

4 "In addition to the license fee or tax provided for by the foregoing
 5 and after a ten (10) days' written notice has been given to the street
 6 railway or passenger carrier operating trackless-trolley passenger
 7 buses and self-propelled motor-driven passenger buses over fixed
 8 routes within such cities as are defined in subsection one (1) of this
 9 section, of a hearing to be held by such city at a time and place pre-
 10 scribed in the notice, where representatives of said carrier may
 11 appear, and after such hearing has been held said city may assess
 12 an additional annual license fee or tax against said carrier in an
 13 amount not exceeding two and three-fourths per cent ($2\frac{3}{4}\%$) of
 14 the gross passenger revenue from all motor-driven passenger buses
 15 and trackless-trolley passenger buses operating over fixed routes or
 16 parts of routes within such city. Said carrier shall pay such gross
 17 passenger-revenue tax or license fee into the city treasury within
 18 ninety (90) days after the amount has been fixed, and notice in
 19 writing of said amount has been given by the city to said carrier."

Approved April 6, 1955.

CHAPTER 207

TAX COMMISSION EMPLOYEES

S. F. 430

AN ACT relating to the powers and duties of the state tax commission.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section four hundred twenty-one point seventeen
 2 (421.17), Code 1954, is hereby amended by adding to sub-section five
 3 (5) the following: "Provided, that employees of the state tax commis-
 4 sion shall not during their regular hours of employment engage in the
 5 preparation of tax returns for individuals, except in connection with a
 6 regular audit thereof."

Approved May 27, 1955.

CHAPTER 208

INCOME TAXES

H. F. 225

AN ACT to amend chapter four hundred twenty-two (422), Code 1954, relating to personal income taxes, and income taxes on corporations.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section four hundred twenty-two point four (422.4),
 2 Code 1954, subsection one (1), is amended to read as follows: "The
 3 words 'taxable income' mean the net income as defined in section four
 4 hundred twenty-two point seven (422.7) of the Code minus the deduc-
 5 tions allowed by section four hundred twenty-two point nine (422.9)
 6 of the Code, in the case of individuals; in the case of estates or trusts,

7 the words 'taxable income' mean the taxable income (without a deduc-
8 tion for personal exemption) as computed for federal income tax
9 purposes under the Internal Revenue Code of 1954, but with the
10 adjustments specified in section four hundred twenty-two point seven
11 (422.7) of the Code."

1 SEC. 2. Section four hundred twenty-two point four (422.4), Code
2 1954, is amended by striking subsection eleven (11).

1 SEC. 3. Section four hundred twenty-two point four (422.4), Code
2 1954, subsection twelve (12), is amended to read as follows: "The
3 term 'head of household' shall have the same meaning as provided by
4 the Internal Revenue Code of 1954."

1 SEC. 4. Section four hundred twenty-two point five (422.5), Code
2 1954, is amended by adding the word "taxable" before the word "in-
3 come" on line five (5).

1 SEC. 5. Section four hundred twenty-two point six (422.6), Code
2 1954, is amended to read as follows: "The tax imposed by Section
3 four hundred twenty-two point five (422.5) of the Code shall apply
4 to and become a charge against estates and trusts with respect to
5 their taxable income, and the rates shall be the same as those ap-
6 plicable to individuals. The fiduciary shall be responsible for making
7 the return of income for the estate or trust for which he acts, whether
8 such income be taxable to the estate or trust or to the beneficiaries
9 thereon."

1 SEC. 6. Section four hundred twenty-two point seven (422.7),
2 Code 1954, is amended to read as follows: "The term 'net income'
3 means the adjusted gross income as computed for federal income tax
4 purposes under the Internal Revenue Code of 1954, with the following
5 adjustments:

6 "1. Subtract interest and dividends from federal securities.

7 "2. Add interest and dividends from foreign securities and from
8 securities of state and other political subdivisions exempt from federal
9 income tax under the Internal Revenue Code of 1954.

10 "3. Where the adjusted gross income includes capital gains or
11 losses, or gains or losses from property other than capital assets, and
12 such gains or losses have been determined by using a basis established
13 prior to January 1, 1934, an adjustment may be made, under rules
14 and regulations prescribed by the state tax commission, to reflect the
15 difference resulting from the use of a basis of cost or January 1, 1934,
16 fair market value, less depreciation allowed or allowable, whichever
17 is higher. Provided that the basis shall be fair market value as of
18 January 1, 1955, less depreciation allowed or allowable, in the case of
19 property acquired prior to that date if use of a prior basis is declared
20 to be invalid."

