

1987 First Extraordinary Session
Of The
Seventy-Second General Assembly
Of The
State Of Iowa

HELD AT DES MOINES, THE CAPITAL OF THE STATE

FIRST EXTRAORDINARY SESSION BEGUN ON THE TWENTY-FIRST DAY OF MAY AND ENDED ON THE TWENTY-THIRD DAY OF MAY, A.D. 1987 IN THE ONE HUNDRED FORTY-FIRST YEAR OF THE STATE

CHAPTER 1

STATE FINANCES AND TAXES

S.F. 523

AN ACT relating to state finances by conforming its corporate income tax, franchise tax, and generation skipping transfer tax to the new federal tax provisions; only conforming its individual income tax to the new federal tax provisions in those areas dealing with trade, business, and investment activities; setting the latest cumulative inflation factor for purposes of individual income tax rates at the previous rate; changing the criteria for who must file an individual income tax return; forestalling the transfer of funds from the general fund to the Iowa economic emergency fund; and providing effective dates.

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

Section 1. Section 422.4, subsection 17, paragraph c, Code 1987, is amended to read as follows:

c. The annual inflation factor for the 1978 calendar year is one hundred percent. Notwithstanding the computation of the annual inflation factor under paragraph "a", the annual inflation factor for the 1987 calendar year is one hundred percent.

Sec. 2. Section 422.5, subsection 1, paragraph o, subparagraph (4), Code 1987, is amended by striking the subparagraph.

Sec. 3. Section 422.7, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. In determining the taxpayer's net income, the adjusted gross income computed for federal tax purposes shall be adjusted to reflect the following:

a. **BUSINESS MEALS, TRAVEL, AND ENTERTAINMENT.** Deductions for expenses incurred for meals, travel, and entertainment for business purposes shall be determined under sections 170 and 274 of the Internal Revenue Code in effect on January 1, 1987 and all other provisions of the Internal Revenue Code in effect on January 1, 1987 relating to such deductions.

b. **DEPRECIATION.** Deductions for depreciation for property used for business purposes shall be determined under sections 46, 167, 178, 179, 280, 291, 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of the Internal Revenue Code in effect on January 1, 1987 and all other provisions of the Internal Revenue Code in effect on January 1, 1987 relating to such deductions.

c. **CAPITALIZATION RULES.** Capitalization rules for inventory, construction, and development costs as they relate to business activities shall be determined under sections 48, 263A,

312, 471, 267, 447, and 464 of the Internal Revenue Code in effect on January 1, 1987 and all other provisions of the Internal Revenue Code in effect on January 1, 1987 relating to such capitalization rules.

d. **PASSIVE INVESTMENT ACTIVITIES.** Deductions for passive investment activities shall be determined under section 469 of the Internal Revenue Code in effect on January 1, 1987 and all other provisions of the Internal Revenue Code in effect on January 1, 1987 relating to passive investment activities.

e. **LONG-TERM CONTRACTS.** Rules for determining the amount of deductions for long-term contracts relating to business activities shall be determined under sections 460 and 804 of the Internal Revenue Code in effect on January 1, 1987 and all other provisions of the Internal Revenue Code in effect on January 1, 1987 relating to such long-term contracts.

f. **DISCHARGE OF INDEBTEDNESS.** Treatment of income of a farmer resulting from the discharge of the farmer's indebtedness shall be determined under section 108(g) of the Internal Revenue Code in effect on January 1, 1987.

Sec. 4. Section 422.13, subsection 1, paragraph b, Code 1987, is amended to read as follows:

b. The individual has net income of ~~four~~ five thousand dollars or more for the tax year from sources taxable under this division.

Sec. 5. Section 422.32, subsections 4 and 11, Code 1987, are amended to read as follows:

4. The term "affiliated group" means a group of corporations as defined in section 1504(a) of the Internal Revenue Code ~~of 1954~~.

11. ~~For purposes of section 422.3, subsection 5, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including January 1, 1987, whichever is applicable.~~

Sec. 6. Section 422.33, subsection 4, Code 1987, is amended by striking the subsection and inserting in lieu thereof the following:

4. In addition to all taxes imposed under this division, there is imposed upon each corporation doing business within the state the greater of the tax determined in subsection 1, paragraphs "a" through "d" or the state alternative minimum tax equal to sixty percent of the maximum state corporate income tax rate, rounded to the nearest one-tenth of one percent, of the state alternative minimum taxable income of the taxpayer computed under this subsection.

