

Ways and Means.
March 11, 1929.

House File No. 430.
By VAN WERT.

A BILL FOR

An Act to provide for the levying and collecting of an income tax for state purposes, and to prescribe a penalty for failure to pay such tax.

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

ARTICLE I

GENERAL PROVISIONS.

1 Section 1. Title. This act shall be known as "The Income Tax
2 of 1929".

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

3 1. The words "Treasure of State" mean the state Treasure of
4 State.

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

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

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

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

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

16 7. The word “business” includes trade, profession, occupation
17 or employment.

18 8. The words “tangible property” mean real property and cor-
19 poreal personal property, including money, bank deposits, shares
20 of stock, bonds, notes, credits, evidence of debt, choses in action
21 or evidences of an interest in property.

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

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

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

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

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

41 14. The word “resident” applies only to the individuals and includes

42 for the purpose of determining liability to the tax imposed by this
43 act, with reference to the income of any income year, any individual
44 who shall be domiciled in the state during the time the income was
45 received.

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

COMPUTATION OF TAX

1 Sec. 3. Net income defined. The words “net income” means the
2 gross 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, or
3 compensations for personal service, of whatever kind and in whatever
4 form paid, or from professions, business, commerce, or sales, or deal-
5 ings in property, vocations, trades, whether real or personal, grow-
6 ing out of the ownership or use of, or interest in such property; also
7 from interest, rents, dividends, securities, or the transaction of
8 any business carried on for gain or profits and income derived from any
9 source whatever. The amount of all such items shall be included in
10 the gross income of the income year in which such income was received
11 by the taxpayer, unless, under the methods of accounting permitted
12 under this act, any such amounts are to be properly accounted for as
13 of a different period.

14 2. The words “gross income” does not include the following items,

15 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 or
20 premiums paid by him under life insurance, endowment or annuity con-
21 tracts, either during the term or at the maturity of the term mention-
22 ed 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; except in
27 the case of obligations of the United States issued after September
28 1, 1917 (other than postal savings certificates of deposits), the
29 interest shall be exempt only if and to the extent provided in the
30 respective acts authorizing the issue thereof as amended and supple-
31 mented, and shall be excluded from gross income only if and to the
32 extent it is wholly exempt to the taxpayer from income taxes.

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

1 Sec. 5. Basis of return of net income. 1. Taxpayers who cus-
2 tomarily estimate their income on a basis other than that of actual
3 cash receipts and disbursements may, with the approval of the
4 of State, return their net income under this act upon a similar basis.
Treasurer

5 Taxpayers who customarily estimate their income on the basis of an
6 established fiscal year instead of on that of the calendar year, may,
7 with the approval of the Treasurer of State, and subject to such rules
8 and regulations as he may establish, return their net income under this
9 act on the basis of such fiscal year, in lieu of that of the calendar
10 year.

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

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

20 4. Every individual, taxable under this act, who is a beneficiary
21 of an estate or trust, shall include in his gross income the distri-
22 butive share of the net income of the estate or trust, received by him
23 or distributable to him during the income year. Unless otherwise
24 provided in the law, the will the deed or other instrument creating the
25 estate, trust or fiduciary relation, the net income shall be deemed to
26 be distributed or distributable to the beneficiaries (including the
27 fiduciary as a beneficiary, in the case of income accumulated for future
28 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, 19 , the fair market price or value of
5 such property as of that date, if such price or value exceeds the orig-
6 inal cost, and in all other cases, the cost thereof; provided, that in
7 the case of property which was included in the last preceding inventory
8 used in determining net income in a return under this act, such inven-
9 tory value shall be taken in lieu of cost or market value. The final
10 distribution to the taxpayer of the assets of a corporation shall be
11 treated as a sale of the stock or securities of the corporation owned
12 by him and the gain or loss shall be computed accordingly.

1 Sec. 6-a. Sales of real estate. Deferred payments. Under regula-
2 tions prescribed by the Treasurer of State, a person who sells, or
3 otherwise disposes of real property, may return as income therefrom in
4 any taxable year that portion of the installment payments actually re-
5 ceived in that year which the gross profits realized, or to be realized
6 when payment is completed, bears to the total contract price.

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 of
6 exchange, for a reasonable certain and definite price in cash; other-
7 wise such exchange shall be considered as a conversion of assets from
8 one form to another, from which no gain or loss shall be deemed to arise.

9 2. In the case of the organization of a corporation the stock or
10 securities received shall be considered to take the place of property

11 transferred therefor and no gain or loss shall be deemed to arise there-
12 from.