1 SEC. 7. Section four hundred twenty-two point eight (422.8),
2 Code 1954, and the heading thereof, is amended to read as follows:

3 "Allocation of income. Under rules and regulations prescribed by
4 the state tax commission, net income of individuals shall be allocated
5 as follows:

6 "1. In the case of resident taxpayers, net income from the operation
7 of a business in a state other than Iowa shall be allocated to such other
8 state if a state income tax has been or will be paid on said net income

9 to said other state and if said other state allows a similar allocation of
 10 net income from the operation of a business outside said other state.
 11 Net income from the operation of a business, as used in this section,
 12 shall not include salaries, commissions, fees or other remuneration for
 13 **personal or professional services.**

14 "2. In the case of nonresident taxpayers, if any net income is re-
 15 ceived from a business, trade, profession, or occupation carried on
 16 partly within and partly without the state of Iowa, only such portion
 17 of said net income as is fairly and equitably attributable to that part
 18 of the business, trade, profession, or occupation carried on within the
 19 state of Iowa shall be allocated to Iowa; income from any property,
 20 trust, estate or other source within Iowa shall be allocated to Iowa,
 21 except that annuities, interest on bank deposits and interest-bearing
 22 obligations, and dividends shall be allocated to Iowa only to the ex-
 23 tent to which the same are derived from a business, trade, profession,
 24 or occupation carried on within the state of Iowa.

25 "Taxable income of estates and trusts shall be allocated in the
 26 same manner."

1 SEC. 8. Section four hundred twenty-two point nine (422.9), Code
 2 1954, and the heading thereof, is amended to read as follows:

3 "Deductions from net income. In computing taxable income of
 4 individuals, there shall be deducted from net income the larger of the
 5 following amounts:

6 "1. An optional standard deduction of five percent (5%) of the net
 7 income after deduction of federal income tax, not to exceed two
 8 hundred fifty dollars (\$250.00).

9 "2. The total of contributions, interest, taxes, medical expense,
 10 child-care expense, losses and miscellaneous expenses deductible for
 11 federal income tax purposes under the Internal Revenue Code of 1954,
 12 with the following adjustments:

13 "a. Subtract the deduction for Iowa income taxes.

14 "b. Add the amount of federal income taxes paid or accrued as the
 15 case may be, during the tax year, adjusted by any federal income tax
 16 refunds. Provided, however, that where married persons, who have
 17 filed a joint federal income tax return, file separately, such total shall
 18 be divided between them according to the portion thereof paid or
 19 accrued, as the case may be, by each; and provided further that where
 20 a taxpayer has used an optional standard deduction on his federal
 21 return, he shall use the optional standard deduction provided for
 22 above.

23 "3. Where married persons file separately, both must use the op-
 24 tional standard deduction if either elects to use it.

25 "4. A taxpayer affected by section four hundred twenty-two point
 26 eight (422.8) shall, if the optional standard deduction is not used, be
 27 permitted to deduct only such portion of the total referred to in sub-
 28 section two (2) above as is fairly and equitably allocable to Iowa under
 29 the rules and regulations prescribed by the state tax commission."

1 Sec. 9. Sections four hundred twenty-two point ten (422.10) and
 2 four hundred twenty-two point eleven (422.11), Code 1954, are hereby
 3 repealed.

1 SEC. 10. Section four hundred twenty-two point twelve (422.12),
 2 Code 1954, is amended by striking from subsection two (2) the phrase

3 "head of a family" and inserting in lieu thereof the phrase "head of
4 household"; and by striking all of said section following subsection
5 two (2) and inserting in lieu thereof the following:

6 "3. For each dependent, an additional seven dollars fifty cents. As
7 used in this section, the term 'dependent' shall have the same mean-
8 ing as provided by the Internal Revenue Code of 1954."

9 For the purpose of this section the determination of whether an
10 individual is married shall be made as of the close of his tax year un-
11 less his spouse dies during his tax year, in which case such determina-
12 tion shall be made as of the date of such death. An individual legally
13 separated from his spouse under a decree of divorce or of separate
14 maintenance shall not be considered as married.

1 SEC. 11. Section four hundred twenty-two point thirteen (422.13),
2 subsection one (1), Code 1954, is amended by replacing the comma
3 (,) at the end of line eight (8) with a period and striking lines nine
4 (9), ten (10) and eleven (11).

1 SEC. 12. Section four hundred twenty-two point thirteen (422.13),
2 subsection four (4), Code 1954, is amended to read as follows: "A
3 nonresident taxpayer shall file a copy of his federal income tax re-
4 turn for the current tax year with the return required by this section."