The state alternative minimum taxable income of a taxpayer is equal to the taxpayer's state taxable income as computed with the adjustments in section 422.35 and with the following adjustments:

a. Add items of tax preference included in federal alternative minimum taxable income under section 57, except subsections (a)(1) and (a)(5), of the Internal Revenue Code, make the adjustments included in federal alternative minimum taxable income under section 56, except subsections (a)(4) and (d), of the Internal Revenue Code, and add losses as required by section 58 of the Internal Revenue Code. In making the adjustment under section 56(c)(1) of the Internal Revenue Code, interest and dividends from federal securities net of amortization of any discount or premium shall be subtracted.

b. Apply the allocation and apportionment provisions of subsection 2.

c. Subtract an exemption amount of forty thousand dollars. This exemption amount shall be reduced, but not below zero, by an amount equal to twenty-five percent of the amount by which the alternative minimum taxable income of the taxpayer, computed without regard to the exemption amount in this paragraph, exceeds one hundred fifty thousand dollars.

d. In the case of a net operating loss computed for a tax year beginning after December 31, 1986 which is carried back or carried forward to the current taxable year, the net operating loss shall be reduced by the amount of items of tax preference and adjustments arising in the tax year which is taken into account in computing the net operating loss in section 422.35, subsection 13. The deduction for a net operating loss for a tax year beginning after December 31, 1986 which is carried back or carried forward to the current taxable year shall not exceed ninety percent of the alternative minimum taxable income determined without regard for the net operating loss deduction.

Sec. 7. Section 422.33, subsection 5, Code 1987, is amended to read as follows:

5. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures. For purposes of this subsection, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 30 41 of the Internal Revenue Code of 1954, in effect on January 1, 1985.

Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following taxable year.

Sec. 8. Section 422.35, Code 1987, is amended to read as follows:

422.35 NET INCOME OF CORPORATION — HOW COMPUTED.

The term "net income" means the taxable income before the net operating loss deduction, as properly computed for federal income tax purposes under the Internal Revenue Code of 1954, with the following adjustments:

1. Subtract interest and dividends from federal securities.
2. Add interest and dividends from foreign securities and from securities of state and other political subdivisions exempt from federal income tax under the Internal Revenue Code of 1954.
3. Where the net income includes capital gains or losses, or gains or losses from property other than capital assets, and such gains or losses have been determined by using a basis established prior to January 1, 1934, an adjustment may be made, under rules and regulations prescribed by the director, to reflect the difference resulting from the use of a basis of cost or January 1, 1934, fair market value, less depreciation allowed or allowable, whichever is higher. Provided that the basis shall be fair market value as of January 1, 1955, less depreciation allowed or allowable, in the case of property acquired prior to that date if use of a prior basis is declared to be invalid.
4. Subtract fifty percent of the federal income taxes paid or accrued, as the case may be, during the tax year, adjusted by any federal income tax refunds; and add the Iowa income tax deducted in computing said taxable income.
5. Add the amount by which the basis of qualified depreciable property is required to be increased for depreciation purposes under the Internal Revenue Code Amendments Act of 1964 to the extent that such amount equals the net amount of the special deduction allowed on the basis of the amount by which the depreciable basis of such qualified property was required to be reduced for depreciation purposes under the Internal Revenue Code Amendments Act of 1962. The "net amount of the special deduction" shall be computed by taking the sum of the amounts by which the basis of qualified property was required to be decreased for depreciation purposes for the years 1962 and 1963 and subtracting from it the sum of the amounts

by which the basis of such property was required to be increased, prior to 1964, for depreciation or disposition purposes under the Internal Revenue Code Amendments Act of 1962.

6. Subtract the amount of the jobs tax credit allowable for the tax year under section 51 of the Internal Revenue Code of 1954 to the extent that the credit increased federal taxable income.

7. If the taxpayer is a small business corporation, subtract an amount equal to fifty percent of the wages paid to individuals named in paragraphs "a", "b", and "c" who were hired for the first time by the taxpayer during the tax year for work done in this state:

a. A handicapped individual domiciled in this state at the time of the hiring who meets any of the following conditions:

(1) Has a physical or mental impairment which substantially limits one or more major life activities.

(2) Has a record of that impairment.

