

FILED JAN 25 1977

SENATE FILE 32

By COMMITTEE ON WAYS AND MEANS

Substituted for H.F. 126

Passed Senate, Date 1-31-77 (p. 348) Passed House, Date 2-7-77 (311)

Vote: Ayes 44 Nays 0 Vote: Ayes 94 Nays 0

Approved March 4, 1977

Repassed Senate per House amendment
2-18-77 (328)

45-3

A BILL FOR

1 An Act to conform the provisions of the individual and
2 corporate income tax, the franchise tax, and the
3 inheritance tax to the 1976 federal tax reform act,
4 providing penalties, and making the Act retroactive.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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Conference Committee appointed
Senators Holtz (chair), Craft, Curtis, Junkin, and Priede 2/15 (p. 361)
Representative Powell (chair), Kelle, Conlon, O'Halloran, and Braisted 2/14 (373)

Passed per Conference Committee Report
Senate 2/21/77 (p. 409) House 2/22/77 (p. 447)
43-4 93-0

Certification of publication on page 732 of the Senate Journal

1 Section 1. Section four hundred twenty-two point four
2 (422.4), subsection seventeen (17), Code 1977, is amended
3 to read as follows:

4 17. "Internal Revenue Code of 1954" means the Internal
5 Revenue Code of 1954, as amended to and including January
6 1, ~~1976~~ 1977.

7 Sec. 2. Section four hundred twenty-two point seven
8 (422.7), Code 1977, is amended by adding the following new
9 subsection:

10 NEW SUBSECTION. Individual taxpayers and married taxpay-
11 ers who file a joint federal income tax return and who elect
12 to file a joint return, separate returns or separate filing
13 on a combined return for Iowa income tax purposes, may avail
14 themselves of the sick-pay exclusion and shall compute the
15 amount of sick-pay exclusion subject to the limitations for
16 joint federal income tax return filers provided by section
17 one hundred five d (105(d)) of the Internal Revenue Code of
18 1954.

19 Sec. 3. Section four hundred twenty-two point seven
20 (422.7), Code 1977, is amended by adding the following new
21 subsection:

22 NEW SUBSECTION. Add to the taxable income of trusts, that
23 portion of trust income excluded from federal taxable income
24 under section six hundred forty-one c (641(c)) of the Internal
25 Revenue Code of 1954.

26 Sec. 4. Section four hundred twenty-two point nine (422.9),
27 subsection two (2), Code 1977, is amended to read as follows:

28 2. The total of contributions, interest, taxes, medical
29 expense, ~~child-care-expense~~, losses and miscellaneous ex-
30 penses deductible for federal income tax purposes under the
31 Internal Revenue Code of 1954, with the following adjustments:

32 Sec. 5. Section four hundred twenty-two point nine (422.9),
33 subsection two (2), Code 1977, is amended by adding the follow-
34 ing new lettered paragraph:

35 NEW LETTERED PARAGRAPH. Add the amount of qualifying child

1 and dependent care expenses subject to the same limitations
2 provided by section forty-four A (44A) of the Internal Revenue
3 Code of 1954. Married taxpayers need not file joint returns
4 to qualify for this deduction.

5 Sec. 6. Section four hundred twenty-two point twelve
6 (422.12), Code 1977, is amended by striking the section and
7 inserting in lieu thereof the following:

8 422.12 DEDUCTIONS FROM COMPUTED TAX. There shall be de-
9 ducted from but not to exceed the tax, after the same shall
10 have been computed as provided in this division, the follow-
11 ing:

12 1. A personal exemption credit in the following amounts:

13 a. For a single individual, or a married person filing
14 a separate return, fifteen dollars.

15 b. For a head of household, or a husband and wife filing
16 a joint return, thirty dollars.

17 c. For each dependent, an additional ten dollars. As
18 used in this section, the term "dependent" shall have the
19 same meaning as provided by the Internal Revenue Code of 1954.