13 3. When, in connection with reorganization, merger or consolida-
14 tion of a corporation, taxpayer received, in place of stock or securities
15 owned by him, new stock or securities, the basis of computing the gain
16 or loss if any shall be, in case the stock or securities owned were
17 acquired before January 1, 1929, the fair market price or value thereof
18 as of that date, if such price or value exceeds the original cost, and
19 in all other cases the cost thereof.

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

1 Sec. 9. Time and place of filing returns. Returns shall be in
2 such form as the Treasurer of State may from time to time prescribe
3 shall be filed with the Treasurer of State at his main office or at the
4 office of the local income tax assessor within seventy-five (75) days
5 after the expiration of the income year. In case of sickness, absence
6 or other disability, or whenever in his judgment good cause exists,
7 the Treasurer of State may allow further time for filing returns. There
8 shall be annexed to the return the affidavit or affirmation of the tax-

9 payer making the return, to the effect that the statements contained
10 therein are true. The Treasurer of State shall cause to be prepared
11 blank forms for the said returns and shall cause them to be distributed
12 throughout the state and to be furnished upon application, but failure
13 to receive or secure the form shall not relieve any taxpayer from the
14 obligation of making any return herein required.

1 Sec. 10. Failure to file returns; supplementary returns. If the
2 Treasurer of State shall be of the opinion that any taxpayer has failed
3 to file a return, or to include in a return filed, either intentionally
4 or through error, items of taxable income, he may require from such
5 payer a return, or a supplementary return, under oath, in such form as ^{tax-}
6 he shall prescribe, of all the items of income which the taxpayer
7 received during the year for which the return is made, whether or not
8 taxable under the provisions of this act. If from a supplementary re-
9 turn, or otherwise, the Treasurer of State finds that any items of income,
10 taxable under this act, have been omitted from the original return he
11 may require the items so omitted to be disclosed to him, under oath,
12 of the taxpayer, and to be added to the original return. Such supple-
13 mentary return and the correction of the original return shall not
14 relieve the taxpayer from any of the penalties to which he may be liable
15 under any provision of this act. The Treasurer of State may proceed
16 under the provisions of section 13 of this act whether or not he
17 requires a return or a supplementary return under this section.

COLLECTION AND ENFORCEMENT OF TAX

1 Sec. 11. Time and place of payment of tax. 1. One-half the 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 county
4 seat where the return is filed, at the time fixed by law for filing the
5 return. The balance shall be paid not later than six (6) months there-
6 after. If the time for filing the return shall be extended, as provided
7 in section 9, interest at the rate of 6% per year from the time when the
8 return was originally required to be filed, to the time of payment shall
9 be added and paid. All funds collected by the county treasurer under
10 the provisions of this act shall be paid over by him to the treasurer
11 of state as is provided by law.

12 2. Reports to Treasurer of State. The county treasurer shall on
13 the first day of April and the first day of October report under oath to
14 the Treasurer of State, on forms furnished by him, giving a full and
15 complete statement of the taxes, penalties, and interest, so received
16 by him during the preceding calendar month.

17 3. Reports to Treasure of State. The Treasure of State immedi-
18 upon receiving said report, shall also report to the treasurer of state
19 the amount so collected by such county treasurer.

20 4. Duty of treasurer of state. The treasurer of state shall keep
21 proper books of account for the purposes specified herein.

1 Sec. 12. Examination of returns. 1. As soon as practicable after
2 the return is filed, the Treasurer of State shall examine it and
3 compute the tax, and the amount so computed by the Treasurer of State
4 shall be the tax. If the tax found due shall be greater than the
5 amount theretofore paid, the excess shall be paid by the taxpayer to
6 the county treasurer within ten (10) days after notice of the amount
7 shall be mailed by the Treasurer of State.

8 2. If the return is made in good faith and the understatement
9 of the amount in the return is not due to any fault of the taxpayer,
10 there shall be no interest, penalty, or additional tax because of such
11 understatement, provided the deficiency be paid within ten (10) days
12 after notice of the amount be mailed to the taxpayer. If payment be not
13 made within the ten (10) days, there shall be added to the amount
14 of the deficiency five per centum thereof, and, in addition, interest
15 at the rate of one per centum per month for each month or fraction of
16 a month calculated from the date of the notice.

17 3. If the understatement is due to negligence on the part of the
18 taxpayer, but without intent to defraud, there shall be added to the
19 amount of the deficiency 5 per centum thereof, and in addition interest
20 at the rate of 1 per centum per month or fraction of a month.