(3) Is regarded as having that impairment.

b. An individual domiciled in this state at the time of the hiring who meets any of the following conditions:

(1) Has been convicted of a felony in this or any other state or the District of Columbia.

(2) Is on parole pursuant to chapter 906.

(3) Is on probation pursuant to chapter 907, for an offense other than a simple misdemeanor.

(4) Is in a work release program pursuant to chapter 246, division IX.

c. An individual, whether or not domiciled in this state at the time of the hiring, who is on parole or probation and to whom the interstate probation and parole compact under section 907A.1 applies.

This deduction is allowed for the wages paid to the individuals successfully completing a probationary period named in paragraphs "a", "b", and "c" during the twelve months following the date of first employment by the taxpayer and shall be deducted in the tax years when paid.

For purposes of this subsection, "physical or mental impairment" means any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the body systems or any mental or psychological disorder, including mental retardation, organic brain syndrome, emotional or mental illness and specific learning disabilities.

For purposes of this subsection, "small business" means small business as defined in section 220.1, subsection 28, except that it shall also include the operation of a farm.

8. Subtract the amount of the alcohol fuel credit allowable for the tax year under section 40 of the Internal Revenue Code of 1954 to the extent that the credit increased federal taxable income.

9. Add the amounts deducted and subtract the amounts included in income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 for property placed in service by the transferee prior to January 1, 1986 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the other provisions of the Internal Revenue Code of 1954 as amended to and including December 31, 1985. Entitlement to depreciation on any property involved in a sale-leaseback agreement which is placed in service by the transferee prior to January 1, 1986 shall be determined under the Internal Revenue Code of 1954 as amended to and including December 31, 1985, excluding section 168(f)(8) in making the determination.

10. Add the amount of windfall profits tax deducted under section 164(a) of the Internal Revenue Code of 1954.

11. Add the combined net losses from passive farming activity in excess of twenty-five thousand dollars that offset income from other sources. Net losses under section 165 of the Internal Revenue Code of 1954, exclusive of net gains incurred passively from the operation of a

farming business, as defined in section 464(e) of the Internal Revenue Code of 1954, are to be combined from businesses, rents, partnerships, corporations, estates or trusts except losses under sections 1211 and 1231 of the Internal Revenue Code of 1954. Farming activity is passive if the taxpayer does not materially participate in the activity nor provide substantial services to the farming business. A loss from an activity that is disallowed under this subsection shall be treated as a deduction allowable to that activity in the first succeeding tax year.

12. Add the percentage depletion amount determined with respect to an oil, gas, or geothermal well using methods in section 613 of the Internal Revenue Code of 1954 that is in excess of the cost depletion amount determined under section 611 of the Internal Revenue Code of 1954.

13. If after applying all of the adjustments provided for in this section and the allocation and apportionment provisions of section 422.33, the Iowa taxable income results in a net operating loss, such net operating loss shall be deducted as follows:

a. The Iowa net operating loss shall be carried back three taxable years or to the taxable year in which the corporation first commenced doing business in this state, whichever is later.

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 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 fifteen taxable years.

d. No portion of a net operating loss which was sustained from that portion of the trade or business carried on outside the state of Iowa shall be deducted.

Provided, however, that a corporation affected by the allocation provisions of section 422.33 shall be permitted to deduct only such portion of the deductions for net operating loss and federal income taxes as is fairly and equitably allocable to Iowa, under rules prescribed by the director.

Sec. 9. Section 422.35, subsection 2, Code 1987, is amended to read as follows:

2. Add interest and dividends from foreign securities, and from securities of state and other political subdivisions, and from regulated investment companies exempt from federal income tax under the Internal Revenue Code of 1954.

Sec. 10. Section 422.35, subsection 11, Code 1987, is amended by striking the subsection.

Sec. 11. Section 422.35, Code 1987, is amended by adding the following new subsection: NEW SUBSECTION. Subtract the loss on the sale or exchange of a share of a regulated investment company held for six months or less to the extent the loss was disallowed under section 852(b)(4)(B) of the Internal Revenue Code.

Sec. 12. Section 422.36, subsection 5, Code 1987, is amended to read as follows:

5. Where a corporation is not subject to income tax and the stockholders of such corporation are taxed on the corporation's income under the provisions of the Internal Revenue Code of 1954, the same tax treatment shall apply to such corporation and such stockholders for Iowa income tax purposes.

