

**CHAPTER 1166****INTERNAL REVENUE CODE REFERENCES AND INCOME TAX PROVISIONS***S.F. 2215*

**AN ACT** updating the Iowa Code references to the federal Internal Revenue Code, except those references to the taxation of social security benefits, striking a provision for a moving expense deduction, striking state provisions for disallowing private club expenses, and providing retroactive applicability and effective dates.

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

Section 1. Section 422.3, subsection 4, Code Supplement 1993, is amended to read as follows:

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, ~~1993~~ 1994, whichever is applicable.

Sec. 2. Section 422.7, subsection 13, Code Supplement 1993, is amended by striking the subsection and inserting in lieu thereof the following:

13. Subtract, to the extent included, the amount of additional social security benefits taxable under the Internal Revenue Code for tax years beginning on or after January 1, 1994. The amount of social security benefits taxable as provided in section 86 of the Internal Revenue Code, as amended up to and including January 1, 1993, continues to apply for state income tax purposes for tax years beginning on or after January 1, 1994. Married taxpayers, who file a joint federal income tax return and who elect to file separate returns or who elect separate filing on a combined return for state income tax purposes, shall allocate between the spouses the amount of benefits subtracted from net income in the ratio of the social security benefits received by each spouse to the total of these benefits received by both spouses.

Sec. 3. Section 422.7, subsection 25, Code Supplement 1993, is amended by striking the subsection.

Sec. 4. Section 422.9, subsection 2, unnumbered paragraph 1, Code 1993, is amended to read as follows:

The total of contributions, interest, taxes, medical expense, nonbusiness losses, and miscellaneous expenses and ~~moving expenses~~ deductible for federal income tax purposes under the Internal Revenue Code, with the following adjustments:

Sec. 5. Section 422.9, subsection 2, paragraph g, Code 1993, is amended by striking the paragraph.

Sec. 6. Section 422.9, subsection 3, paragraph c, Code 1993, is amended to read as follows:

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

Sec. 7. Section 422.10, unnumbered paragraph 1, Code Supplement 1993, is amended to read as follows:

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state. For individuals, the credit equals 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 total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership, subchapter S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, estate, or trust. For purposes of this section, "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 41 of the Internal Revenue Code in effect on January 1, ~~1993~~ 1994.

Sec. 8. Section 422.33, subsection 5, unnumbered paragraph 1, Code Supplement 1993, is amended to read as follows:

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 41 of the Internal Revenue Code in effect on January 1, ~~1993~~ 1994.

Sec. 9. Section 422.35, subsection 11, paragraphs c and e, Code 1993, are amended to read as follows:

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

e. The limitations on net operating loss carryback and carryforward under sections ~~172(b)(1)(M)~~ 172(b)(1)(E) and ~~172(m)~~ 172(h) of the Internal Revenue Code shall apply.

Sec. 10. Section 422.35, subsection 14, Code 1993, is amended by striking the subsection.

Sec. 11. Sections 1, 7, and 8 of this Act apply retroactively to January 1, 1993, for tax years beginning on or after that date.

Sec. 12. Sections 2, 3, 4, 5, and 10 of this Act apply retroactively to January 1, 1994, for tax years beginning on or after that date.

Sec. 13. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 10, 1994

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## CHAPTER 1167

### UNIFORM COMMERCIAL CODE — NEGOTIABLE INSTRUMENTS — BANK DEPOSITS AND COLLECTIONS

*S.F. 2279*

**AN ACT** amending the uniform commercial code relating to negotiable instruments, and bank deposits and collections, and repealing sections, and providing an effective date.

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

Section 1. Section 9E.9, subsection 5, Code 1993, is amended to read as follows:

5. In making or noting a protest of a negotiable instrument, the notarial officer must determine the matters set forth whether there is evidence of dishonor as provided in section ~~554.3509~~ 554.3505.

Sec. 2. Section 533.43, subsection 3, Code 1993, is amended to read as follows:

3. The share draft is payable to a member of the credit union, or to a member of the family of the issuer of the share draft, or to a business in which the issuer of the share draft has an interest. However, the exception contained in this subsection does not apply to any person