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

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

28 6. If the amount of tax found due as computed shall be less than
29 the amount theretofore paid, the excess shall within ten (10) days of
30 the receipt of the order of the Treasurer of State, be refunded by the
31 treasurer of state out of the proceeds of the general fund of the
32 state. This excess or overpayment shall bear interest at the rate of
33 6%.

1 Sec. 13. Additional taxes. If the Treasurer of State discovers
2 from the examination of the return or otherwise that the income of any
3 taxpayer, or any portion thereof, has not been assessed, he may, at any
4 time within two years after the time when the return was due, assess
5 same and give notice to the taxpayer of such assessment, and such tax-
6 payer shall thereupon have an opportunity, within thirty days, to con-
7 fer with the Treasurer of state as to the proposed assessment. The
8 limitation of two years to the assessment of such tax or additional
9 tax shall not apply to the assessment of additional taxes upon fraud-
10 ulent returns. After the expiration of thirty days from such notifi-
11 cation the Treasurer of State shall assess the income of such taxpayer
12 or any portion which he believes has not theretofore been assessed and
13 shall give notice to the taxpayer so assessed, of the amount of the tax
14 and interest and penalties if any, and the amount thereof shall be due
15 and payable within ten (10) days from the date of such notice. The
16 provisions of this act with respect to revision and appeal shall apply
17 to a tax so assessed.

1 Sec. 14. Warrant for the collection of taxes. If any tax imposed
2 by this act or any portion of such tax be not paid within sixty (60)
3 days after the same becomes due, the Treasurer of State shall issue a
4 warrant under his hand and official seal directed to the sheriff of any
5 county of the state, and the sheriff when so directed shall proceed to
6 collect said taxes by distraint and sale in the manner now provided by
7 law for the collection of other taxes.

1 Sec. 15. Tax a debt. Every tax imposed by this act and all in-
2 creases, interest and penalties thereon, shall become, from the time it is

3 due and payable, a personal debt, from the person or persons liable to
4 pay the same, to the State of Iowa.

1 Sec. 16. Action for the recovery of taxes. Action may be brought
2 at any time by the attorney general of the state, at the instance of the
3 Treasurer of State, in the name of the state, to receive the amount
4 of any taxes, penalties and interest due under this act.

1 Sec. 17. Tax upon settlement of fiduciary's account.

2 1. No final account of fiduciary shall be allowed by the probate
3 court 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 become due are secured by bond, deposit or otherwise. The certificate
7 of the Treasurer of State and the receipt for the amount of the tax
8 in certified shall be conclusive as to the payment of the tax, to the
9 extent of said certificate.

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

1 Sec. 18. Penalties. 1. If any taxpayer, without intent to evade
2 any tax imposed by this act shall fail to file a return of income or
3 pay a tax, if one is due, at the time required by or under the provisions
4 of this act, but shall voluntarily file a correct return of income and

5 pay the tax due within sixty (60) days thereafter, there shall be added
6 to the tax an additional amount equal to five per cent thereof, but
7 such additional amount shall in no case be less than one dollar and
8 an additional one per cent for each month or fraction of a month
9 during which the tax remains unpaid.

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

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

20 4. Any person who, without fraudulent intent, fails to pay any
21 tax or to make, render, sign or verify any return, or to supply any
22 information, within the time required by or under the provisions of this
23 act, shall be liable to a penalty in addition to all other taxes, in-
24 terest and penalties provided for by this act, of \$100 to be assessed
25 by the Treasurer of State and collected in the same manner as an addi-
26 tional 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 the intent to evade
29 any requirement of this act or any lawful requirement of the Treasurer
30 of State thereunder, shall fail to pay any tax or to make, sign or ver-

31 ify 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 penalty
35 of not more than \$1000 to be recovered by the attorney general in the
36 name of the state, by action in any court of competent jurisdiction,
37 and shall also be guilty of a misdemeanor and shall, upon conviction
38 be fined not to exceed \$1000 or be imprisoned not to exceed one year,
39 or both, at the discretion of the court.

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

45 7. The certificates of the treasurer of state to the effect that
46 a tax has not been paid, that a return has not been filed or that infor-
47 mation has not been supplied, as required by or under the provisions of
48 this act, shall be competent evidence that such tax has not been paid,
49 that such return has not been filed or that such information has not
50 been supplied,

51 8. If any taxpayer, who has failed to file a return or has filed
52 an incorrect or insufficient return and has been notified by the
53 treasurer of state of his delinquency, refuses or neglects within twenty
54 (20) days after such notice to file a proper return, or files a fraudulent
55 return, the treasurer of state shall determine the income of such
taxpayer

56 according to his best information and belief and assess the same at not
57 more than double the amount so determined. The treasurer of state
may
58 in his discretion allow further time for the filing of a return in such
59 case.