Sec. 13. Section 422.37, subsection 7, Code 1987, is amended to read as follows:

7. The computation of consolidated taxable income for the members of an affiliated group of corporations subject to tax shall be made in the same manner and under the same procedures, including all intercompany adjustments and eliminations, as are required for consolidating the incomes of affiliated corporations for the taxable year for federal income tax purposes in accordance with section 1502 of the Internal Revenue Code of 1954.

Sec. 14. Section 422.60, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

422.60 IMPOSITION OF TAX.

1. A franchise tax according to and measured by net income is imposed on financial institutions for the privilege of doing business in this state as financial institutions.

2. In addition to all taxes imposed under this division, there is imposed upon each financial institution doing business within the state the greater of the tax determined in section 422.63 or the state alternative minimum tax equal to sixty percent of the maximum state franchise tax rate, rounded to the nearest one-tenth of one percent, of the state alternative minimum taxable income of the taxpayer computed under this subsection.

The state alternative minimum taxable income of a taxpayer is equal to the taxpayer's state taxable income as computed with the adjustments in section 422.61, subsection 4, and with the following adjustments:

a. Add items of tax preference included in federal alternative minimum taxable income under section 57, except subsections (a)(1) and (a)(5), of the Internal Revenue Code, make the adjustments included in federal alternative minimum taxable income under section 56, except subsections (a)(4), (c)(1), (d), (f), and (g), of the Internal Revenue Code, and add losses as required by section 58 of the Internal Revenue Code.

b. Make the adjustments provided in section 56(c)(1) of the Internal Revenue Code, except that in making the calculation under sections 56(f)(1) and 56(g)(1) of the Internal Revenue Code the state alternative minimum taxable income, computed without regard to the adjustments made by this paragraph, the exemption provided for in paragraph "d", and the state alternative tax net operating loss described in paragraph "e", shall be substituted for the items described in sections 56(f)(1)(B) and 56(g)(1)(B) of the Internal Revenue Code.

c. Apply the allocation and apportionment provisions of section 422.60.

d. Subtract an exemption amount of forty thousand dollars. This exemption amount shall be reduced, but not below zero, by an amount equal to twenty-five percent of the amount by which the alternative minimum taxable income of the taxpayer, computed without regard to the exemption amount in this paragraph, exceeds one hundred fifty thousand dollars.

e. In the case of a net operating loss beginning after December 31, 1986 which is carried back or carried forward to the current taxable year, the net operating loss shall be reduced by the amount of items of tax preference and adjustments arising in the tax year which was taken into account in computing the net operating loss in section 422.35, subsection 13. The deduction for a net operating loss for a tax year beginning after December 31, 1986 which is carried back or carried forward to the current taxable year shall not exceed ninety percent of the alternative minimum taxable income determined without regard for the net operating loss deduction.

Sec. 15. Section 422.61, subsection 2, Code 1987, is amended to read as follows:

2. "Taxable year" means the calendar year or the fiscal year ending during a calendar year, for which the tax is payable. "Fiscal year" includes a tax period of less than twelve months if, under the Internal Revenue Code of 1954, a corporation is required to file a tax return covering a tax period of less than twelve months.

Sec. 16. Section 422.61, subsection 4, Code 1987, is amended to read as follows:

4. "Net income" means the net income of the financial institution computed in accordance with section 422.35, with the exception that interest and dividends from federal securities shall not be subtracted, ~~no~~ federal income taxes paid or accrued shall not be subtracted, and notwithstanding the provisions of sections 262.41 and 262.51 or any other provisions of the law, income from obligations of the state and its political subdivisions and any amount of franchise

taxes paid or accrued under this division during the taxable year shall be added. Any deduction disallowed under section 265(b) or 291(e)(1)(B) of the Internal Revenue Code shall be subtracted.

