for married taxpayers who file married filing separately on a combined return (filing status 3) or married filing separate returns (filing status 4).

In the case of married taxpayers using filing status 3 or 4, it does not matter whether only one spouse is listed on the certificate, or if both spouses are listed on the certificate. Iowa Code section 422.11S(4) states as follows:

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

The respective net income refers to line 26 of the Iowa 1040 form.

EXAMPLE: John and Jane Smith files their Iowa return using filing status 3, married filing separately on a combined return. John reports income on line 26 of \$60,000 and Jane reports income of \$40,000 on line 26. John and Jane make a contribution in 2014 of \$1,000 to an STO and are awarded a credit of \$650.

Since John reported 60% of the income on the Iowa return for 2014, John will report a \$390 (\$650 times 60%) STO credit for 2014, and Jane will report a \$260 (\$650 times 40%) STO credit for 2014. It does not matter if only John's name is on the certificate, if only Jane's name is on the certificate, or if both John and Jane's name are on the certificate. The credit will be divided between the spouses based on each spouse's net income in all cases.

If you have any questions regarding these instructions, feel free to contact Jim McNulty at 515-281-6183, or Jim.McNulty@iowa.gov.