REVISION AND APPEAL

1 Sec. 19. Revision by treasurer of state. A taxpayer aggrieved
2 at assessment made by the county auditor may apply to the treasurer
3 of state 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 the
5 date of the notice of the assessment of any additional tax. The
6 treasurer of state shall grant a hearing thereon and if, upon such hear-
7 ing, he shall resettle the same according to the law and the facts and
8 adjust the computation of tax accordingly. The treasurer of state shall
9 notify the taxpayer of his determination and shall refund with interest
10 due, to the taxpayer the amount, if any, paid in excess of the tax
11 found by him to be due. If any taxpayer has failed, without good cause
12 to file a return within the time prescribed by law, or has filed a fraud-
13 ulent return or, having filed an incorrect return, has failed, after not-
14 ice, to file a proper return, the treasurer of state shall not reduce
15 the tax below double the amount for which the taxpayer is found to
16 be properly assessed.

1 Sec. 20. Appeal. The determination of the treasurer of state up-
2 on any application made by a taxpayer for revision of any tax, may be
3 reviewed in the district court upon a complaint filed by the taxpayer
4 against the treasurer of state in the county in which the taxpayer

5 resides or has his principal place of business, within thirty (30) days
6 after notice by the treasure of state of his determination, given as
7 provided in section 19 of this act. Before granting such appeal the
8 judge of such district court may upon request, therefor, by the
9 of state, require the appellant to file with said court a bond sufficient
10 to guarantee all cost of the action in case the appeal be dismissed
11 or decision rendered aginst the appellant. In all other cases the
12 cost shall be paid by the state.

ADMINISTRATION

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

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

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

10 2. The treasurer of state and such officers, agents and employees
11 shall be allowed such reasonable and necessary traveling and other ex-
12 penses as may be incurred in the performance of their duties, not to ex-
13 ceed the amounts appropriated therefor by the legislature or as herein-
14 after provided.

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

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 shall
3 the preceding year, such fund to be known as the Income Tax
4 Fund. The total amount expended in the enforcement of this act shall Enforcement
5 not exceed in any one year the amount so set aside. The salaries and
6 and expenses of the state income tax director and assistants and all .

7 additional expenses incurred by the local income tax assessors and col-
8 lectors shall be audited and paid out of the Income tax Enforcement
9 Fund, as all similar salaries and state expenses are audited and paid.
10 At the close of each calendar year, any unexpended balance in the
11 Income Tax Enforcement Fund shall be credited to the general fund
of the
12 state.

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

1 Sec. 26. Publication of statistics. The treasurer of state
2 shall prepare and publish annually statistics reasonably available, with
3 respect to the operation of this act, including amounts collected,
4 classification 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
3 otherwise provided by law, it shall be unlawful for the treasure of
4 state, any agent, clerk, or other officer or employee to divulge or
5 make 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-
tained
9 in them in any action or proceeding in any court except in an action
10 proceeding under the provisions of this act. Nothing herein shall be

11 construed to prohibit the delivery to a taxpayer or his duly authorized
12 representative of a certified copy of any return or report filed in con-
13 nection with his tax nor to prohibit the publication of statistics so
14 classified as to prevent the identification of particular reports or
15 returns and the items thereof, or the inspection by the attorney
16 or other legal representatives of the state of the report or return any ^{general}
17 taxpayer who shall bring action to set aside or review the tax based
18 thereon, or against whom an action or proceeding has been instituted ⁱⁿ
19 accordance with the provisions of this act. Reports and returns shall
20 be preserved for three years and thereafter until the treasurer of
21 state orders them to be destroyed.

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

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

37 of any taxpayer; but, such permission shall be granted or such infor-
38 mation furnished to such officer or his representative, only to the
39 extent that the statutes of the United States or of any such other state,
40 as the case may be, grant substantial similar privileges to the proper
41 officer of this state charged with the administration of the income tax
42 laws thereof.

