

13. The state pledges to and agrees with the holders of bonds or notes issued under the Iowa economic development bond bank program, that the state will not limit or alter the rights and powers vested in the authority to fulfill the terms of a contract made by the authority with respect to the bonds or notes, or in any way impair the rights and remedies of the holders until the bonds and notes, together with the interest on them including interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state, as it refers to holders of bonds or notes of the authority, in a contract with the holders.

Sec. 7. **NEW SECTION. 220.99 ADOPTION OF RULES.**

The board of directors of the authority shall adopt rules pursuant to chapter 17A to implement sections 220.93 to 220.99.

Approved May 22, 1986

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**CHAPTER 1213**  
**INTERNAL REVENUE CODE UPDATE**  
*H.F. 2472*

**AN ACT** relating to taxation by updating references to the Internal Revenue Code, eliminating one of the net operating loss deductions in computing the state minimum tax, removing the requirement that members of an affiliated group of corporations consent in writing to the filing of a consolidated corporation income tax return, and providing an effective date.

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

Section 1. Section 18B.10, unnumbered paragraph 1, Code 1985, is amended to read as follows:

At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its employees from any company the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee selects, for retirement or other purposes, and may make payroll deductions in accordance with the arrangements for the purpose of paying the entire premium due and to become due under the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 as amended to July 1, 1983, as defined in section 422.3. The employee's rights under the annuity contract are nonforfeitable except for the failure to pay premiums.

Sec. 2. Section 218.16, Code 1985, is amended to read as follows:

**218.16 ANNUITY CONTRACTS FOR EMPLOYEES.**

At the request of an employee through contractual agreement, the department of human services or any institution under its jurisdiction may purchase an individual annuity contract for an employee, from ~~such an~~ insurance organization the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent ~~as that~~ the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ arrangements for the purpose of paying the entire premium due and to become due under ~~such the~~ contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403(b) of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3~~. The employee's rights under ~~such the~~ annuity ~~contracts shall be~~ contract are nonforfeitable except for the failure to pay premiums.

Sec. 3. Section 257.10, subsection 13, Code Supplement 1985, is amended to read as follows:

13. At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ the arrangements for the purpose of paying the entire premium due and to become due under ~~such the~~ the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits ~~afforded~~ under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3~~. The employee's rights under ~~such the~~ the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums. ~~Whenever~~ If an existing tax-sheltered annuity contract is to be replaced by a new contract the agent or representative of the company shall submit a letter of intent by registered mail to the company being replaced, to the insurance commissioner of the state of Iowa, and to the ~~agent~~ agent's or representative's own company at least thirty days prior to any action by registered mail. This letter of intent shall contain the policy number and description of the contract being replaced and a description of the replacement contract.

Sec. 4. Section 262.21, unnumbered paragraph 1, Code 1985, is amended to read as follows:

At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state, for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ the arrangements for the purpose of paying the entire premium due and to become due under ~~such the~~ the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits ~~afforded~~ under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3~~. The employee's rights under ~~such the~~ the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums.

Sec. 5. Section 273.3, subsection 15, Code Supplement 1985, is amended to read as follows:

15. At the request of an employee through contractual agreement the board may arrange for the purchase of an individual annuity contract for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state, and through an Iowa-licensed insurance agent that the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ the arrangements for the purpose of paying the entire premium due, and to become due, under the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits ~~afforded~~ under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3~~. The employee's rights under ~~such the~~ the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums.

Sec. 6. Section 280A.23, subsection 9, Code 1985, is amended to read as follows:

9. At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ the arrangements for the purpose of paying the entire premium due and to become due under ~~such the~~ the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits ~~afforded~~ under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3~~. The employee's rights under ~~such the~~ the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums. ~~Whenever~~

If an existing tax-sheltered annuity contract is to be replaced by a new contract the agent or representative of the company shall submit a letter of intent by registered mail to the company being replaced, to the insurance commissioner of the state of Iowa, and to the agent's or representative's own company at least thirty days prior to any action by registered mail. This letter of intent shall contain the policy number and description of the contract being replaced and a description of the replacement contract.

Sec. 7. Section 294.16, Code 1985, is amended to read as follows:  
294.16 ANNUITY CONTRACTS.

At the request of an employee through contractual agreement a school district may purchase group or individual annuity contracts for an employee employees, from such an insurance organization the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent as that the employee may select selects, for retirement or other purposes, and may make payroll deductions in accordance with such the arrangements for the purpose of paying the entire premium due and to become due under such the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefit afforded benefits under section 403b [26 USC § 403b] of the federal internal revenue code and amendments thereto Internal Revenue Code of 1954, as defined in section 422.3. The employee's rights under such the annuity contract shall be are non-forfeitable except for the failure to pay premiums. Whenever If an existing tax-sheltered annuity contract is to be replaced by a new contract the agent or representative of the company shall submit a letter of intent by registered mail to the company being replaced, to the insurance commissioner of the state of Iowa, and to the agent's or representative's own company at least thirty days prior to any action by registered mail. This letter of intent shall contain the policy number and description of the contract being replaced and a description of the replacement contract.

Sec. 8. Section 422.3, subsection 5, Code Supplement 1985, is amended to read as follows:  
5. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, 1985 1986.

Sec. 9. Section 422.5, subsection 1, paragraph o, subparagraph (3), Code Supplement 1985, is amended to read as follows:

(3) Subtract the amount of the net operating loss computed in section 422.9, subsection 3, for a tax year other than the current year which was carried back or carried forward to the current year under section 422.9, subsection 3, paragraph "a", "b" or "c". However, in In the case of a net operating loss computed for a tax year beginning after December 31, 1982 which is carried back or carried forward to the current taxable year, the net operating loss shall be reduced by the amount of the items of tax preference arising in such year which was taken into account in computing the net operating loss in section 422.9, subsection 3.

Sec. 10. Section 422.37, subsection 5, Code 1985, is amended to read as follows:

5. Each member of the affiliated group shall consent to the filing by specific written authorization rules governing a consolidated return prescribed by the director at the time the consolidated return is filed, unless the director requires the filing of a consolidated return. The filing of a consolidated return shall be considered the affiliated group's consent.

Sec. 11. This Act is retroactive to January 1, 1985 for tax years beginning on or after that date.

Sec. 12. This Act, being deemed of immediate importance, takes effect from and after its publication in The Nevada Evening Journal, a newspaper published in Nevada, Iowa, and in The North Scott Press, a newspaper published in Eldridge, Iowa.

Approved May 23, 1986

I hereby certify that the foregoing Act, House File 2472, was published in The Nevada Evening Journal, Nevada, Iowa, on May 27, 1986, and in The North Scott Press, Eldridge, Iowa, on June 11, 1986.

MARY JANE ODELL, *Secretary of State*