

A BILL FOR

An act providing for an income tax to raise revenue with which to reduce the general property tax levy, and to equalize the burdens of taxation.

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

ARTICLE 1.

General Provisions.

1 Section 1. Title. This act shall be known and may be cited as
2 "The Income Tax Act of 1925."

1 Sec. 2. Definitions. For the purposes of this act and unless
2 otherwise required by the context.

3 1. The words "budget director" mean the state budget director.

4 2. The word "taxpayer" includes any individual or fiduciary
5 subject to the tax imposed by this act.

6 3. The word "individual" means a natural person.

7 4. The word "fiduciary" means a guardian, trustee, executor,
8 administrator, receiver, conservator, or any person, whether individual
9 or corporate, acting in any fiduciary capacity for any person, estate
10 or trust.

11 5. The word "person" includes individuals, fiduciaries, partner-
12 ships and corporations.

13 6. The word "corporation" includes joint-stock companies or
14 associations and insurance companies.

15 7. The word "business" includes trade, profession, occupation
16 or employment.

17 8. The words “tangible property” mean real property and corporeal
18 personal property and do not mean money, bank deposits, shares of
19 bonds, notes, credits, evidences of debt, choses in action or evidences
20 of an interest in property.

21 9. The words “intangible property” mean all property other
22 than tangible property.

23 10. The words “tax year” mean the calendar year in which the
24 tax is payable.

25 11. The words “income year” mean the calendar year or the fiscal
26 year, upon the basis of which the net income is computed under this
27 act; if no fiscal year has been established they mean the calendar
28 year.

29 12. The words “fiscal year” mean an income year, ending on any
30 day other than the 31st day of December.

31 13. The word “paid” for the purposes of the deductions under
32 this act, means “paid or accrued” or “paid or incurred”, and the words
33 “paid or accrued”, “paid or incurred” and “incurred” shall be construed
34 according to the method of accounting upon the basis of which the net
35 income is computed under this act. The word “received” for the pur-
36 of the computation of the net income under this act means “received or
37 accrued”, and the words “received or accrued” shall be construed ac-
38 cording to the method of accounting upon the basis of which the net income
39 is computed under this act.

40 14. The word “resident” applies only to individuals and includes
41 for the purpose of determining liability to the tax imposed by this act,
42 with reference to the income of any income year, any individual who
shall

43 be domiciled in the state during the time the income was received.

44 15. The words "foreign country" mean any jurisdiction other than
45 one embraced within the United States. The words "United States,"
46 used in a geographical sense, include the states, the territories of ^{when}
47 Alaska and Hawaii, the District of Columbia and the possessions of the
48 United States.

Computation of Tax.

1 Sec. 3. Net income defined. The words "net income" means the ^{gross}
2 income of a taxpayer less the deductions allowed by this act.

1 Sec. 4. Gross income defined. 1. The words "gross income"
2 includes gains, profits and income derived from salaries, wages,
3 or compensation for personal service, of whatever kind and in what-
4 ever form paid, or from professions, vocations, trades, business,
5 commerce, or sales, or dealings in property, whether real or per-
6 sonal, growing out of the ownership or use of, or interest in such
7 property; also from interest, rent, dividends, securities, or the
8 transaction of any business carried on for gain or profits and in-
9 come derived from any source whatever. The amount of all such items
10 shall be included in the gross income of the income year in which
11 received by the taxpayer, unless, under the methods of accounting
12 permitted under this act, any such amounts are to be properly ac-
13 counted for as of a different period.

14 2. The words "gross income" does not include the following
15 items, which shall be exempt from taxation under this act:

16 (a) The proceeds of life insurance policies and contracts paid
17 upon the death of the insured to individual beneficiaries or to the

18 estate of the insured;

19 (b) The amount received by the insured as a return of premium
20 or premiums paid by him under life insurance, endowment or annuity
21 contracts, either during the term or at the maturity of the term
22 mentioned in the contract or upon surrender of the contract;

23 (c) The value of property acquired by gift, bequest, devise or
24 descent (but the income from such property shall be included in gross
25 income);

26 (d) Interest upon the obligations of the United States or its
27 possessions;

28 (e) Salaries, wages and other compensation received from the
29 United States by officials or employees thereof, including persons
30 in the military or naval forces of the United States;

31 (f) Any amounts received through accident or health insurance
32 or under workmen's compensation acts, as compensation for personal
33 injuries or sickness, plus the amount of any damages received, whether
34 by suit or agreement, on account of such injuries or sickness.

1 Sec. 5. Basis of return of net income. 1. Taxpayers who
2 customarily estimate their income on a basis other than that of
3 actual cash receipts and disbursements may, with the approval of
4 the budget director, return their net income under this act upon
5 a similar basis. Taxpayers who customarily estimate their income
6 on the basis of an established fiscal year instead of on that of
7 the calendar year, may, with the approval of the budget director,
8 and subject to such rules and regulations as he may establish, re-
9 turn their net income under this act on the basis of such fiscal

10 year, in lieu of that of the calendar year.

11 2. A taxpayer may, with the approval of the budget director
12 and under such regulations as he may prescribe, change his income
13 year from fiscal year to calendar year or otherwise, in which case
14 his net income shall be computed upon the basis of such new income
15 year.

16 3. An individual carrying on business in partnership shall be
17 liable for income tax only in his individual capacity and shall in-
18 clude in his gross income the distributive share of the net income
19 of the partnership received by him or distributable to him during
20 the income year.

21 4. Every individual, taxable under this act, who is a beneficiary
22 of an estate or trust, shall include in his gross income the distribu-
23 tive share of the net income of the estate or trust, received by him
24 or distributable to him during the income year. Unless otherwise
25 provided in the law, the will, the deed or other instrument creating
26 the estate, trust or fiduciary relation, the net income shall be deemed
27 to be distributed or distributable to the beneficiaries (including the
28 fiduciary as a beneficiary, in the case of income accumulated for future
29 distribution) ratably, in proportion to their respective interests.

1 Sec. 6. Determination of gain or loss. For the purpose of ascer-
2 taining the gain or loss from the sale or other disposition of property,
3 real, personal or mixed, the basis shall be, in the case of property
4 acquired before January 1, 1925, the fair market price or value of
5 such property as of that date, if such price or value exceeds the
6 original cost, and in all other cases, the cost thereof; provided,

7 that in the case of property which was included in the last preced-
8 ing annual inventory used in determining net income in a return under
9 this act, such inventory value shall be taken in lieu of cost or mar-
10 ket value. The final distribution to the taxpayer of the assets of
11 a corporation shall be treated as a sale of the stock or securities
12 of the corporation owned by him and the gain or loss shall be computed
13 accordingly.