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

1 Sec. 29. Distribution of tax. Aside from funds needed to enforce
2 this act the revenue derived from it shall be used to replace state
3 taxes on both real and personal property; to that end the revenue de-
4 rived from this tax shall go into the general fund of the state. The
5 treasurer of state shall file with the executive council on or before
6 June 30th of each year a statement showing the amount of money col-
7 and the amount on hand. The treasurer of state shall file with the ^{lected}
8 executive council on or before June 30th of each year before June 30th
9 of each year including 1929 an estimate of the money collected under
10 this act. The executive council, in fixing the levy in 1929, and each
11 succeeding year thereafter shall only make such levy as will produce
12 sufficient revenue, when added to the amount estimated by the treas-
13 of state will be raised under this act, to meet the total revenue required ^{urer}
14 for state purposes.

1 Sec. 30. Unconstitutionality of invalidity. If any clause, sen-
2 tence, paragraph, or part of this act shall, for any reason be adjudged

3 by any court of competent jurisdiction to be invalid such judgment shall
4 not affect, impair or invalidate the remainder of this act, but shall
5 be confined in its operation to the clause, sentence, paragraph or
6 part thereof directly involved in the controversy in which such
7 judgment shall have been rendered. No caption of any section or set
8 sections shall in any way affect the interpretation of this act or
9 any part thereof.

1 Sec. 31. Taking effect of the act. This act shall take effect on
2 publication in the Hampton Chronicle and the Des Moines Register
3 Des Moines, Iowa. published in

1 Sec. 32. There is hereby appropriated out of any funds in the
2 state treasury not otherwise appropriated, an amount necessary to
3 out the provisions of this act, until such time as the “Income Tax
4 Enforcement Fund” shall become available for this purpose. carry

ARTICLE II
SPECIAL PROVISIONS
PERSONAL INCOMES
IMPOSITION OF TAX

1 Sec. 33. Individuals. 1. A tax of one (1) per cent is hereby
2 imposed upon the income of every resident of the state over twenty-
3 of age and upon every nonresident of the state in so far as income of
4 \$1000 or over is earned or derived from property located or business
5 transacted within the state, which tax shall be levied, collected and paid
6 annually, with respect to his entire net income as herein defined, after
7 making the deductions provided in this act. On all such residents of
8 the state whose net income is less than \$1000, a tax of \$5.00 is hereby

9 imposed as aforesaid.

10 2. Such tax shall first be levied, collected and paid in the
11 year 1930 and with respect to the net income received during the
12 calendar year 1929.

1 Sec. 34. Fiduciaries. 1. The tax imposed by this act shall be
2 imposed upon fiduciaries, which tax shall be levied collected and paid
3 annually with respect to:

4 (a) That part of the net income of estates or trusts which has
5 not been distributed or become distributable to beneficiaries during the
6 income year. In the case of two or more joint fiduciaries, part of
7 whom are nonresidents of the state, such part of the net income shall
8 be treated as if each fiduciary had received an equal share;

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

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

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

1 Sec. 35. Deductions. In computing net income there shall be al-
2 lowed as deductions:

3 (a) All the ordinary and necessary expenses paid during the income
4 year in carrying on any trade or business and including rentals or
5 other payments required to be made as a condition to the continued

6 use or possession, for the purposes of the trade or business, or property
7 to which the taxpayer has not taken or is not taking title or in which
8 he has no equity:

9 (b) All interest paid during the income year on indebtedness:

10 (c) Dividends or incomes received by any person from stocks or
11 interest in any corporation, joint stock company or association, the
12 income of which shall have been assessed under the provisions of this
13 act; provided that when only part of the income of any corporation,
14 joint stock company or association shall have been assessed under this
15 act only a corresponding part of the dividends or income received
16 therefrom shall be deducted, and provided, further, that said
17 corporation, joint stock company or association report the name and
18 address of each person owning stock or having such interest and the
19 amount of dividends or income paid such person during the assessment
20 year.

21 (d) Taxes paid or accrued within the income year, imposed by the
22 authority of the United States or of any of its possessions or of
23 any state or any political subdivision thereof, territory or the
24 District of Columbia or of any foreign country; except inheritance
25 and except income taxes imposed by this act and taxes assessed for local
26 benefits of a kind tending to increase the value of the property
27 assessed;

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

30 (f) Losses sustained during the income year and not compensated
31 for by insurance or otherwise; if incurred in any transaction entered

32 into for profit, though not connected with the trade or business ;

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

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

40 (i) A reasonable allowance for the depreciation and obsolescence
41 of property used in the trade or business ; and, in the case of mines,
42 oil and gas wells, other natural deposits, and timber, a reasonable
43 allowance for depletion ; Provided, that in computing the deductions
44 allowed under this paragraph the basis shall be the cost (including the
45 case of mines, oil and gas wells, and other natural deposits, the
46 cost of development, otherwise deducted), and in the case of property
47 acquired prior to January 1, 1929, the fair market value of the property
48 (or the taxpayer's interest therein) on that date shall be taken in lieu
49 of cost up to that date. The reasonable allowances under this para-
50 shall be made under rules and regulations to be prescribed by the graph
51 treasurer of state. In the case of leases the deductions allowed
52 may be equitably apportioned between the lessor and lessee ;