20 d. For a single individual, husband, wife or head of
21 household, an additional exemption of fifteen dollars for
22 each of said individuals who has attained the age of sixty-
23 five years before the close of the tax year or on the first
24 day following the end of the tax year.

25 e. For a single individual, husband, wife or head of
26 household, an additional exemption of fifteen dollars for
27 each of said individuals who is blind at the close of the
28 tax year. For the purposes of this paragraph, an individual
29 is blind only if the individual's central visual acuity does
30 not exceed twenty-two hundredths in the better eye with
31 correcting lenses, or if the individual's visual acuity is
32 greater than twenty-two hundredths but is accompanied by a
33 limitation in the fields of vision such that the widest
34 diameter of the visual field subtends an angle no greater
35 than twenty degrees.

1 For the purpose of this section, the determination of
2 whether an individual is married shall be made as of the close
3 of the individual's tax year unless the individual's spouse
4 dies during the individual's tax year, in which case such
5 determination shall be made as of the date of such death.
6 An individual legally separated from his or her spouse under
7 a decree of divorce or of separate maintenance shall not be
8 considered as married.

9 2. A child and dependent care credit equal to five percent
10 of the qualifying employment-related expenses and subject
11 to the same limitations provided by section forty-four A (44A)
12 of the Internal Revenue Code of 1954.

13 Married taxpayers electing to file separate returns or
14 filing separately on a combined return must allocate the child
15 and dependent care credit to each spouse in the proportion
16 that his or her respective net income bears to the total
17 combined net income. Taxpayers affected by the allocation
18 provisions of section four hundred twenty-two point eight
19 (422.8) of the Code shall be permitted a deduction for the
20 credit only in such amount as is fairly and equitably allocable
21 to Iowa under rules prescribed by the director.

22 Sec. 7. Section four hundred twenty-two point sixteen
23 (422.16), subsection thirteen (13), Code 1977, is amended
24 by striking the subsection and inserting in lieu thereof the
25 following:

26 13. The director shall enter into an agreement with the
27 secretary of the treasury of the United States with respect
28 to withholding of income tax as provided by this chapter,
29 pursuant to an Act of Congress, section one thousand two hun-
30 dred seven (1207) of the Tax Reform Act of 1976, Public Law
31 ninety-four dash four hundred fifty-^{five (2/2 (262))}~~four~~ (94-455), amending
32 title five (5), section five thousand five hundred seventeen
33 (5517) of the United States Code.

34 Sec. 8. Section four hundred twenty-two point twenty
35 (422.20), Code 1977, as amended by chapter one thousand two

1 hundred forty-five (1245) of the Acts of the Sixty-sixth
2 General Assembly, 1976 Session, chapter four (4), section
3 three hundred thirty-seven (337), is amended by striking the
4 section and inserting in lieu thereof the following:

5 422.20 INFORMATION CONFIDENTIAL--PENALTY.

6 1. It shall be unlawful for any officer or employee of
7 the state to divulge or to make known in any manner whatever
8 not provided by law to any person the amount or source of
9 income, profits, losses, expenditures, or any particular
10 thereof, set forth or disclosed in any income return, or to
11 permit any income return or copy thereof or any book containing
12 any abstract or particulars thereof to be seen or examined
13 by any person except as provided by law; and it shall be
14 unlawful for any person to print or publish in any manner
15 whatever not provided by law any income return, or any part
16 thereof or source of income, profits, losses, or expenditures
17 appearing in any income return; and any person committing
18 an offense against the foregoing provision shall be guilty
19 of a serious misdemeanor. If the offender is an officer
20 or employee of the state, such person shall also be dismissed
21 from office or discharged from employment. Nothing herein
22 shall prohibit turning over to duly authorized officers of
23 the United States information and income returns pursuant
24 to agreement between the director and the secretary of the
25 treasury of the United States or the secretary's delegate.