1 Sec. 7. Exchanges of property. 1. When property is exchanged
2 for other property, the property received in exchange shall, for the
3 purpose of determining gain or loss, be treated as the equivalent of
4 cash to the amount of its fair market value, provided a market exists
5 in which all the property so received can be disposed of at the time
6 of exchange, for a reasonably certain and definite price in cash;
7 otherwise such exchange shall be considered as a conversion of assets
8 from one form to another, from which no gain or loss shall be deemed
9 to arise.

10 2. In the case of the organization of a corporation, the stock
11 or securities received shall be considered to take the place of prop-
12 erty transferred therefor and no gain or loss shall be deemed to
13 arise therefrom.

14 3. When, in connection with the reorganization, merger or consoli-
15 dation of a corporation, a taxpayer receives, in place of stock or
16 securities owned by him, new stock or securities, the basis of comput-
17 ing the gain or loss if any shall be, in case the stock or securities
18 owned were acquired before January 1, 1925, the fair market price or
19 value thereof as of that date, if such price or value exceeds the

20 original cost, and in all other cases the cost thereof.

1 Sec. 8. Inventory. Whenever in the opinion of the budget director
2 the use of inventories is necessary in order clearly to determine
3 the income of any taxpayer, inventories shall be taken by such tax-
4 payer, upon such basis as the budget director may prescribe, con-
5 forming as nearly as may be to the best accounting practice in the
6 trade or business and most clearly reflecting the income, and con-
7 forming as far as may be, to the forms and methods prescribed by
8 the United States Commissioner of Internal Revenue, under the acts
9 of Congress then providing for the taxation of incomes.

1 Sec. 9. Time and place of filing returns. Returns shall be
2 in such form as the budget director may from time to time prescribe
3 and shall be filed with the budget director at his main office or
4 at the office of the local income tax assessor within sixty (60) days
5 after the expiration of the income year. In case of sickness,
6 absence or other disability, or whenever in his judgment good cause
7 exists, the budget director may allow further time for filing returns.
8 There shall be annexed to the return the affidavit or affirmation of
9 the taxpayer making the return, to the effect that the statements
10 contained therein are true. The budget director shall cause to be
11 prepared blank forms for the said returns and shall cause them to be
12 distributed throughout the state and to be furnished upon application,
13 but failure to receive or secure the form shall not relieve any tax-
14 payer from the obligation of making any return herein required.

1 Sec. 10. Failure to file returns; supplementary returns. If
2 the budget director shall be of the opinion that any taxpayer has

3 failed to file a return, or to include in a return filed, either in-
4 tentiously or through error, items of taxable income, he may require
5 from such taxpayer a return, or a supplementary return, under oath,
6 in such form as he shall prescribe, of all the items of income which
7 the taxpayer received during the year for which the return is made,
8 whether or not taxable under the provisions of this act. If from a
9 supplementary return, or otherwise, the budget director finds that
10 any items of income, taxable under this act, have been omitted from
11 the original return he may require the items so omitted to be
12 disclosed to him, under oath of the taxpayer, and to be added to
13 the original return. Such supplementary return and the correction
14 of the original return shall not relieve the taxpayer from any of
15 the penalties to which he may be liable under any provision of this
16 act. The budget director may proceed under the provision of section
17 13 of this act whether or not he requires a return or a supplement-
18 ary return under this section.

COLLECTION AND ENFORCEMENT OF TAX.

1 Sec. 11. Time and place of payment of tax. 1. The full amount
2 of the tax payable, as the same shall appear from the face of the
3 return, shall be paid to the county treasurer at his office in the
4 county seat where the return is filed, at the time fixed by law for
5 filing the return. If the time for filing the return shall be ex-
6 tended, interest at the rate of 6% per year from the time when the
7 return was originally required to be filed, to the time of payment,
8 shall be added and paid. All funds collected by the county treasurer
9 under the provisions of this act shall become a part of the general

10 revenue of the state and shall be paid over by him to the treasurer
11 of state as is provided by law.

12 2. The tax may be paid with uncertified check, during such
13 time and under such regulations as the budget director shall pre-
14 scribe, but if a check so received is not paid by the bank on which
15 it is drawn, the taxpayer by whom such check is tendered shall remain
16 liable for the payment of the tax and for all legal penalties, the
17 same as if such check had not been tendered.

18 3. Reports to budget director. The county treasurer shall on
19 the fifteenth day of each month report under oath to the budget
20 director, on forms furnished by him, giving a full and complete
21 statement of the taxes and penalties so received by him during the
22 preceding calendar month.

23 4. Reports by budget director. The budget director immediately
24 upon receiving said report, shall also report to the treasurer of
25 state the amount so collected by such county treasurer.

26 5. Duty of treasurer of state. The treasurer of state shall
27 keep proper books of account for the purposes specified herein, and
28 shall report to the budget director each remittance from the county
29 treasurer, when said remittance is received.

30 6. Audit by budget director. The budget director shall check
31 and audit all taxes and penalties collected and shall effect a settle-
32 ment with the county treasurer annually.

1 Sec. 12. Examination of returns. 1. As soon as practicable
2 after the return is filed, the budget director shall examine it and
3 compute the tax, and the amount so computed by the budget director

4 shall be the tax. If the tax found due shall be greater than the
5 amount theretofore paid, the excess shall be paid to the county treas-
6 within ten (10) days after notice of the amount shall be mailed by the
7 budget director.

8 2. If the return is made in good faith and the understatement
9 of the tax is not due to any fault of the taxpayer, there shall be no
10 penalty or additional tax added because of such understatement, but
11 interest shall be added to the amount of the deficiency at the rate
12 of 1 per cent for each month or fraction of a month.

13 3. If the understatement is due to negligence on the part of
14 the taxpayer, but without intent to defraud, there shall be added to
15 the amount of the deficiency 5 per cent thereof, and in addition in-
16 terest at the rate of 1 per cent per month or fraction of a month.

17 4. If the understatement is false or fraudulent, with intent
18 to evade the tax, the tax on the additional income discovered to be
19 taxable shall be doubled and an additional 1 per cent per month or
20 fraction of a month shall be added.

21 5. The interest provided for in this section shall in all cases
22 be computed from the date the tax was originally due to the date of
23 payment.

24 6. If the amount of tax found due as computed shall be less
25 than the amount theretofore paid, the excess shall upon order of
26 budget director, be refunded by the treasurer of state out of the
27 proceeds of the general fund of the state. This excess or over-
28 payment if due to erroneous rulings on the part of the budget
29 director, shall bear interest at the rate of 6 per cent.