53 (j) In the case of taxpayers who keep regular books of account,
54 upon an accrual basis and in accordance with standard accounting
55 practice, reserves for bad debts and for contingent liabilities, under
56 such rules and restrictions as the treasurer of state may impose. If
57 the treasurer of state shall at any time deem the reserve excessive in

58 amount, he may restore such excess to income, either in a subsequent
59 year or as a part of the income for the income year and assess it
60 accordingly.

61 (k) If for any taxable year beginning after January 1, 1929,
62 it appears upon production of evidence satisfactory to the treasurer
63 of state in a return filed that any taxpayer has sustained a net loss,
64 the amount thereof shall be deducted from the net income of the tax-
65 payer for the succeeding taxable year; the amount of such excess shall be
66 allowed as a deduction in computing the net income for the next suc-
67 ceeding taxable year; the deductions in all cases to be made under regulations
68 prescribed by the treasurer of state.

69 (1) For each individual a sum equal to three per cent of the
70 assessed value of the property usefully employed or useful in the
71 business.

1 Sec. 36. Items not deductible. In computing net income no
2 deduction shall in any case be allowed in respect of:

3 (a) Personal, living or family expenses;

4 (b) Any amount paid out for new building or for permanent im-
5 prove-
6 ments or betterments, made to increase the value of any property or
7 estate;

7 (c) Any amount expended in restoring property for which an allow-
8 ance
9 is or has been made;

9 (d) Premiums paid on any life insurance policy covering the life
10 of any officer or employee or of any individual financially interested
11 in any trade or business carried on by the taxpayer is directly or in-
12 directly a beneficiary under such policy.

2 corporation, joint stock company or association or insurance company,
3 being a resident or having a place of business in this state, in what-
4 ever capacity acting, including lessees or mortgages of real or
5 personal property, fiduciaries employers, and all officers and employees
6 of the state or of any political subdivision of the state, having the
7 control, receipt custody, disposal or payment of interest (other than
8 interest coupons payable to bearer) rent, salaries, wages, premiums,
9 annuities, compensations, remunerations, emoluments, or other fixed or
10 determinable annual or periodical gains, profits and income, amounting
11 to \$1000 or over, paid or payable during any year to any taxpayer,
12 shall make complete returns thereof under oath, to the treasurer of
13 under such regulations and in such form and manner and to such extent
14 as may be prescribed by him. However, the treasurer of state shall
15 the power to require a return in case the payment to any taxpayer is
16 less than \$1000.

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

24 3. Every fiduciary shall make, under oath, a return for the individ-
25 ual, estate or trust for whom or for which he acts, if the net income
26 thereof, distributed or distributable to beneficiaries during the year
27 is \$1000 or over, in which case the fiduciary shall set forth in such

28 return the items of the gross income, the deductions allowed by this
29 act, the net income, the names and addresses of the beneficiaries
30 the amounts distributed or distributable to each and the amounts if
31 any, lawfully retained by him for future distribution. Such return
32 be made by one or two or more joint fiduciaries. may

ARTICLE III
BUSINESS INCOMES
IMPOSITION OF TAX

1 Sec. 40. Tax with respect to carrying on or doing business.

2 1. Every corporation shall pay annually a tax or excise, with
3 respect to carrying on or doing business, equivalent to one per cent of
4 the entire net income as herein defined, received by such corporation
5 from business transacted within the state during the income year;
6 Provided, however, that in no case shall the tax be less than five
7 dollars.

8 2. Such tax shall be computed upon the net income of the individ-
9 ual, partnership or corporation received during the calendar year end-
10 ing December 31, 1929, or during any income year ending during said
11 year, and shall be collected and paid at the times and in the manner
12 herein provided.