26 2. It shall be unlawful for any officer, employee, or
27 agent, or former officer, employee, or agent of the state
28 to disclose to any person, except as authorized in subsection
29 one (1) of this section, any federal tax return or return
30 information as defined in section six thousand one hundred
31 three b (6103(b)) of the Internal Revenue Code of 1954. It
32 shall further be unlawful for any person to whom any federal
33 tax return or return information, as defined in section six
34 thousand one hundred three b (6103(b)) of the Internal Revenue
35 Code of 1954, is disclosed in a manner unauthorized by sub-

1 section one (1) of this section to thereafter print or pub-
2 lish in any manner not provided by law any such return or
3 return information. Any person committing an offense against
4 the foregoing provision shall be guilty of a serious misde-
5 meanor.

6 Sec. 9. Section four hundred twenty-two point thirty-
7 two (422.32), subsection four (4), Code 1977, is amended to
8 read as follows:

9 4. "Internal Revenue Code of 1954" means the Internal
10 Revenue Code of 1954, as amended to and including January
11 1, ~~1976~~ 1977.

12 Sec. 10. Section four hundred twenty-two point sixty-one
13 (422.61), subsection four (4), Code 1977, is amended to read
14 as follows:

15 4. "Net income" means the net income of the financial
16 institution computed in accordance with section 422.35, with
17 the exception that interest and dividends from federal se-
18 curities shall not be subtracted and interest and dividends
19 from evidences of indebtedness and securities of this state
20 and its political subdivisions, exempt from federal income
21 tax under the Internal Revenue Code of 1954 as amended to
22 and including January 1, ~~1976~~ 1977, shall not be added.

23 Sec. 11. Section four hundred twenty-two point seventy-
24 two (422.72), Code 1977, as amended by chapter one thousand
25 two hundred forty-five (1245) of the Acts of the Sixty-sixth
26 General Assembly, 1976 Session, chapter four (4), section
27 three hundred forty-three (343), is amended to read as follows:

28 422.72 INFORMATION DEEMED CONFIDENTIAL.

29 1. It shall be unlawful for the director, or any person
30 having an administrative duty under this chapter, or any
31 officer or other employee of the state authorized by the
32 director to examine returns, to divulge or to make known in
33 any manner whatever, the business affairs, operations, or
34 information obtained by an investigation under this chapter
35 of records and equipment of any person or corporation visited

1 or examined in the discharge of official duty, or the amount
2 or source of income, profits, losses, expenditures or any
3 particular thereof, set forth or disclosed in any return,
4 or to permit any return or copy thereof or any book containing
5 any abstract or particulars thereof to be seen or examined
6 by any person except as provided by law; provided, however,
7 that the director may authorize examination of such returns
8 ~~by other state officers~~, or, if a reciprocal arrangement
9 exists, by tax officers of another state, or the federal
10 government. This subsection shall prevail over the provi-
11 sions of any general law of this state relating to public
12 records.

13 2. Federal tax returns, copies of returns, and return
14 information as defined in section six thousand one hundred
15 three b (6103(b)) of the Internal Revenue Code of 1954, which
16 are required to be filed with the department for the
17 enforcement of the income tax laws of this state, shall be
18 deemed and held as confidential by the department and sub-
19 ject to the disclosure limitations in subsection one (1) of
20 this section.

21 2 3. Any person violating the provisions of ~~subsection~~
22 4 subsections one (1) and two (2) of this section shall be
23 guilty of a serious misdemeanor.

24 Sec. 12. Section four hundred fifty point sixty-eight
25 (450.68), Code 1977, is amended by adding the following new
26 unnumbered paragraphs:

27 NEW UNNUMBERED PARAGRAPH. Federal tax returns, copies
28 of returns, and return information as defined in section six
29 thousand one hundred three b (6103(b)) of the Internal Revenue
30 Code, which are required to be filed with the department for
31 the enforcement of the inheritance and estate tax laws of
32 this state, shall be deemed and held as confidential by the
33 department. However, such returns or return information,
34 may be disclosed by the director to officers or employees
35 of other state agencies, subject to the same confidentiality

1 restrictions imposed on the officers and employees of the
2 department.