1 SEC. 13. Section four hundred twenty-two point fourteen (422.14),
2 subsection one (1), Code 1954, is amended by striking all of said sub-
3 section following the word "acts," in line five (5) and inserting in lieu
4 thereof the following: "if the taxable income thereof amounts to six
5 hundred dollars (\$600.00) or more. A nonresident fiduciary shall
6 file a copy of the federal income tax return for the current tax year
7 with the return required by this section."

1 SEC. 14. Section four hundred twenty-two point fourteen (422.14),
2 subsection two (2), Code 1954, is amended by striking the first
3 sentence thereof.

1 SEC. 15. Section four hundred twenty-two point fifteen (422.15),
2 subsection two (2), Code 1954, is amended by striking lines five (5)
3 to ten (10), both inclusive, and inserting in lieu thereof the following:
4 "net income and capital gains (or losses) reported on the federal
5 partnership return, the names and addresses of the partners, and
6 their respective shares in said amounts."

1 SEC. 16. Section four hundred twenty-two point fifteen (422.15),
2 subsection three (3), Code 1954, is amended by striking all of the first
3 sentence after the word "return" in line four (4) and inserting in lieu
4 thereof the following: "the taxable income, the names and addresses of
6 the beneficiaries, and the amounts distributed or distributable to each
7 as reported on the federal fiduciary income tax return."

1 SEC. 17. Section four hundred twenty-two point twenty (422.20),
2 Code 1954, is repealed.

1 SEC. 18. Section four hundred twenty-two point thirty-three
2 (422.33), Code 1954, is amended by striking from lines six (6) and
3 seven (7) the following: "as herein defined,".

1 SEC. 19. Section four hundred twenty-two point thirty-five
2 (422.35), Code 1954, and the heading thereof, is amended to read as
3 follows:

4 "Net income of corporation defined. The term 'net income' means
5 the taxable income less the net operating loss deduction, both as com-
6 puted for federal income tax purposes under the Internal Revenue
7 Code of 1954, with the following adjustments:

- 8 "1. Subtract interest and dividends from federal securities.
9 "2. Add interest and dividends from foreign securities and from
10 securities of state and other political subdivisions exempt from fed-
11 eral income tax under the Internal Revenue Code of 1954.
12 "3. Where the net income includes capital gains or losses, or gains
13 or losses from property other than capital assets, and such gains or
14 losses have been determined by using a basis established prior to
15 January 1, 1934, an adjustment may be made, under rules and regu-
16 lations prescribed by the state tax commission, to reflect the difference
17 resulting from the use of a basis of cost or January 1, 1934, fair
18 market value, less depreciation allowed or allowable, whichever is
19 higher. Provided that the basis shall be fair market value as of
20 January 1, 1955, less depreciation allowed or allowable, in the case of
21 property acquired prior to that date if use of a prior basis is declared
22 to be invalid.
23 "4. Subtract federal income taxes paid or accrued, as the case
24 may be, during the tax year, adjusted by any federal income tax re-
25 funds.
26 "Provided, however, that a corporation affected by the allocation
27 provisions of section four hundred twenty-two point thirty-three
28 (422.33) shall be permitted to deduct only such portion of the deduc-
29 tions for net operating loss and federal income taxes as is fairly and
30 equitably allocable to Iowa, under rules and regulations prescribed by
31 the state tax commission."

1 SEC. 20. Section four hundred twenty-two point thirty-six
2 (422.36), Code 1954, is amended by adding a new subsection as fol-
3 lows:

4 "4. Foreign corporations shall file a copy of their federal income
5 tax return for the current tax year with the return required by this
6 section."

1 SEC. 21. This Act shall be used as a basis for computing income
2 tax for all tax years commencing after December 31, 1954.

1 SEC. 22. If any provision of this Act or the application thereof
2 to any taxpayer shall be invalid, such invalidity shall not affect the
3 provisions or application of this Act which can be given effect with the
4 invalid provisions or application, and to this end the provisions of the
5 Act are declared severable.

1 SEC. 23. This Act being deemed of immediate importance shall
2 take effect and be in force from and after its passage and publication
3 in the Sioux City Journal-Tribune, a newspaper published in Sioux
4 City, Iowa, and in the Anthon Herald, a newspaper published in
5 Anthon, Iowa.

Approved April 15, 1955.

I hereby certify that the foregoing Act, House File 225, was published in the Sioux City Journal-Tribune, Sioux City, Iowa, April 18, 1955, and in the Anthon Herald, Anthon, Iowa, April 20, 1955.

MELVIN D. SYNHORST, *Secretary of State.*