1 Sec. 41. Conditional and other exemptions. The following
2 organizations shall be exempt from taxation under this act:

- 3 (1) Labor, agricultural, or horticultural organizations;
- 4 (2) Fraternal beneficiary societies, order or associations;
5 (a) operating under the lodge system or for the exclusive benefit
6 of the members of a fraternity itself operating under the lodge

7 system, and (b) providing for the payment of life, sick, accident or
8 other benefits to the members of such society, order or associations or
9 their dependents ;

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

13 (4) Cemetery corporations and corporations organized for religious,
14 charitable, scientific, or educational purposes, or for the prevention
15 of cruelty to children or animals, no part of the net earnings of which
16 inures to the benefit of any private stockholder or individual ;

17 (5) Business leagues, chambers of commerce or boards of trade, not
18 organized for profit and no part of the net earnings of which inures to

19 (6) Civic leagues or organizations not organized for profit but
20 operate exclusively for the promotion of social welfare ;

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

24 (8) Farmer's or other mutual hail, cyclone, or fire insurance
25 companies, or associations including interinsurance and reciprocal
26 underwriters. Mutual ditch and irrigation companies mutual or co-
27 operative telephone companies, or like organizations the income of
28 which is held for the sole purpose of meeting expenses or losses ;

29 (9) Farmers', fruit growers' or like organizations organized
30 and operated as sales agents for the purposes of marketing the prod-
31 of members and turning back to them the proceeds of sales, less the ^{ucts}
32 necessary selling expenses, on the basis of the quantity of produce

33 furnished by them ;

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

38 (11) Corporations whose sole business consists of holding the
39 stocks of other corporations for the purpose of controlling the manage-
40 ment and affairs of such other corporations, except such as are
41 specifically subject to make return under the provisions of section
42 49 of this act.

1 Sec. 42. Deductions. In computing net income there shall be
2 allowed as deductions :

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

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

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

17 act only a corresponding part of such dividend or income shall be
18 deducted; provided, further that such corporation, joint stock com-
19 pany or association report the name and address of each person owning
20 stocks or having such interest and the amount of dividends or income
21 paid such person during the assessment year.

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

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

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

37 (g) A reasonable allowance for the depreciation and obsolescence
38 of property used in the trade or business; and, in the case of mines,
39 oil and gas wells, other natural deposits, and timber, a reasonable
40 allowance for depletion; Provided, that in computing the
41 deductions allowed under this paragraph, the basis shall be the cost
42 (including in the case of mines, oil and gas wells, and other natural

43 deposits, the cost of development, not otherwise deducted), and in
44 case of property acquired prior to January 1, 1929, the fair market
45 value of the property (or the taxpayers' interest therein) on that
46 date shall be taken in lieu of cost up to that date. The reasonable
47 allowances under this paragraph shall be made under rules and regula-
48 to be prescribed by the treasurer of state. In the case of leases
49 the deductions allowed may be equitably apportioned between the lessor
50 and the lessee.

51 (h) In the case of taxpayers who keep regular books of account,
52 upon an accrual basis and in accordance with standard accounting
53 practice, reserves for bad debts and for contingent liabilities, under
54 such rules and restrictions as the treasurer of state may impose.
55 If the treasurer of state shall at any time deem the reserve excessive
56 in amount, he may restore such excess to income either in a sub-
57 sequent year or as a part of the income of the income year and assess
58 it accordingly ;

59 (i) If for any taxable year beginning after January 1, 1929,
60 it appears upon production of evidence satisfactory to the treasurer
61 of state in a return file, that any taxpayer has sustained a net
62 loss, the amount thereof shall be deducted from the net income of
63 the taxpayer for the succeeding taxable year ; the amount of such
64 excess shall be allowed as a deduction in computing the net income
65 for the next succeeding taxable year ; the deductions in all cases
66 to be made under regulations prescribed by the treasurer of state.

1 Sec. 43. Items not deductible. In computing net income no
2 deductions shall in any case be allowed in respect of

3 (a) Personal, living or family expenses ;

4 (b) Any amount paid out for new buildings or for permanent
5 improvements or betterments, made to increase the value of any prop-
6 erty
7 used in the trade or business ;

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

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

14 Sec. 44. Allocation of net income of a resident taxpayer.

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

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

22 (a) Gains and income (less expenses, if any, attributed thereto)
23 received from the sale or lease of real estate and tangible property
24 other than such as is manufactured or bought by the taxpayer for sale
25 in the regular course of business, shall be allocated to the state ;
26 gains and income from the sale or lease of such real estate and
27 tangible personal property situated outside of the state, shall be
28 allocated outside the state.

29 (b) Interest and dividends (less expenses, if any, attributable

17 thereto) shall be allocated to the state, to the extent that they
18 are received in connection with the transaction of the trade or
19 business in the state; other interest and dividends shall be allocated
20 outside the state;

21 (c) Net income of the foregoing classes having thus been allocated
22 the remainder of the net income shall be allocated according to
23 rules prescribed by the budget director as is provided in section 28.