10 thereof by a time to be therein specified, not less than sixty
11 (60) days from the date of the warrant. The sheriff shall within
12 five (5) days after the receipt of the warrant, file with the
13 clerk of his county a copy thereof, and thereupon the clerk shall
14 enter in the judgment docket, in the column for judgment debtors,
15 the name of the taxpayer mentioned in the warrant, and in appro-
16 priate columns the amount of the tax or portion thereof and pen-
17 alties for which the warrant is issued and the date when such copy
18 is filed, and thereupon the amount of such warrant so docketed shall
19 become a lien upon the title to and interest in real property or
20 chattels real of the taxpayer against whom it is issued in the same
21 manner as a judgment duly docketed in the office of such clerk. The
22 said sheriff shall thereupon proceed upon the same in all respect,
23 with like effect, and in the same manner prescribed by law in re-
24 spect to executions issued against property upon judgments of a
25 court of record, and shall be entitled to the same fees for his
26 services in executing the warrant, to be collected in the same manner.
27 If a warrant be returned not satisfied in full, the budget director
28 shall have the same remedies to enforce the claim for taxes against
29 the taxpayer as if the people of the state had recovered judgment
30 against the taxpayer for the amount of the tax.

1 Sec. 15. Tax a debt. Every tax imposed by this act, and all
2 increases, interest and penalties thereon, shall become, from the
3 time it is due and payable, a personal debt, from the person or
4 persons liable to pay the same, to the state of Iowa.

1 Sec. 16. Action for recovery of taxes. Action may be brought

2 at any time by the attorney general of the state, at the instance of
3 the budget director, in the name of the state, to recover the amount
4 of any taxes, penalties and interest due under this act.

1 . Sec. 17. Tax upon settlement of fiduciary's account. 1. No
2 final account of a fiduciary shall be allowed by the probate court
3 unless such account shows, and the judge of said court finds, that
4 all taxes imposed by the provisions of this act upon said fiduciary,
5 which have become payable, have been paid, and that all taxes which
6 may become due are secured by bond, deposit or otherwise. The cer-
7 tificate of the budget director and the receipt for the amount of
8 the tax therein certified shall be conclusive as to the payment of
9 the tax, to the extent of said certificate.

10 2. For the purpose of facilitating the settlement and distri-
11 bution of estates held by fiduciaries, the budget director, with the
12 approval of the attorney general may, on behalf of the state agree
13 upon the amount of taxes at any time due or to become due from such
14 fiduciaries under the provisions of this act, and payment in accord-
15 ance with such agreement shall be full satisfaction of the taxes to
16 which the agreement relates.

1 Sec. 18. Penalties. 1. If any taxpayer, without intent to
2 evade any tax imposed by this act shall fail to file a return of
3 income or pay a tax, if one is due, at the time required by or under
4 the provisions of this act, but shall voluntarily file a correct
5 return of income and pay the tax due within sixty (60) days there-
6 after, there shall be added to the tax an additional amount equal
7 to five per cent thereof, but such additional amount shall in no

8 case be less than one dollar and an additional one per cent for each
9 month or fraction of a month during which the tax remains unpaid.

10 2. If any taxpayer fails voluntarily to file a return of in-
11 come or to pay a tax if one is due within sixty (60) days of the
12 time required by or under the provisions of this act, the tax shall
13 be doubled, and such doubled tax shall be increased by one per cent
14 for each month or fraction of a month from the time the tax was
15 originally due to the date of payment.

16 3. The budget director shall have power, upon making a record
17 of his reasons therefor, to waive or reduce any of the additional
18 taxes or interest provided in subdivisions 1 and 2 of this section
19 or in subdivisions 2, 3 and 4 of section 12.

20 4. Any person who, without fraudulent intent, fails to pay
21 any tax or to make, render, sign or verify any return, or to supply
22 any information, within the time required by or under the provisions
23 of this act, shall be liable to a penalty in addition to all other
24 taxes, interest and penalties provided for by this act, of \$100 to
25 be assessed by the budget director and collected in the same manner
26 as an additional tax found due under Section 13 of this act.

27 5. Any person or any officer or employee of any corporation, or
28 member or employee of any partnership, who, with intent to evade any
29 requirement of this act or any lawful requirement of the budget direct-
30 or thereunder, shall fail to pay any tax or to make, sign or verify
31 any return or to supply any information required by or under the
32 provisions of this act, or who, with like intent, shall make, render,
33 sign or verify any false or fraudulent return or statement, or shall

34 supply any false or fraudulent information, shall be liable to a
35 penalty of not more than \$1000, to be recovered by the attorney general
36 in the name of the people, by action in any court of competent juris-
37 diction, and shall also be guilty of a misdemeanor and shall, upon
38 conviction, be fined not to exceed \$1000 or be imprisoned not to exceed
39 one year, or both, at the discretion of the court.

40 6. The attorney general shall have the power, with the consent
41 of the budget director, to compromise any penalty for which he is auth-
42 orized to bring action under subdivisions 4 and 5 of this section. The
43 penalties provided by such subdivisions shall be additional to all
44 other penalties in this act provided.

45 7. The failure to do any act required by or under the provisions
46 of this act shall be deemed an act committed in part at the office of
47 the budget director in Des Moines. The certificate of the budget direct-
48 or to the effect that a tax has not been paid, that a return has not been
49 filed or that information has not been supplied, as required by or under
50 the provisions of this act, shall be prima facie evidence that such tax
51 has not been paid, that such return has not been filed or that such
52 information has not been supplied.

53 8. If any taxpayer, who has failed to file a return or
54 has filed an incorrect or insufficient return and has been notified
55 by the budget director of his delinquency, refuses or neglects
56 within twenty days after such notice to file a proper return, or
57 files a fraudulent return, the budget director shall determine
58 the income of such taxpayer according to his best information and
59 belief and assess the same at not more than double the amount so

60 determined. The budget director may in his discretion allow
61 further time for the filing of a return in such case.

Revision and Appeal.

1 Sec. 19. Revision by budget director. A taxpayer aggrieved
2 at assessment made by the county auditor may apply to the budget
3 director for revision of the tax assessed against him, at any time
4 within one year from the time of the filing of the return or from
5 the date of the notice of the assessment of any additional tax.
6 The budget director shall grant a hearing thereon and if, upon
7 such hearing, he shall determine that the tax is excessive or in-
8 correct, he shall resettle the same according to the law and the
9 facts and adjust the computation of tax accordingly. The budget
10 director shall notify the taxpayer of his determination and shall
11 refund to the taxpayer the amount, if any, paid in excess of the
12 tax found by him to be due.

13 If the taxpayer has failed, without good cause, to file a
14 return within the time prescribed by law, or has filed a fraudulent
15 return or, having filed an incorrect return, has failed, after notice,
16 to file a proper return, the budget director shall not reduce the
17 tax below double the amount for which the taxpayer is found to be
18 property assessed.

1 Sec. 20. Appeal. The determination of the budget director
2 upon any application made by a taxpayer for revision of any tax,
3 may be reviewed in any court of competent jurisdiction upon a com-
4 plaint filed by the taxpayer against the budget director in the
5 county in which the taxpayer resides or has his principal place

6 of business, within thirty (30) days after notice by the budget
7 director of his determination, given as provided in section 19
8 of this act. Before granting such appeal the judge of such dis-
9 trict court may upon request, therefore, by the budget director,
10 require the appellant to file with said court a bond sufficient
11 to guarantee all costs of the action in case the appeal be dis-
12 missed or decision rendered against the appellant.