3 NEW UNNUMBERED PARAGRAPH. It shall be unlawful for any
4 present or former officer or employee of the state to disclose,
5 except as provided by law, any return, return information
6 or any other information deemed and held confidential under
7 the provisions of this section. Any person violating the
8 provisions of this section shall be guilty of a serious
9 misdemeanor.

10 Sec. 13. Sections one (1), two (2), four (4), nine (9),
11 and ten (10) of this Act are effective to January 1, 1976
12 for tax years beginning on or after January 1, 1976 and to
13 this extent the provisions of sections one (1), two (2), four
14 (4), nine (9), and ten (10) of this Act are retroactive.

15 Sec. 14. Section five (5) of this Act is effective to
16 January 1, 1976 for tax years beginning on or after January
17 1, 1976 but before January 1, 1977 and ending prior to December
18 31, 1977 and to this extent the provisions of section five
19 (5) of this Act are retroactive.

20 Sec. 15. Section six (6) of this Act is effective to
21 January 1, 1977 for tax years beginning on or after January
22 1, 1977 and to this extent the provisions of section six (6)
23 of this Act are retroactive.

24 Sec. 16. Section three (3) of this Act is effective to
25 May 21, 1976 for transfers in trust made after May 21, 1976
26 and to this extent the provisions of section three (3) of
27 this Act are retroactive.

28 Sec. 17. Sections eight (8), eleven (11), and twelve (12)
29 of this Act are effective January 1, 1978 for tax years
30 beginning on or after January 1, 1978.

31 Sec. 18. This Act, being deemed of immediate importance,
32 shall take effect and be in force from and after its publica-
33 tion in The Waterloo ^{3/10/77} Courier, a newspaper published in
34 Waterloo, Iowa, and in the Cherokee ^{3/9/77} Daily Times, a newspaper
35 published in Cherokee, Iowa.

EXPLANATION

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The bill changes the references to the Internal Revenue Code in the tax laws to include amendments to January 1, 1977, so as to incorporate the 1976 changes to the Internal Revenue Code and make the changes effective for 1976 taxes paid in 1977.

The changes in the federal tax law which are reflected in the state law include the new revisions of the sick-pay exclusions and the changes in allowing for a child care or dependent care deduction.

The bill also permits the Department of Revenue to enter into an agreement with the United States Secretary of the Treasury for withholding of state income taxes from Iowa members of the armed forces of the United States, including National Guardsmen and Reservists. Provisions of the 1976 Federal Tax Reform Act also require amendments to the income tax law and the inheritance tax law to protect the confidentiality of federal tax returns and return information when such returns are filed with state returns.

LSB 599S
bk/rh/8A

SENATE FILE 32

S-3072

1 Amend the House Amendment, S-3070, to Senate File
2 32, as passed by the House, by inserting after line
3 7 the following:

4 "NEW SUBSECTION. For the tax year beginning on
5 or after January 1, 1977, capital gains and losses
6 shall be determined under the provisions of the
7 Internal Revenue Code of 1954 as amended to and
8 including January 1, 1976.

9 NEW SUBSECTION. For tax years beginning on or
10 after January 1, 1978, capital gains and losses shall
11 be determined under the provisions of the Internal
12 Revenue Code of 1954."

S-3072 FILED & WITHDRAWN
FEBRUARY 10, 1977

BY PHILIP B. HILL

H-3033

1 Amend Senate File 32, as passed by the Senate,
2 as follows:

3 1. Page 3, line 35, by striking the words "as
4 amended by chapter one thousand two".

5 2. Page 4, by striking lines 1 and 2.

6 3. Page 4, line 3, by striking the words "three
7 hundred thirty-seven (337)".

8 4. Page 5, line 24, by striking the words "as
9 amended by chapter one thousand".