1 Sec. 45. Allocation of net income of a nonresident taxpayer.

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

5 2. If the entire trade or business of a nonresident taxpayer
6 is not carried on in the state, the tax imposed by this act shall
7 be computed upon a proportion of the entire net income, to be deter-
8 mined 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
12 or bought by the taxpayer for sale in the regular course of business
13 shall be allocated to the state; gains and income for the sale or
14 lease of such real estate and tangible personal property situated
15 outside the state and 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

20 are received in connection with the transaction of the trade or
21 business in the state; other interest and dividends shall be allocated
22 outside the state;

23 (c) Net income of the foregoing classes having thus been
24 allocated, the remainder of the net income shall be allocated accord-
25 ing to rules prescribed by the treasurer of state as provided in
26 section 28 of this act.

1 Sec. 46. Allocation of net income made by taxpayer. A tax-
2 payer carrying on part of his trade or business outside the state
3 may refuse to accept the determination of his net income from trade
4 or business in the state arrived at by the method of allocation
5 provided in sections 43 and 44, by notification thereof to the
6 treasurer of state on or before the time when his return is due to
7 be filed. Said taxpayer shall, within thirty days thereafter, file
8 with the treasurer of state under oath, a statement supplementary,
9 to the return, in such detail as the treasurer of state shall require,
10 showing the amount of his annual net income derived from trade or
11 business carried on in the state. Treasurer of state may require
12 such further information with reference thereto as he may deem
13 necessary and shall determine the proportion of the net income
14 received from trade or business carried on in the state.

1 Sec. 47. Definition of a resident and a nonresident taxpayer.
2 For the purpose of allocating net income, as provided in sections
3 43 and 44, the words "resident taxpayer" means a taxpayer residing
4 in the state, or, if incorporated, organized under the laws of the
5 state. In the case of a fiduciary, they mean a taxpayer, the

6 majority of the beneficial interests in the trade or business of
7 which belongs to residents of the state. The words “nonresident
8 taxpayer” mean a taxpayer other than a “resident taxpayer” as above
9 defined.

1 Sec. 48. Return of net income. 1. Every corporation having
2 a net income during the income year from trade or business carried
3 on in the state, of \$1000.00 or over, shall make a return, under
4 oath, stating specifically the items or gross income, the deductions
5 and such other facts as the treasurer of state may require for the
6 purpose of making any computation required by this act.

7 2. The return of the net income of a trade or business carried
8 on by an estate or trust shall be made by the fiduciary and, under
9 such regulations as the treasurer of state may prescribe may be by
10 one of two or more joint fiduciaries.

11 3. The return by a corporation shall be sworn to by the president
12 vice president or other principal officer and by the treasurer or
13 assistant treasurer.

14 4. Subject to such regulations as the treasurer of state may
15 prescribe, any taxpayer, taxable hereunder may, by incorporating
16 in the return a consent to be taxed with respect to the entire net
17 income, omit from his return the statements provided in this act for
18 the purposes of the allocation of net income.

1 Sec. 49. Consolidated returns. 1. Any taxpayer capable of
2 exercising either directly or indirectly substantially the entire
3 control of the business of another taxpayer, either by ownership
4 or control of substantially the entire capital stock (if a corporation)

5 of such other taxpayer or otherwise, may, under regulations to be
6 prescribed by the treasurer of state be permitted to make a consolidated
7 return, showing the consolidated net income and such other informa-
8 as the treasurer of state may require in order to compute the net tion
9 income properly attributable to the state and to impose the tax upon
10 the taxpayer concerned.

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

15 13. Where the treasurer of state has reason to believe that any
16 taxpayer so conducts the trade or business as either directly or
17 indirectly to distort his true net income and the net income properly
18 attributable to the state, whether by the arbitrary shifting of the
19 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 substantially
22 common control, he may require such facts as he deems necessary for
23 the proper computation of the entire net income and the net income
24 properly attributable to the state and in determining the same the
25 treasurer of state shall have regard to the fair profits which would
26 normally arise from the conduct of the trade or business.

1 Sec. 50. Returns when income year changed. If a taxpayer,
2 with the approval of the treasurer of state, changes the income
3 year on the basis of which his net income is computed, he shall, at
4 such time and in such manner as the treasurer of state may prescribe

5 make a separate return of his net income received during the period
6 intervening between the end of his former income year and the begin-
7 ning of his new income year in which return the specific deductions
8 allowed in this act shall be reduced to an amount which bears the
9 same ratio to the full deduction thus allowed as the number of months
10 in such period bears to twelve months.