Sec. 17. Section 450A.1, Code 1987, is amended to read as follows:

450A.1 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Generation skipping transfer" means the generation skipping transfer as defined in section 2611 of the Internal Revenue Code of 1954.
2. "Internal Revenue Code of 1954" means the same as the term is defined in section 422.3.
3. "~~Deemed transferor~~" means the ~~deemed transferor~~ as defined in section 2612 of the Internal Revenue Code of 1954.
4. "Director" means the director of the department of revenue and finance.
5. "~~Generation skipping trust~~" means a ~~generation skipping trust~~ as defined in section 2611 of the Internal Revenue Code of 1954.
6. "~~Generation skipping trust equivalent~~" means a ~~generation skipping trust equivalent~~ as defined in section 2611 of the Internal Revenue Code of 1954.
7. "~~Distributee Transferee~~" means a person receiving property in a generation skipping transfer.
8. "Department" means the department of revenue and finance.
6. "~~Direct skip~~" means the same as the term is defined in section 2612(c) of the Internal Revenue Code.
7. "~~Taxable termination~~" means the same as the term is defined in section 2612(a) of the Internal Revenue Code.
8. "~~Taxable distribution~~" means the same as the term is defined in section 2612(b) of the Internal Revenue Code.
9. "~~Transferor~~", "~~trust~~", "~~trustee~~" and "~~interest~~" means the same as those respective terms are defined in section 2652 of the Internal Revenue Code.

Sec. 18. Section 450A.2, Code 1987, is amended to read as follows:

450A.2 IMPOSITION OF TAX.

A tax is imposed on the transfer of any property, included in a generation skipping transfer, other than a direct skip, occurring at the same time as, or after, and as a result of the death of the ~~deemed transferor~~ an individual, equal to the in an amount of equal to the maximum federal credit allowable under section ~~2602(c)(5)(B)~~ 2604 of the Internal Revenue Code of 1954, for that portion of state estate, inheritance, legacy, or succession tax the generation skipping transfer tax actually paid to the state in respect of any property included in the generation skipping transfer.

Where the ~~deemed transferor~~ is a resident of Iowa and all property included in a generation skipping transfer that is subject to tax under this section has a situs in Iowa, or is subject to the jurisdiction of the courts of Iowa, an amount equal to the total credit as allowed under the Internal Revenue Code of 1954 shall be paid to the state of Iowa. Where the ~~deemed transferor~~ is a nonresident or where the property included in a generation skipping transfer that is subject to tax under this section has a situs outside the state of Iowa and not subject to the jurisdiction of Iowa courts, the tax shall be prorated on the basis that the value of Iowa property included in the generation skipping transfer bears to the total value of property included in the generation skipping transfer.

Sec. 19. Section 450A.3, Code 1987, is amended to read as follows:

450A.3 VALUE OF PROPERTY.

The value of property, included in a generation skipping transfer, shall be the same as determined for federal generation skipping transfer tax purposes under the Internal Revenue Code of 1954.

Sec. 20. Section 450A.4, Code 1987, is amended to read as follows:

450A.4 PAYMENT OF THE TAX.

The tax imposed by this chapter shall be paid ~~within twelve months on or before the last day of the ninth month after the death of the deemed transferor if the transfer occurs at that time, or if later, the day which is twelve months after the day on which such generation skipping transfer occurred~~ individual whose death is the event causing the generation skipping transfer which is eligible for the credit for state taxes paid under section 2604 of the Internal Revenue Code. For purposes of this chapter, any property transferred during the three year period ending on the date of the deemed transferor's death and which is included in a generation skipping transfer under the Internal Revenue Code of 1954 shall be considered as transferred on the deemed transferor's death.

Sec. 21. Section 450A.5, Code 1987, is amended to read as follows:

450A.5 LIABILITY FOR THE TAX.

The distributee transferee of the property included in the generation skipping transfer shall be personally liable for the tax to the extent of the fair market its value, determined under section 2624 of the Internal Revenue Code as of the time of the distribution, of the property received in the distribution generation skipping transfer. If the tax is attributable to a taxable termination, as defined in section ~~2613~~ 2612(a) of the Internal Revenue Code of 1954, the trustee and the transferee shall be personally liable for the tax to the extent of the value of the property subject to tax under the trustee's control.

Sec. 22. Section 450A.6, Code 1987, is amended to read as follows:

450A.6 LIEN OF THE TAX.

The tax imposed by this chapter shall be a lien on the property subject to the tax for a period of ten years from the time the generation skipping transfer occurs. Full payment of the tax, penalty and interest due and interest, if any, shall release the lien and discharge the ~~distributee transferee and trustee of personal liability.~~ Unless the lien has been perfected by recording, a transfer by the distributee transferee or the trustee 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 mortgages, purchases or judgment creditors. The department may release the lien prior to the payment of the tax due if adequate security for payment of the tax is given.