10 5. Page 5, by striking lines 25 and 26.

11 6. Page 5, line 27, by striking the words "three
12 hundred forty-three (343)".

H-3033 FILED - *Adopted 2/7* BY Norland of Worth
FEBRUARY 4, 1977

H-3034

1 Amend Senate File 32, as passed by the Senate, as
2 follows:

3 1. Page 3, by striking lines 22 through 33.

4 2. Renumber sections and correct internal
5 references as are necessary in accordance with
6 this amendment.

H-3034 FILED - *Lost 2/7 (308)* BY BAKER of Buena Vista
FEBRUARY 4, 1977 PERKINS of Greene

1 Amend Senate File 32, as passed by the Senate, as
2 follows:

3 1. Page 1, by striking lines 7 through 18 and
4 inserting in lieu thereof the following:

5 "Sec. 2. Section four hundred twenty-two point
6 seven (422.7), Code 1977, is amended by adding the
7 following new subsections:

8 NEW SUBSECTION. For the tax year beginning on
9 or after January 1, 1976, the sick-pay exclusion as
10 provided by section one hundred five d (105(d)) of
11 the Internal Revenue Code of 1954 shall be computed
12 under the provisions of the Internal Revenue Code
13 of 1954 as amended to and including January 1, 1976.

14 NEW SUBSECTION. For tax years beginning on or
15 after January 1, 1977, and succeeding tax years,
16 individual taxpayers and married taxpayers who file
17 a joint federal income tax return and who elect to
18 file a joint return, separate returns or separate
19 filing on a combined return for Iowa income tax
20 purposes, may avail themselves of the sick-pay
21 exclusion and shall compute the amount of sick-pay
22 exclusion subject to the limitations for joint federal
23 income tax return filers provided by section one
24 hundred five d (105(d)) of the Internal Revenue Code
25 of 1954."

26 2. Page 3, line 35, by striking the words "as
27 amended by chapter one thousand two".

28 3. Page 4, by striking lines 1 and 2.

29 4. Page 4, line 3, by striking the words "three
30 hundred thirty-seven (337),".

31 5. Page 5, line 24, by striking the words "as
32 amended by chapter one thousand".

33 6. Page 5, by striking lines 25 and 26.

34 7. Page 5, line 27, by striking the words "three
35 hundred forty-three (343),".

S-3070 FILED
FEBRUARY 7, 1977

RECEIVED FROM THE HOUSE

A- Senate concurred 2/10 (327)
B- Refused to concur 2/10
House insisted 2/14 (371)

Amend Senate File 32, as passed by the Senate,
page 1, by striking lines 7 through 18 and inserting
in lieu thereof the following:

"Sec. 2. Section four hundred twenty-two point
seven (422.7), Code 1977, is amended by adding the
following new subsections:

NEW SUBSECTION. For the tax year beginning on or
after January 1, 1976, the sick-pay exclusion as pro-
vided by section one hundred five d (105(d)) of the
Internal Revenue Code of 1954 shall be computed
under the provisions of the Internal Revenue Code
of 1954 as amended to and including January 1, 1976.

NEW SUBSECTION. For tax years beginning on or
after January 1, 1977, and succeeding tax years,
individual taxpayers and married taxpayers who file
a joint federal income tax return and who elect to
file a joint return, separate returns or separate
filing on a combined return for Iowa income tax
purposes, may avail themselves of the sick-pay ex-
clusion and shall compute the amount of sick-pay
exclusion subject to the limitations for joint
federal income tax return filers provided by
section one hundred five d (105(d)) of the Internal
Revenue Code of 1954."

H-3035 FILED - *adapted 2/7* BY NORLAND of Worth
FEBRUARY 4, 1977

H-3036

1 Amend Senate File 32, as passed by the Senate,
2 as follows:

3 1. Page 2, line 14, by striking the word "fifteen"
4 and inserting in lieu thereof the word "twenty".

