

Sec. 9. Sections 3, 4, and 5 of this Act take effect January 1, 1983.

Approved March 3, 1982

I hereby certify that the foregoing Act, Senate File 2080 was published in the Osceola Sentinel, Osceola, Iowa on March 11, 1982 and in The Rolfe Arrow, Rolfe, Iowa on March 18, 1982.

MARY JANE ODELL, *Secretary of State*

CHAPTER 1023

STATE INCOME, CORPORATE, FRANCHISE, AND INHERITANCE TAXES

H.F. 2171

AN ACT relating to taxation by updating references to the Internal Revenue Code in the state income, franchise, and inheritance tax laws, providing certain changes from and certain coordinating amendments to the Internal Revenue Code, providing for the assessment of computers and machinery used in manufacturing, increasing the personal property tax credit, imposing a minimum tax, increasing the state corporate tax rates, amending certain inheritance tax provisions, making an appropriation, specifying that no provision of the state income tax law requires the state commerce commission to allow or require a particular method of accounting by public utilities, and making certain provisions of the Act retroactive and making the Act effective upon publication.

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

Section 1. Section 422.4, subsection 17, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 132, section 2, is amended to read as follows:

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1981~~ 1982.

Sec. 2. Section 422.5, Code 1981, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. In addition to all taxes imposed under this division, there is imposed upon every resident and nonresident, including resident and non-resident estates and trusts, of this state a state minimum tax for tax preference items equal to twenty-five percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is one hundred percent in the case of a resident and in the case of a nonresident a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preference items attributable to Iowa which shall be based as much as equitably possible on the allocation provisions of section 422.8, subsections 2 and 3. For purposes of this paragraph, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 through 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 3. Section 422.7, subsection 8, Code 1981, is amended to read as follows:

8. Married taxpayers who file a joint federal income tax return and who elect to file separate returns or separate filing on a combined return for Iowa income tax purposes, may avail themselves of the additional first-year depreciation expensing of business assets and capital loss provisions of sections 179(a) and 1211(b) respectively of the Internal Revenue Code of 1954 and shall compute the amount of additional first-year depreciation expensing of business assets and capital loss subject to the limitations for joint federal income tax return filers provided by sections 179(b) and 1211(b) respectively of the Internal Revenue Code of 1954.

Sec. 4. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Married taxpayers, who file a joint federal income tax return and who elect to file separate returns or separate filing on a combined return for state income tax purposes, may avail themselves of the dividend exclusion provisions of section 116(a) of the Internal Revenue Code of 1954 and shall compute the dividend exclusion subject to the limitations for joint federal income tax return filers provided by section 116(a) of the Internal Revenue Code of 1954.

Sec. 5. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. The exclusion of interest income provided by section 128 of the Internal Revenue Code of 1954 is not applicable in computing Iowa net income for tax years beginning on or after January 1, 1981 and before January 1, 1984.

Sec. 6. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. The deduction for a married couple where both persons are wage earners which is provided by section 221 of the Internal Revenue Code of 1954 is not applicable in computing Iowa net income for tax years beginning on or after January 1, 1982.

Sec. 7. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. The deduction allowed under section 162(h) of the Internal Revenue Code of 1954 is not applicable in computing Iowa net income for any tax year beginning on or before December 31, 1980. The deduction allowed under section 604 of the tax reform Act of 1976, as amended up to and including December 31, 1980, is allowable in computing Iowa net income, for tax years beginning on or before December 31, 1980, under provisions effective for the year for which the return is made. The deduction allowed under section 162(h) of the Internal Revenue Code of 1954 is not applicable in computing Iowa net income for any tax year beginning on or after January 1, 1981. The deduction allowed under section 604 of the tax reform Act of 1976, as amended up to and including December 31, 1980, is allowable in computing Iowa net income for tax years beginning on or after January 1, 1981. The maximum allowable deduction, other than for travel expense, shall not exceed fifty dollars per day, where the taxpayer elects on the Iowa return to be governed by section 604 of the tax reform Act of 1976, as amended up to and including December 31, 1980, unless the taxpayer itemized expenses.

Sec. 8. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Add the amounts deducted as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted are not otherwise deductible under the provisions of the Internal Revenue Code of 1954.

Sec. 9. Section 422.9, subsection 2, Code 1981, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. Subtract the adoption deduction permitted under section 222 of the Internal Revenue Code of 1954.

Sec. 10. Section 422.9, subsection 3, paragraphs b and c, Code 1981, are amended to read as follows:

b. The Iowa net operating loss remaining after being carried back as required in paragraph "a" of this subsection or if not required to be carried back shall be carried forward seven fifteen taxable years.

c. If the election under section 172(b)(3)(C) of the Internal Revenue Code of 1954 is made, the Iowa net operating loss shall be carried forward seven fifteen taxable years.