Administration.

1 Sec. 21. The budget director shall administer and enforce
2 the tax herein imposed. For the purposes of this act the state
3 shall be divided into assessment districts in which each county
4 shall constitute one. The county auditor shall be the local income
5 tax assessor and the county treasurer shall be the local income
6 tax collector. The budget director shall have supervision and
7 direction over the local assessors and collectors.

1 Sec. 22. Powers of budget director. The budget director,
2 for the purpose of ascertaining the correctness of any return or
3 for the purpose of making an estimate of the taxable income of any
4 taxpayer, shall have power to examine or cause to be examined by
5 any agent or representative designated by him for that purpose,
6 any books, papers, records or memoranda, bearing upon the matters
7 required to be included in the return, and may require the attend-
8 ance of the taxpayer or of any other person having knowledge in
9 the premises examine witnesses, and may take testimony and require
10 proof material for his information, with power to administer oath
11 to such person or persons.

1 Sec. 23. Officers, agents and employees. 1. The budget director
2 may appoint and fix the salary of a person to be known as the income
3 director, who under his direction shall have supervision and control of
4 assessment and collection of the income taxes provided in this act. The
5 budget director may also appoint such other officers, agents, deputies,
6 clerks and employees as may be authorized by executive council; fix
7 compensation, and determine their powers and duties. The budget
8 shall have power to remove from office the officials provided for in this
9 section.

10 2. The budget director and such officers, agents and employees shall
11 be allowed such reasonable and necessary traveling and other expenses
12 may be incurred in the performance of their duties, not to exceed the
13 amounts appropriated therefor by the legislature or as hereinafter
14 provided.

15 3. The budget director may require such of the officers, agents and
16 employees as he may designate, to give bond for the faithful per-
17 of their duties in such sum and with such sureties as he may determine,
18 and all premiums on such bonds shall be paid by the budget director out
of monies appropriated for the purpose of this act.

1 Sec. 24. Income Tax Enforcement Fund. The treasurer of state
2 set aside a fund equal to three per cent of the amount collected during
3 the preceding year, such fund to be known as the Income Tax Enforce-
4 Fund. The total amount expended in the enforcement of this act shall
5 exceed in any one year the amount so set aside. The salaries and
6 of the state income tax director and assistants and all additional
7 incurred by the local income tax assessors and collectors shall be
8 and paid out of the Income Tax Enforcement Fund, as all similar
salaries

9 and state expenses are audited and paid. At the close of each calendar
10 year; and unexpended balance in the income tax enforcement fund shall
11 be credited to the general fund of the state.

1 Sec. 25. Oaths and acknowledgements. The budget director and
2 officers, as he may designate, shall have the power to administer ^{such} an
3 to any person or to take the acknowledgment of any person in respect of ^{oath}
4 any return or report required by this act or the rules and regulations
5 of the budget director.

1 Sec. 26. Publication of statistics. The budget director shall
2 prepare and publish annually statistics reasonably available, with re-
3 spect to the operation of this act, including amounts collected,
4 classifications of taxpayers, income and exemptions and such other
5 facts as are deemed pertinent and valuable.

1 Sec. 27. Secrecy required of official; penalty for violation.

2 1. Except in accordance with proper judicial order or as other-
3 wise provided by law, it shall be unlawful for the budget director,
4 any agent, clerk, or other officer or employee to divulge or make
5 known in any manner the amount of income or any particulars set
6 forth or disclosed in any report or return required under this act.
7 The officers charged with the custody of such reports and return shall
8 not be required to produce any of them or evidence of anything con-
9 tained in them in any action or proceeding in any court except in
10 an action or proceeding under the provisions of this act. Nothing
11 herein shall be construed to prohibit the delivery to a taxpayer
12 or his duly authorized representative of a certified copy of any
13 return or report filed in connection with his tax nor to prohibit

14 the publication of statistics so classified as to prevent the
15 identification of particular reports or returns and the items
16 thereof, or the inspection by the attorney-general or other
17 legal representatives of the state of the report or return any
18 taxpayer who shall bring action to set aside or review the tax
19 based thereon, or against whom an action or proceeding has been
20 instituted in accordance with the provisions of this act. Reports
21 and returns shall be preserved for three years and thereafter until
22 the budget director orders them to be destroyed.

23 2. Any offense against subdivision one of this section
24 shall be punished by a fine of not exceeding one thousand dollars
25 or by imprisonment not exceeding one year, or both, at the discretion
26 of the court, and if the offender be an officer or employee of the
27 state, he shall be dismissed from office and be incapable of holding
28 any public office in this state for a period of five years
29 thereafter.

30 3. Notwithstanding the provisions of this section, the
31 budget director may permit the commissioner of internal revenue
32 of the United States, or the proper officer of any state imposing
33 an income tax upon the incomes of individuals, or the authorized
34 representative of either such officer, to inspect the income tax
35 returns of any individual, or may furnish to such officer or his
36 authorized representative an abstract of the return of income of
37 any taxpayer or supply him with information concerning any item
38 of income contained in any return, or disclosed by the report of
39 any investigation of the income or return of income of any tax-

40 payer; but such permission shall be granted or such information
41 furnished to such officer or his representative, only to the ex-
42 tent that the statutes of the United States or of any such other
43 state, as the case may be, grant substantially similar privileges
44 to the proper officer of this state charged with the administration
45 of the income tax laws thereof.

1 Sec. 28. Regulations. The budget director may from time to
2 time make such rules and regulations, not inconsistent with this
3 act, as he may deem necessary to enforce its provisions.

1 Sec. 29. Distribution of tax. The tax hereby imposed shall
2 be for the use of the state. The treasurer of state shall file
3 with the executive council on or before June 30th of each year a
4 statement showing the amount of money collected and the amount on
5 hand. The budget director shall file with the executive council
6 on or before June 30th of each year including 1925 an estimate of
7 the money collected under this act. The executive council in fixing
8 the levy in 1925 and each succeeding year thereafter shall reduce
9 the state levy upon general property in an amount equal to the
10 budget director's estimate of the revenues to be collected under
11 this act.

1 Sec. 30. Contract to assume tax illegal. It shall be
2 unlawful for any person to agree or contract directly or in-
3 directly to pay or assume or bear the burden of any tax payable
4 by any taxpayer under the provisions of this act. Any such
5 contract or agreement shall be null and void and shall not be
6 enforced or given effect by any court.

1 Sec. 31. Unconstitutionality or invalidity. If any
2 clause, sentence, paragraph, or part of this act shall, for
3 any reason, be adjudged by any court of competent jurisdiction
4 to be invalid such judgment shall not affect, impair or in-
5 validate the remainder of this act, but shall be confined in
6 its operation to the clause, sentence, paragraph or part there-
7 of directly involved in the controversy in which such judgment
8 shall have been rendered. No caption of any section or set of
9 sections shall in any way affect the interpretation of this act
10 or any part thereof.