5 2. Page 2, line 16, by striking the word "thirty"
6 and inserting in lieu thereof the word "forty".

7 3. Page 2, line 17, by striking the word "ten"
8 and inserting in lieu thereof the word "fifteen".

9 4. Page 2, line 21, by striking the word "fifteen"
10 and inserting in lieu thereof the word "twenty".

11 5. Page 2, line 26, by striking the word "fifteen"
12 and inserting in lieu thereof the word "twenty".

H-3036 FILED, LOST (*p. 307*) BY SCHROEDER of Pottawattamie
FEBRUARY 7, 1977

H-3037

1 Amend Senate File 32, as passed by the Senate,
2 as follows:
3 1. Page 6, by inserting after line 23 the following
4 new section:
5 "Sec. _____. Section four hundred fifty point nine
6 (450.9), Code 1977, is amended to read as follows:
7 450.9 INDIVIDUAL EXEMPTIONS. In computing the
8 tax on the net estate passing to the surviving spouse,
9 heirs or beneficiaries of the deceased the following
10 credits or exemptions shall be allowed:
11 1. Surviving spouse, eighty one hundred thousand
12 dollars.
13 2. Each son and daughter, including legally adopted
14 sons and daughters, or illegitimate sons and daughters
15 entitled to inherit under the law of this state,
16 thirty forty thousand dollars.
17 3. Father or mother, ten thousand dollars.
18 4. Any other lineal descendant of the deceased,
19 ten fifteen thousand dollars."
20 2. Renumber sections and correct internal
21 references as are necessary in accordance with this
22 amendment.

H-3037 FILED

RULED NOT GERMANE (310)

FEBRUARY 7, 1977

BY SCHROEDER of Pattawattamie
HARBOR of Mills
SMALLEY of Polk
EVANS of Grundy
VARLEY of Adair
MILLEN of Van Buren

REPORT OF THE CONFERENCE COMMITTEE

ON SENATE FILE 32

TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE
OF REPRESENTATIVES:

We, the undersigned members of the conference committee appointed to consider the differences between the Senate and House of Representatives on Senate File 32, a bill for an Act to conform the provisions of the individual and corporate income tax, the franchise tax, and the inheritance tax to the 1976 federal tax reform act, providing penalties, and making the Act retroactive, respectfully make the following report:

1. That the House recede from Division B, lines 3 through 25 of Amendment S-3070, to Senate File 32, as passed by the Senate.

ON THE PART OF THE SENATE:

Fred W. Nolting, Chairperson
Rolf V. Craft
Warren E. Curtis
Lowell L. Junkins
Berl E. Priebe

ON THE PART OF THE HOUSE:

Emil S. Pavich, Chairperson
Terry E. Branstad
Walter Conlon
Mary O'Halloran
James D. Wells

FILED
FEBRUARY 18, 1977

Senate adopted 2/21/77 43-6 (p. 409)
House adopted 2/22 49-46 (p. 445)

SENATE FILE 32

AN ACT

TO CONFORM THE PROVISIONS OF THE INDIVIDUAL AND CORPORATE INCOME TAX, THE FRANCHISE TAX, AND THE INHERITANCE TAX TO THE 1976 FEDERAL TAX REFORM ACT, PROVIDING PENALTIES, AND MAKING THE ACT RETROACTIVE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section four hundred twenty-two point four (422.4), subsection seventeen (17), Code 1977, is amended to read as follows:

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1976~~ 1977.

Sec. 2. Section four hundred twenty-two point seven (422.7), Code 1977, is amended by adding the following new subsection:

NEW SUBSECTION. Individual taxpayers and married taxpayers who file a joint federal income tax return and who elect to file a joint return, separate returns or separate filing on a combined return for Iowa income tax purposes, may avail themselves of the sick-pay exclusion and shall compute the amount of sick-pay exclusion subject to the limitations for joint federal income tax return filers provided by section one hundred five d (105(d)) of the Internal Revenue Code of 1954.