Sec. 11. Section 422.32, subsection 4, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 132, section 7, is amended to read as follows:

4. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1981~~ 1982.

Sec. 12. Section 422.33, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. In addition to all taxes imposed under this division, there is imposed upon each corporation doing business within the state a state minimum tax for tax preference equal to twenty-five percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of subsections 1 and 2. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 through 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 13. Section 422.33, unnumbered paragraph 4, Code 1981, is amended to read as follows:

On taxable income ~~of between one hundred thousand dollars or more and two hundred fifty thousand dollars or any part thereof~~, the rate of ten percent.

On taxable income of two hundred fifty thousand dollars or more, the rate of twelve percent.

Sec. 14. Section 422.35, subsection 7, paragraphs b and c, Code 1981, are amended to read as follows:

b. The Iowa net operating loss remaining after being carried back as required in paragraph "a" of this subsection or if not required to be carried back shall be carried forward seven fifteen taxable years.

c. If the election under section 172(b)(3)(C) of the Internal Revenue Code of 1954 is made, the Iowa net operating loss shall be carried forward seven fifteen taxable years.

Sec. 15. Section 422.35, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Add the amounts deducted as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted are not otherwise deductible under the other provisions of the Internal Revenue Code of 1954.

Sec. 16. Section 422.60, Code 1981, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. In addition to all taxes imposed under this division, there is imposed upon each financial institution doing business within the state a state minimum tax for tax preference items equal to twenty-five percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of

section 422.63. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed and paid or payable under sections 55 through 58 of the Internal Revenue Code of 1954, as amended to and including January 1, 1982.

Sec. 17. Chapter 422, division VI, Code 1981, is amended by adding the following new section:

NEW SECTION. Nothing in this chapter shall be construed to require the Iowa state commerce commission to allow or require the use of any particular method of accounting by any public utility to compute its tax expense, depreciation expense, or operating expense for purposes of establishing its cost of service for rate-making purposes and for reflecting operating results in its regulated books of account.

Sec. 18. Section 427A.9, Code 1981, is amended by inserting after unnumbered paragraph 2 the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding the provisions of this section which require an increase in general fund revenues in excess of five and one-half percent, adjusted for changes in rate or basis, to increase the personal property tax credit, the amount of the personal property tax credit, to be allowed for taxes payable in the fiscal year beginning July 1, 1982 and ending June 30, 1983 shall be increased as provided in this section.

Sec. 19. Chapter 427B, Code 1981, is amended by adding sections 20 through 24 of this Act.

Sec. 20. NEW SECTION. For property defined in section 427A.1, subsection 1, paragraphs e and j acquired or initially leased after December 31, 1981, the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

For purposes of sections 20 to 24 of this Act:

1. Property assessed by the department of revenue pursuant to sections 428.24 to 428.29, or chapters 433, 434 and 436 to 438 shall not receive the benefits of sections 20 to 24 of this Act.

2. Property acquired on or before December 31, 1981 which was owned or used on or before December 31, 1981 by a related person shall not receive the benefits of sections 20 to 24 of this Act.

3. Property acquired after December 31, 1981 which was owned and used by a related person shall not receive any additional benefits under sections 20 to 24 of this Act.

4. Property which was owned or used on or before December 31, 1981 and subsequently acquired by an exchange of like property shall not receive the benefits of sections 20 to 24 of this Act.

5. Property which was acquired after December 31, 1981 and subsequently exchanged for like property shall not receive any additional benefits under sections 20 to 24 of this Act.

6. Property acquired on or before December 31, 1981 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive the benefits of sections 20 to 24 of this Act.

7. Property acquired after December 31, 1981 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive any additional benefits under sections 20 to 24 of this Act.

For purposes of this section, "related person" means a person who owns or controls the taxpayer's business and another business entity from which property is acquired or leased or to which property is sold or leased. Business entities are owned or controlled by the same person if the same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

Sec. 21. **NEW SECTION.** On or before July 1 of each year, the assessor shall determine the taxpayer's value of the property specified in section 20 of this Act and the value at which the property would be assessed in the absence of sections 20 to 24 of this Act, and report the values to the county auditor.

On or before July 1 of the following year the county auditor shall prepare a statement listing for each taxing jurisdiction in the county:

1. The difference between the assessed value of property defined in section 427A.1, subsection 1, paragraphs e and j and assessed pursuant to section 20 of this Act as of January 1 of the preceding year, and the value at which the property would be assessed in the absence of sections 20 to 24 of this Act.

2. The tax levy rate for each taxing jurisdiction levied against assessments made as of January 1 of the previous year.

3. The machinery and computer tax replacement claim for each taxing district, which is equal to the amount determined pursuant to subsection 1 of this section, multiplied by the tax rate specified in subsection 2 of this section.