1 Sec. 32. Taking effect of the act. This act shall take
2 effect on publication in the Capital and Register published in
3 Des Moines, Iowa.

1 Sec. 33. There is hereby appropriated out of any funds
2 in the state treasury not otherwise appropriated, an amount
3 necessary to carry out the provisions of this act, until such
4 time as the "Income tax enforcement fund" shall become available
5 for this purpose.

7 residents of the state, such part of the net income shall be treated as if
8 each fiduciary had received an equal share;

9 (b) That net income received during the income year by deceased in-
10 dividuals who, at the time of death were residents and who have died on
11 or after April 15 of the tax year without having made a return;

12 (c) The entire net income of resident insolvent or incompetent in-
13 dividuals, whether or not any portion thereof is held for the future use of the
14 beneficiaries, where the fiduciary has complete charge of such net
15 income.

16 2. The tax imposed upon a fiduciary by this act shall be a charge a-
gainst the estate or trust.

1 Sec. 36. Deductions. In computing net income there shall be allowed
2 as deductions;

3 (a) All the ordinary and necessary expenses paid during the income
4 year in carrying on any trade or business, including a reasonable allowance
5 for salaries or other compensation for personal services actually rendered,
6 and including rentals or other payments required to be made as a con-
7 dition to the continued use or possession, for the purposes of the trade or
8 busi- ness, or property to which the taxpayer has not taken or is not taking
9 title or in which he has no equity:

10 (b) All interest paid during the income year on indebtedness;

11 (c) Dividends or incomes received by any person from stocks or in-
12 terest in any corporation, joint stock company or association, the income of
13 which shall have been assessed under the provisions of this act; pro-
14 vided that when only part of the income of any corporation, joint stock
15 company or association shall have been assessed under this act only a corre-
16 sponding part of the dividends or income received therefrom shall be de-
ducted,

17 and provided, further, that said corporation, joint stock company or as-
18 sociation report the name and address of each person owning stock
19 ing such interest and the amount of dividends or income paid such
20 during the assessment year. or hav-
person

21 (d) Taxes paid or accrued within the income year, imposed by the
22 ity of the United States or of any of its possessions or of any state, ter-
23 ritory or the District of Columbia or of any foreign country; except in-
24 heritance taxes, and except income taxes imposed by this act and taxes
25 sessed for local benefits, of a kind tending to increase the value of the
26 property assessed; as-

27 (e) Losses sustained during the income year and not compensated
28 insurance or otherwise, if incurred in trade or business; for by

29 (f) Losses sustained during the income year and not compensated
30 insurance or otherwise, if incurred in any transaction entered into for
31 profit, though not connected with the trade or business; for by

32 (g) Losses sustained during the income year, of property not con-
33 with the trade or business, if arising from fires, storms, shipwreck or
34 other casualty, or from theft, and not compensated for by insurance or
35 otherwise; connected

36 (h) Debts ascertained to be worthless and charged off within the
37 year, if the amount has previously been included in gross income
38 turn under this act; in a re-

39 (i) A reasonable allowance for the depreciation and obsolescence of
40 property used in the trade or business; and, in the case of mines, oil and
41 gas wells, other natural deposits, and timber, a reasonable allowance
42 depletion; *Provided*, That in computing the deductions allowed under
this

43 paragraph, the basis shall be the cost (including in the case of mines,
44 oil and gas wells and other natural deposits, the cost of development, ^{not}
45 otherwise deducted), and in the case of property acquired prior to ^{January}
46 1, 1925, the fair market value of the property (or the taxpayer's ^{interest}
47 therein) on that date shall be taken in lieu of cost up to that date. The
48 reasonable allowances under this paragraph shall be made under rules ^{and}
49 regulations to be prescribed by the budget director. In the case of ^{leases}
50 the deductions allowed may be equitably apportioned between the ^{lessor and}
51 lessee ;

52 (j) In the case of taxpayers who keep regular books of account, ^{upon}
53 an accrual basis and in accordance with standard accounting prac- ^{tice, re-}
54 serves for bad debts and for contingent liabilities, under such rules and
55 restrictions as the budget director may impose. If the budget director
56 shall at any time deem the reserve excessive in amount, he may restore ^{such}
57 excess to income, either in a subsequent year or as a part of the ^{income for}
58 the income year and asses, it accordingly.

59 (k) If for any taxable year beginning after January 1, 1925, it ^{appears}
60 upon production of evidence satisfactory to the budget director that ^{any}
61 taxpayer has sustained a net loss, the amount thereof shall be deducted ^{from}
62 the net income of the taxpayer for the succeeding taxable year ; the ^{amount}
63 of such excess shall be allowed as a deduction in computing the net ^{income}
64 for the next succeeding taxable year ; the deductions in all cases to be
65 made under regulations prescribed by the budget director.

1 Sec. 37. Items not deductible. In computing net income no deduction
2 shall in any case be allowed in respect of :

3 (a) Personal, living or family expenses ;

19 ily, but if not paid by him may be enforced against any person whose
income
20 is included in the assessment.

1 Sec. 39. Individual returns. 1. Every "resident" having a gross
income
2 during the year of \$5000 or over shall make a return under oath,
stating
3 specifically the items of his gross income and the deductions and
exemp-
4 tions allowed by this act. But no returns need be filed by persons with
5 gross incomes under that amount if their exemptions exceed their net
in-
6 comes; provided however the budget director shall have power to
require
7 a return in any case he chooses to investigate regardless of the amount
of
8 gross or net income.

9 2. If a husband and wife living together have an aggregate net
income
10 of \$2000 or over, each shall make such a return, unless the income
of each
11 is included in a single joint return.

12 3. If the taxpayer is unable to make his own return, the return shall
13 be made by a duly authorized agent or by a guardian or other person
charged
14 with the care of the person or property of such taxpayer.

1 Sec. 40. Fiduciary returns. 1. Every fiduciary shall make a return
2 under oath, for the individuals, estate, or trust for whom or for which
3 he acts, if the net income thereof amounts to \$1000 or over.

4 2. The return made by a fiduciary shall state specifically the items
5 of gross income, and the deductions and exemptions allowed by this act
6 and such other facts as the budget director may prescribe. Under such
7 regulations as the budget director may prescribe, a return may be
made by
8 one of two or more joint fiduciaries.

9 3. Fiduciaries required to make returns under this act shall be sub-
10 ject to all the provisions of this act which apply to individuals.

1 Sec. 41. Information at source. 1. Every individual, partnership,
2 corporation, joint stock company or association or insurance com-
3 pany, be-
4 ing a resident or having a place of business in this state, in whatever
5 capacity acting, including lessees or mortgagors of real or personal
6 erty, fiduciaries, employers and all officers and employees of the state
7 or of any political subdivision of the state, having the control, receipt,
8 custody, disposal or payment of interest (other than interest coupons
9 payable to bearer), rent, salaries, wages, premiums, annuities, com-
10 pensa-
11 tions, remunerations, emoluments or other fixed or determinable annual
12 or periodical gains, profits and income, amounting to \$1000 or over,
13 paid
14 or payable during any year to any taxpayer, shall make complete return
15 thereof under oath, to the budget director under such regulations and in
16 such form and manner and to such extent as may be prescribed by him.