Sec. 3. Section four hundred twenty-two point seven (422.7), Code 1977, is amended by adding the following new subsection:

NEW SUBSECTION. Add to the taxable income of trusts, that portion of trust income excluded from federal taxable income under section six hundred forty-one c (641(c)) of the Internal Revenue Code of 1954.

Sec. 4. Section four hundred twenty-two point nine (422.9), subsection two (2), Code 1977, is amended to read as follows:

2. The total of contributions, interest, taxes, medical expense, ~~child-care-expense~~ losses and miscellaneous expenses deductible for federal income tax purposes under the Internal Revenue Code of 1954, with the following adjustments:

Sec. 5. Section four hundred twenty-two point nine (422.9), subsection two (2), Code 1977, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. Add the amount of qualifying child and dependent care expenses subject to the same limitations provided by section forty-four A (44A) of the Internal Revenue Code of 1954. Married taxpayers need not file joint returns to qualify for this deduction.

Sec. 6. Section four hundred twenty-two point twelve (422.12), Code 1977, is amended by striking the section and inserting in lieu thereof the following:

422.12 DEDUCTIONS FROM COMPUTED TAX. There shall be deducted from but not to exceed the tax, after the same shall have been computed as provided in this division, the following:

1. A personal exemption credit in the following amounts:
 - a. For a single individual, or a married person filing a separate return, fifteen dollars.
 - b. For a head of household, or a husband and wife filing a joint return, thirty dollars.
 - c. For each dependent, an additional ten dollars. As used in this section, the term "dependent" shall have the same meaning as provided by the Internal Revenue Code of 1954.
 - d. For a single individual, husband, wife or head of household, an additional exemption of fifteen dollars for each of said individuals who has attained the age of sixty-five years before the close of the tax year or on the first day following the end of the tax year.
 - e. For a single individual, husband, wife or head of

household, an additional exemption of fifteen dollars for each of said individuals who is blind at the close of the tax year. For the purposes of this paragraph, an individual is blind only if the individual's central visual acuity does not exceed twenty-two hundredths in the better eye with correcting lenses, or if the individual's visual acuity is greater than twenty-two hundredths but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty degrees.

For the purpose of this section, the determination of whether an individual is married shall be made as of the close of the individual's tax year unless the individual's spouse dies during the individual's tax year, in which case such determination shall be made as of the date of such death. An individual legally separated from his or her spouse under a decree of divorce or of separate maintenance shall not be considered as married.

2. A child and dependent care credit equal to five percent of the qualifying employment-related expenses and subject to the same limitations provided by section forty-four A (44A) of the Internal Revenue Code of 1954.

Married taxpayers electing to file separate returns or filing separately on a combined return must allocate the child and dependent care credit to each spouse in the proportion that his or her respective net income bears to the total combined net income. Taxpayers affected by the allocation provisions of section four hundred twenty-two point eight (422.8) of the Code shall be permitted a deduction for the credit only in such amount as is fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 7. Section four hundred twenty-two point sixteen (422.16), subsection thirteen (13), Code 1977, is amended by striking the subsection and inserting in lieu thereof the following:

13. The director shall enter into an agreement with the secretary of the treasury of the United States with respect to withholding of income tax as provided by this chapter, pursuant to an Act of Congress, section one thousand two hundred seven (1207) of the Tax Reform Act of 1976, Public Law ninety-four dash four hundred fifty-five (94-455), amending title five (5), section five thousand five hundred seventeen (5517) of the United States Code.

Sec. 8. Section four hundred twenty-two point twenty (422.20), Code 1977, is amended by striking the section and inserting in lieu thereof the following:

422.20 INFORMATION CONFIDENTIAL--PENALTY.

1. It shall be unlawful for any officer or employee of the state to divulge or to make known in any manner whatever not provided by law to any person the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any person committing an offense against the foregoing provision shall be guilty of a serious misdemeanor. If the offender is an officer or employee of the state, such person shall also be dismissed from office or discharged from employment. Nothing herein shall prohibit turning over to duly authorized officers of the United States information and income returns pursuant to agreement between the director and the secretary of the treasury of the United States or the secretary's delegate.