The county auditor shall certify and forward one copy of the statement to the state comptroller not later than July 1 of each year.

Sec. 22. **NEW SECTION.** Each county treasurer shall be reimbursed an amount equal to the machinery and computer tax replacement claim for that county determined pursuant to section 21, subsection 3, of this Act. The reimbursement shall be made in two equal installments on or before September 30 and March 30 of each year. The county treasurer shall apportion the disbursement in the manner provided in section 445.57.

Sec. 23. **NEW SECTION.** There is appropriated annually from the general fund of the state to the state comptroller an amount sufficient to carry out the provisions of sections 20 to 24 of this Act.

Sec. 24. **NEW SECTION.** Property defined in section 427A.1, subsection 1, paragraphs e and j and assessed under sections 20 to 24 of this Act shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

Sec. 25. Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 132, sections 4 and 5, are repealed.

Sec. 26. Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 147, section 14, is amended to read as follows:

SEC. 14. **NEW SECTION.** There is imposed upon the qualified heir an additional inheritance tax if, within ~~fifteen~~ ten years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of, other than to a member of the family, any interest in qualified real property for which an election under section 13 of this Act was made or ceases to use for the qualified use the qualified real property for which an election under section 13 of this Act was made as prescribed in section 2032A(c) of the Internal Revenue Code of 1954. The additional inheritance tax shall be the amount computed under ~~sections 15 and~~ section 16 of this Act and shall be due six months after the date of the disposition or cessation of qualified use referred to in this section. The amount of the additional inheritance tax shall accrue interest at the rate of ten percent per year from nine months after the decedent's death to the due date of the tax. The tax shall be paid to the department of revenue and shall be deposited into the general fund of the state. Taxes not paid within the time prescribed in this section shall draw interest at the rate of ten percent per annum until paid. There shall not be an additional inheritance tax if the disposition or cessation occurs ten years or more after the decedent's death.

Sec. 27. Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 147, section 15, is repealed.

Sec. 28. Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 147, section 17, is amended to read as follows:

SEC. 17. NEW SECTION. A lien is created in favor of the state for the additional inheritance tax which may be imposed by section 14 of this Act on the qualified real property for which an election has been made under section 13 of this Act. The lien created by this section shall continue until the tax has been paid or ten years after the tax is due, whichever date occurs first. However, the lien shall expire ~~fifteen~~ ten years after the decedent's death if the qualified heir has not disposed of or ceased to use for the qualified use the qualified real property which would impose the tax under section 14 of this Act. The department of revenue may release the lien prior to the payment of the tax due, if any, if adequate security for payment of the tax is given.

Unless the lien has been perfected by recording in the office of the recorder in the county where the estate is probated, a transfer of the qualified real property to a bona fide purchaser for value shall divest the property of the lien. If the lien is perfected by recording, the rights of the state under the lien have priority over all subsequent mortgagees, purchasers or judgment creditors. The lien may be foreclosed by the director of revenue in the same manner as is now prescribed for the foreclosure of real estate mortgages and upon judgment, execution shall be issued to sell as much of the property necessary to satisfy the tax, interest and costs due.

Sec. 29. The prohibition in section 422.16, subsection 11, paragraph e, on the waiver relating to reasonable cause of the addition to tax for underpayment of the estimated tax payable shall not apply with regard to the 1981 tax year to farmers and fishermen who have elected not to pay estimated taxes during the 1981 tax year and the director shall waive the addition to tax for underpayment of the estimated tax payable for the 1981 tax year to March 31, 1982 for reasonable cause.

Sec. 30. Sections 1, 5, 7, 8, 9, 11, 13, and 15 of this Act are retroactive to January 1, 1981 for tax years beginning on or after January 1, 1981.

Sec. 31. Sections 2, 3, 4, 6, 12, 16, and 25 of this Act are retroactive to January 1, 1982 for tax years beginning on or after January 1, 1982.

Sec. 32. Sections 10 and 14 of this Act are retroactive to January 1, 1976 for losses arising in tax years ending on or after January 1, 1976.

Sec. 33. Sections 19, 20, 21, 22, 23, and 24 of this Act are retroactive to December 31, 1981 for property acquired or leased after December 31, 1981.

Sec. 34. Sections 26, 27, and 28 of this Act are effective July 1, 1982 for estates of individuals dying on or after July 1, 1982.

Sec. 35. This Act, being deemed of immediate importance, takes effect from and after its publication in the Charles City Press, a newspaper published in Charles City, Iowa, and in The Record-Herald and Indianola Tribune, a newspaper published in Indianola, Iowa.

Approved March 3, 1982

I hereby certify that the foregoing Act, House File 2171 was published in the Charles City Press, Charles City, Iowa on March 11, 1982 and in The Record-Herald & Indianola Tribune, Indianola, Iowa on March 25, 1982.

MARY JANE ODELL, *Secretary of State*