17 2. Every partnership, having a place of business in the state, shall
18 make a return, stating specifically the items of its gross income and the
19 deductions allowed by this act, and shall include in the return the names
20 and addresses of the individuals who would be entitled to share in the
21 net
22 income if distributed, and the amount of the distributive share of each
23 individual. The return shall be sworn to by any one of the partners.

24 3. Every fiduciary shall make, under oath, a return for the indi-
25 vidual,
26 estate or trust for whom or for which he acts, if the net income thereof,
27 distributed or distributable to beneficiaries during the year is \$1000 or
28 over, in which case the fiduciary shall set forth in such return the
29 items of the gross income, the deductions allowed by this act, the net in-
30 come, the names and addresses of the beneficiaries, the amounts
31 distribut-
32 ed or distributable to each and the amount, if any, lawfully retained by

27 him for future distribution. Such return may be made by one or two or
28 more joint fiduciaries.

ARTICLE III.

BUSINESS INCOMES

Imposition of Tax.

1 Sec. 42. Tax with respect to carrying on or doing business. 1.
2 individual, partnership or corporation shall pay annually a tax or
3 with respect to carrying on or doing business, equivalent to three per
4 cent of the entire net income as herein defined, over and above \$1000, re-
5 ceived by such individual, partnership or corporation from business
6 acted within the state during the income year; *Provided*, however,
7 no case shall the tax be less than five dollars.

8 2. Such tax shall first be computed upon the net income of the
9 individual, partnership or corporation received during the calendar year
10 December 31, 1925, or during any income year ending during said
11 year, and shall be collected and paid at the times and in the manner herein
12 provided.

1 Sec. 43. Conditional and other exemptions. The following organi-
2 zations shall be exempt from taxation under this act:

3 (1) Labor, agricultural, or horticultural organizations;

4 (2) Fraternal beneficiary societies, order or associations, (a)
5 operating under the lodge system or for the exclusive benefit of the members
6 of a fraternity itself operating under the lodge system, and (b)
7 providing for the payment of life, sick, accident or other benefits to the members
8 of such society, order, or association or their dependents;

9 (3) Building and loan associations and co-operative banks without
10 capital stock, organized and operated for mutual purposes and without
11 profit.

12 (4) Cemetery corporations and corporations organized for religious
charitable, scientific or educational purposes, or for the prevention of

13 cruelty to children or animals, no part of the net earnings of which in-
14 ures to the benefit of any private stockholder or individual;

15 (5) Business leagues, chambers of commerce or boards of trade,
16 ganized for profit and no part of the net earnings of which inures to the
17 benefit of any private stockholder or individual;

18 (6) Civic leagues or organizations not organized for profit but oper-
19 ated exclusively for the promotion of social welfare;

20 (7) Clubs organized and operated exclusively for pleasure, recrea-
21 and other non-profitable purposes, no part of the net earnings of which
22 inures to the benefits of a private stockholder or member;

23 (8) Farmers' or other mutual hail, cyclone, or fire insurance
24 ies, mutual ditch or irrigation companies, mutual or cooperative tele-
25 companies, or like organizations of a purely local character, the income
26 of which consists solely of assessments, dues, and fees collected from
27 members for the sole purpose of meeting expenses.

28 (9) Farmers' fruit growers', or like organizations, organized and
29 ated as sales agents for the purpose of marketing the products of
30 and turning back to them the proceeds of sales, less the necessary
31 expenses, on the basis of the quantity of produce furnished by them;

32 (10) Corporations organized for the exclusive purpose of holding
33 to property, collecting income therefrom, and turning over the entire
34 thereof, less expenses, to an organization which itself is exempt from
35 tax imposed by this act;

36 (11) Banks, savings banks, institutions for savings, insurance
37 ies, trust companies, corporations wholly engaged in the purchase and
38 of and holding title to real estate as principals and corporations whose

39 sole business consists of holding the stocks of other corporations for the
40 purpose of controlling the management and affairs of such other
41 except such as are specifically subject to make return under the pro-
42 of section 51 of this act. visions

43 (12) Railroad, street railway, express, telegraph, telephone, electric
44 light, heat and power companies, water, gas, freight line and equipment
45 companies, oil and mining companies and other companies which,
46 ing laws, are subject to taxation with respect to the value of their earn-
47 ings or income of which are taken into consideration in determining such
48 value, and companies which are subject to taxation with reference to gross
49 receipts or earnings in lieu of such taxation.

1 Sec. 44. Deductions. In computing net income there shall be allowed
2 as deductions:

3 (a) All the ordinary and necessary expenses paid during the income
4 in carrying on any trade or business, including a reasonable allowance year
5 salaries or other compensation for personal services actually rendered, for
6 and including rentals or other payments required to be made as a condition
7 to the continued use or possession, for the purposes of the trade or busi-
8 ness, of property to which the taxpayer has not taken or is not taking
9 title or in which he has no equity;

10 (b) All interest paid during the income year on indebtedness incurred
11 in connection with the trade or business;

12 (c) Dividends or income received within the year from stocks or interest
13 in any corporation, joint stock company or association, the income of which
14 shall have been assessed under the provisions of this act; provided that
15 when only part of the income of the corporation, joint stock company or

16 association from which such dividend or income was received shall
17 assessed under this act only a corresponding part of such dividend
18 come shall be deducted; provided, further, that such corporation, joint
19 stock company or association report the name and address of each
20 owning stocks or having such interest and the amount of dividends or
21 paid such person during the assessment year.

22 (d) Taxes paid or accrued within the income year, in respect to the
23 income from the trade or business or in respect to the trade or business
24 or the property used therein or which may be made the condition of
25 ing on the trade or business, imposed by the authority of the United
26 or of any of its possessions or of any state, territory or the District of
27 Columbia or of any foreign country; except taxes, imposed by this act,
28 taxes assessed for local benefits, of a kind tending to increase the value
29 of the property assessed.

30 (e) Losses sustained during the income year and not compensated
31 insurance or otherwise, if incurred in connection with the trade or
32 business;

33 (f) Debts ascertained to be worthless and charged off within the
34 year, if the amount has previously been included in gross income in
35 a re-
36 turn under this act;

37 (g) A reasonable allowance for the depreciation and obsolescence of
38 property used in the trade or business; and, in the case of mines,
39 gas wells, other natural deposits, and timber, a reasonable allowance
40 depletion; *Provided*, That in computing the deductions allowed under
41 paragraph, the basis shall be the cost (including in the case of
42 mines, oil
43 and gas wells, and other natural deposits, the cost of development, not
44 otherwise deducted), and in the case of property acquired prior to
45 January

42 1, 1925, the fair market value of the property (or the taxpayers'
43 therein) on that date shall be taken in lieu of cost up to that date. The
44 reasonable allowances under this paragraph shall be made under rules
45 regulations to be prescribed by the budget director. In the case of
46 the deductions allowed may be equitably apportioned between the
47 lessee.