Sec. 23. Section 450A.10, Code 1987, is amended to read as follows:

450A.10 DIRECTOR TO ENFORCE COLLECTION.

It shall be the duty of the director to enforce collection of the tax imposed by this chapter and shall with all the rights of a party in interest, represent the state in any proceedings to collect the tax. The director shall have the power to bring suit against any person liable for the payment of the tax, penalty, interest and costs and may foreclose the lien of the tax in the same manner as is now prescribed for the foreclosure of real estate mortgages and upon judgment may cause execution to be issued to sell so much of the property necessary to satisfy the tax, penalty, interest and costs due.

Sec. 24. Section 450A.11, Code 1987, is amended to read as follows:

450A.11 DUTY TO CLAIM MAXIMUM CREDIT.

It shall be the duty of any person liable for the payment of the tax to claim the maximum federal credit allowable for that portion of the state estate, ~~inheritance, legacy or succession~~ generation skipping transfer tax paid in respect of any property included in a taxable generation skipping transfer. Claiming on a federal return a sum less than the maximum federal credit allowable shall not relieve any person liable for the tax of the duty to pay the tax imposed under this chapter.

If an amended or supplemental return is filed with the internal revenue service which results in a change in the amount of tax owing under this chapter, the persons liable for the payment of the tax shall submit an amended return, on forms prescribed by the director, indicating the amount of the tax then owing as a result of such change.

If any federal generation skipping transfer tax has been paid before the enactment of this chapter, the persons liable for the payment of the tax under this chapter shall file an amended federal return claiming the maximum federal credit allowable and file the Iowa returns specified in section 450A.8 within six months after the enactment of this chapter or within the time limit provided in section 450A.4 whichever is the later.

Sec. 25. Notwithstanding section 8.55, the moneys in the Iowa economic emergency fund on July 1, 1987 are transferred to the general fund of the state. Funds transferred to the general fund of the state shall be used to defray expenses incurred for the fiscal year beginning July 1, 1987 and ending June 30, 1988.

Sec. 26. 1987 Iowa Acts, House File 675, sections 4 and 13, are repealed.

Sec. 27. 1987 Iowa Acts, House File 377*, section 10, is amended to read as follows:

SEC. 10. This Act takes effect January 1, 1988. Sections 4 7 through 6 9 apply to tax returns filed for tax years beginning on or after January 1, 1987. However, in determining the allocation between the political candidates fund and the Iowa election campaign fund of funds from the returns for the three tax years beginning on or after January 1, 1987, 1988, and 1989, only the first two hundred sixty thousand dollars received for the tax returns of each of those years shall be deposited in the Iowa election campaign fund and the remainder shall be deposited in the political candidates fund. In order to register for a restricted campaign in 1988, a candidate's committee existing in 1987 must characterize its December 31, 1987, balance as provided in section 56.33, subsection 10, and provide that information to the commission with the report filed in January, 1988.

Sec. 28. 1987 Iowa Acts, House File 153**, sections 1 through 23, are repealed.

Sec. 29. 1987 Iowa Acts, House File 153**, sections 57 and 58, are amended to read as follows:

SEC. 57. Sections ~~1, 2, 4, 5, 6, 7, 11, 15~~ through 24, 26, 27, 31, 32, 34, and 36 of this Act are retroactive to January 1, 1986 for tax years beginning on or after that date.

SEC. 58. Sections ~~3, 8, 9, 10, 12, 13, 14,~~ 25, 28, 29, 30, 33, and 35 of this Act are retroactive to January 1, 1987 for tax years beginning on or after that date.

Sec. 30. Sections 5, 7, 8, 12, 13, and 15 of this Act are retroactive to January 1, 1986 for tax years beginning on or after that date.

Sec. 31. Sections 2, 3, 4, 6, 9, 10, 11, 14, and 16 of this Act are retroactive to January 1, 1987 for tax years beginning on or after that date.

Sec. 32. Sections 17 through 24 of this Act are retroactive to October 22, 1986 for generation skipping transfers which are eligible for the credit for state taxes under section 2604 of the Internal Revenue Code and are made after October 22, 1986, subject to the special rules of section 1433(b) of Public Law 99-514.

Sec. 33. This Act, being deemed of immediate importance, is effective upon enactment.

Approved July 6, 1987

*Vetoed June 8, 1987

**Vetoed June 7, 1987