48 (h) In the case of taxpayers who keep regular books of account,
49 accrual basis and in accordance with standard accounting practice,
50 for bad debts and for contingent liabilities, under such rules and
51 tions as the budget director may impose. If the budget director shall at
52 any time deem the reserve excessive in amount, he may restore such
53 to income, either in a subsequent year or as a part of the income of the
54 income year and assess it accordingly;

55 (i) For each taxpayer, the sum of \$1000.

56 (j) If for any taxable year beginning after January 1, 1925, it
57 upon production of evidence satisfactory to the budget director that
58 taxpayer has sustained a net loss, the amount thereof shall be deducted
59 from the net income of the taxpayer for the succeeding taxable year;
60 amount of such excess shall be allowed as a deduction in computing
61 income for the next succeeding taxable year; the deductions in all cases
62 to be made under regulations prescribed by the budget director.

1 Sc. 45. Items not deductible. In computing net income no
2 shall in any case be allowed in respect of: deduction

3 (a) Personal, living or family expenses;

4 (b) Any amount paid out for new buildings or for permanent im-
5 or betterments, made to increase the value of any property used in the
improvements

6 trade or business;

7 (c) Any amount expended in restoring property used in the trade
8 or busi-
9 ness for which an allowance is or has been made;

10 (d) Premiums paid on any life insurance policy covering the life of
11 any
12 officer or employee or of any person financially interested in the trade
13 or business, when the taxpayer is directly or indirectly a beneficiary un-
14 der such policy.

15 Sec. 46. Allocation of net income of a resident taxpayer. 1. If the
16 entire trade or business of a resident taxpayer is carried on in the state,
17 the tax imposed by this act shall be computed upon the entire net
18 income
19 from such trade or business.

20 2. If the entire trade or business of a resident taxpayer is not carried
21 on in the state, the tax imposed by this act shall be computed upon a
22 pro-
23 portion of the entire net income, to be determined in accordance with
24 the
25 following rules:

26 (a) Gains and income (less expenses, if any, attributed thereto) re-
27 ceived from the sale or lease of real estate and tangible personal proper-
28 ty situated in the state and of intangible property, other than such as
29 is manufactured or bought by the taxpayer for sale in the regular
30 course
31 of business, shall be allocated to the state; gains and income from the
32 sale or lease of such real estate and tangible personal property situated
33 outside the state, shall be allocated outside the state.

34 (b) Interest and dividends (less expenses, if any, attributable there-
35 to), shall be allocated to the state, to the extent that they are receiv-
36 ed in connection with the transaction of the trade or business in the
37 state; other interest and dividends shall be allocated outside the state;

20 (c) Net income of the foregoing classes having thus been allocated,
21 the remainder of the net income shall be allocated as follows: Said re-
22 mainder shall be divided into two parts; of one part, amounting to two-
23 thirds of said remainder, such portion shall be attributed to trade or
24 business carried on in the state as shall be found by multiplying said
25 by a fraction the numerator of which is the value of the taxpayers real
26 estate and tangible personal property situated in the state and used in
27 trade or business, and the denominator of which is the value of the tax-
28 payer's real estate and tangible personal property used in trade or busi-
29 ness, wherever situated. Of the other part, amounting to one-third
30 remainder, such portion shall be attributed to trade or business carried
31 on in the state as shall be found by multiplying the said part by a
32 fraction the numerator of which is the amount of the taxpayer's gross
33 receipts from trade or business assignable to the state, as hereinafter
34 in this subdivision provided, and the denominator of which is the
35 of the taxpayer's entire gross receipts from trade or business. For the
36 purposes of this subdivision, the following rules shall apply: In a case
37 where there is no real estate or tangible personal property, the propor-
38 tion of the net income received from trade or business carried on in the
39 state shall be determined solely by the above fraction based on the re-
40 ceipts. The value of the taxpayer's real estate and tangible personal
41 property shall be the average value of such property during the income
42 year. The amount of the taxpayer's gross receipts from trade or
43 assignable to the state shall be the amount thereof received
44 during the income year, from (a) sales of property or services, other
45 those negotiated, effected or executed by agents or agencies chiefly sit-

46 uated at, connected with, or sent out from premises used for the
47 tion of trade or business which are owned or rented by the taxpayer
48 outside the state; and other than sales determined by the budget
49 director for other reasons to be attributed to the trade or business
50 conducted from such premises or to be for other reasons allocated out-
51 side the state; (b) rentals of real estate and tangible personal
52 property situated in the state, and royalties from the use, within
53 the state, of patents and other intangible property.

54 (d) A rule shall not be deemed to be inapplicable merely because
55 all of the real estate and tangible personal property is found to
56 be situated outside the state or because all of the gross receipts
57 are found to have been received outside the state.

1 Sec. 47. Allocation of net income of a non-resident taxpayer. 1.

2 If the entire trade or business of a non-resident taxpayer is carried
3 on in the state, the tax imposed by this act shall be computed upon
4 the entire net income from such trade or business.

5 2. If the entire trade or business of a non-resident taxpayer is
6 not carried on in the state, the tax imposed by this act shall be
7 computed upon a proportion of the entire net income, to be determined
8 in accordance with the following rules:

9 (a) Gains and income (less expenses, if any, attributable thereto)
10 received from the sale or lease of real estate and tangible personal
11 property situated in the state, other than such as is manufactured or
12 bought by the taxpayer for sale in the regular course of business
13 shall be allocated to the state; gains and income from the sale or
14 lease of such real estate and tangible personal property situated

15 outside the state and of intangible property, other than that bought
16 by the taxpayer for sale in the regular course of business, shall be
17 allocated outside the state;

18 (b) Interest and dividends (less expenses, if any, attributable
19 thereto), shall be allocated to the state to the extent that they are
20 received in connection with the transaction of the trade or business
21 in the state; other interest and dividends shall be allocated outside
22 the state;

23 (c) Net income of the foregoing classes having thus been allocat-
24 ed, the remainder of the net income shall be allocated as follows:
25 Said remainder shall be divided into two parts; of one part, amount-
26 ing to two-thirds of said remainder, such portion shall be attri-
27 buted to trade or business carried on in the state as shall be found
28 by multiplying said part by a fraction the numerator of which is the
29 value of the taxpayer's real estate and tangible personal property
30 situated in the state and used in trade or business, and the denom-
31 inator of which is the value of the taxpayer's real estate and tan-
32 gible personal property used in trade or business, wherever situated.
33 Of the other part, amounting to one-third, of said remainder, such
34 portion shall be attributed to trade or business carried on in the
35 state as shall be found by multiplying the said part by a fraction
36 the numerator of which is the amount of the taxpayer's gross receipts
37 from trade or business assignable to the state, as hereinafter in
38 this subdivision provided, and the denominator of which is the amount
39 of the taxpayer's entire gross receipts from trade or business. For
40 the purposes of this subdivision, the following rules shall apply:

41 In a case where there is no real estate or tangible personal proper-
42 ty, the proportion of the net income received from trade or business
43 carried on in state shall be determined solely by the above fraction
44 based on receipts. The value of the taxpayer's real estate and tan-
45 gible personal property shall be the average value of such property
46 during the income year. The amount of the taxpayer's gross receipts
47 from trade or business assignable to the state shall be the amount
48 thereof received during the income year from (a) sales of property or
49 services negotiated effected or executed by agents or agencies chief-
50 ly situated at, connected with, or sent out from premises used for
51 the transaction of trade or business which are owned or rented by the
52 taxpayer in the state, and sales determined by the budget director
53 for other reasons to be attributed to the trade or business conduct-
54 ed from such premises or to be for other reasons attributed to the
55 state; (b) rentals of real estate and tangible personal property
56 situated in the state, and royalties from the use, within the state,
57 of patents and other intangible property;

58 (d) A rule shall not be deemed to be inapplicable merely because
59 all of the real estate and tangible personal property is found to
60 be situated outside the state or because all of the gross receipts
61 are found to have been received outside the state;

1 Sec. 48. Allocation of net income made by taxpayer. A taxpayer
2 carrying on part of his trade or business outside the state may
3 refuse to accept the determination of his net income from trade or
4 business in the state arrived at by the method of allocation pro-
5 vided in sections 45 and 46, by notification thereof to the budget

6 director on or before the time when his return is due to be filed.
7 Said taxpayer shall, within thirty days thereafter, file with the
8 budget director under oath, a statement supplementary to the re-
9 turn, in such detail as the budget director shall require, showing
10 the amount of his annual net income derived from trade or business
11 carried on in the state. The budget director may require such fur-
12 ther information with reference thereto as he may deem necessary and
13 shall determine the proportion of the net income received from
14 trade or business carried on in the state.

1 Sec. 49. Definition of a resident and a non-resident taxpayer.
2 For the purpose of allocating net income, as provided in section
3 45 and 46, the words "resident taxpayer" mean a taxpayer residing
4 in the state or, if incorporated, organized under the laws of the
5 state. In the case of a partnership they mean a taxpayer, the ma-
6 jority interest in the trade or business of which belongs to res-
7 idents of the state. In the case of a fiduciary, they mean a tax-
8 payer, the majority of the beneficial interest in the trade or
9 business of which belongs to residents of the state. The words
10 "non-resident taxpayer" mean a taxpayer other than a "resident tax-
11 payer" as above defined.

1 Sec. 50. Return of net income. 1. Every individual, partner-
2 ship and corporation subject to tax under this act and having a
3 net income during the income year from trade or business carried
4 on in the state, of \$1000 or over, shall make a return, under oath,
5 stating specifically the items of gross income, the deductions
6 and such other facts as the budget director may require for the

7 purpose of making any computation required by this act.

8 2. If an individual taxpayer is unable to make his own return,
9 the return shall be made by a duly authorized agent or by a
10 guardian or other person charged with the conduct of the business
11 of the taxpayer.

12 3. The return by a partnership shall be made by any one of the
13 partners.

14 4. The return of the net income of a trade or business carried
15 on by an estate or trust shall be made by the fiduciary and, un-
16 der such regulations as the budget director may prescribe, may be
17 made by one of two or more joint fiduciaries.

18 5. The return by a corporation shall be sworn to by the presi-
19 dent, vice-president or other principal officer and by the treas-
20 urer or assistant treasurer.

21 6. Subject to such regulations as the budget director may pre-
22 scribe, any taxpayer, taxable hereunder may, by incorporating in the
23 return a consent to be taxed with respect to the entire net income,
24 omit from his return the statements provided in this act for the
25 purpose of the allocation of net income.

26 7. The return by an individual who, while living, was carrying on
27 trade or business in the state, during the income year and who has
28 died before making the return, shall be made in his name and behalf
29 by the administrator or executor of the estate and the tax shall be
30 levied upon and collected from his estate.

1 Sec. 51. Consolidated returns. 1. Any taxpayer capable of exer-
2 cising either directly or indirectly substantially the entire control

3 of the business of another taxpayer, either by ownership or control
4 of substantially the entire capital stock (if a corporation) of
5 such other taxpayer or otherwise, may, under regulations to be pre-
6 scribed by the budget director, be permitted to make a consolidated
7 return, showing the consolidated net income and such other infor-
8 mation as the budget director may require in order to compute the
9 net income properly attributable to the state and to impose the
10 tax upon the taxpayers concerned.

11 2. The budget director may permit the filing of a consolidated
12 return where substantially the entire control of two or more tax-
13 payers, liable to taxation under this act is exercised by the same
14 interest.

15 3. Where the budget director has reason to believe that any tax-
16 payer so conducts the trade or business as either directly or in-
17 directly to distort his true net income and the net income proper-
18 ly attributable to the state, whether by the arbitrary shifting of
19 the income, through price fixing, charges for services or otherwise,
20 whereby the net income is arbitrarily assigned to one or another
21 unit in a group of taxpayers carrying on business under a substan-
22 tially common control, he may require such facts as he deems neces-
23 sary for the proper computation of the entire net income and the
24 net income properly attributable to the state and in determining the
25 the same the budget director shall have regard to the fair profits
26 which would normally arise from the conduct of the trade or business.

1 Sec. 52. Returns when income year changed. If a taxpayer, with
2 the approval of the budget director, changes the income year on the

3 basis of which his net income is computed, he shall, at such time
4 and in such manner as the budget director may prescribe, make a
5 separate return of his net income received during the period inter-
6 vening between the end of his former income year and the beginning
7 of his new income year in which return the specific deduction of
8 \$1000 allowed in this act shall be reduced to an amount which bears
9 the same ratio to the full deduction thus allowed as the number of
10 months in such period bears to twelve months.

Roads and Highways.
January 29, 1925.

House File No. 46.
BY KNUDSON OF HAMILTON.

A BILL FOR

An act making it unlawful for any person improving a highway crossing a railroad to leave deposits of dirt, gravel, stone or other substance on such railroad.

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

1 Section 1. If any person engaged in the improve-
2 ment, repair or dragging of a public highway or private way
3 that crosses a railroad shall cause to be deposited any dirt,
4 gravel, stone or other substance upon the rails of such rail-
5 road, or in such close proximity thereto so that it may inter-
6 fere with, or jeopardize the operation of trains upon such
7 railroad, he shall be deemed guilty of a misdemeanor and
8 shall be punished accordingly.