2. It shall be unlawful for any officer, employee, or agent, or former officer, employee, or agent of the state to disclose to any person, except as authorized in subsection

one (1) of this section, any federal tax return or return information as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code of 1954. It shall further be unlawful for any person to whom any federal tax return or return information, as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code of 1954, is disclosed in a manner unauthorized by subsection one (1) of this section to thereafter print or publish in any manner not provided by law any such return or return information. Any person committing an offense against the foregoing provision shall be guilty of a serious misdemeanor.

Sec. 9. Section four hundred twenty-two point thirty-two (422.32), subsection four (4), Code 1977, is amended to read as follows:

4. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, 1976 1977.

Sec. 10. Section four hundred twenty-two point sixty-one (422.61), subsection four (4), Code 1977, is amended to read as follows:

4. "Net income" means the net income of the financial institution computed in accordance with section 422.35, with the exception that interest and dividends from federal securities shall not be subtracted and interest and dividends from evidences of indebtedness and securities of this state and its political subdivisions, exempt from federal income tax under the Internal Revenue Code of 1954 as amended to and including January 1, 1976 1977, shall not be added.

Sec. 11. Section four hundred twenty-two point seventy-two (422.72), Code 1977, is amended to read as follows:

422.72 INFORMATION DEEMED CONFIDENTIAL.

1. It shall be unlawful for the director, or any person having an administrative duty under this chapter, or any officer or other employee of the state authorized by the

director to examine returns, to divulge or to make known in any manner whatever, the business affairs, operations, or information obtained by an investigation under this chapter of records and equipment of any person or corporation visited or examined in the discharge of official duty, or the amount or source of income, profits, losses, expenditures or any particular thereof, set forth or disclosed in any return, or to permit any return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; provided, however, that the director may authorize examination of such returns ~~by other state officers, or~~, if a reciprocal arrangement exists, by tax officers of another state, or the federal government. This subsection shall prevail over the provisions of any general law of this state relating to public records.

2. Federal tax returns, copies of returns, and return information as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code of 1954, which are required to be filed with the department for the enforcement of the income tax laws of this state, shall be deemed and held as confidential by the department and subject to the disclosure limitations in subsection one (1) of this section.

2 3. Any person violating the provisions of ~~subsection~~ 4 subsections one (1) and two (2) of this section shall be guilty of a serious misdemeanor.

Sec. 12. Section four hundred fifty point sixty-eight (450.68), Code 1977, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. Federal tax returns, copies of returns, and return information as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code, which are required to be filed with the department for the enforcement of the inheritance and estate tax laws of

this state, shall be deemed and held as confidential by the department. However, such returns or return information, may be disclosed by the director to officers or employees of other state agencies, subject to the same confidentiality restrictions imposed on the officers and employees of the department.

NEW UNNUMBERED PARAGRAPH. It shall be unlawful for any present or former officer or employee of the state to disclose, except as provided by law, any return, return information or any other information deemed and held confidential under the provisions of this section. Any person violating the provisions of this section shall be guilty of a serious misdemeanor.

Sec. 13. Sections one (1), two (2), four (4), nine (9), and ten (10) of this Act are effective to January 1, 1976 for tax years beginning on or after January 1, 1976 and to this extent the provisions of sections one (1), two (2), four (4), nine (9), and ten (10) of this Act are retroactive.

Sec. 14. Section five (5) of this Act is effective to January 1, 1976 for tax years beginning on or after January 1, 1976 but before January 1, 1977 and ending prior to December 31, 1977 and to this extent the provisions of section five (5) of this Act are retroactive.

Sec. 15. Section six (6) of this Act is effective to January 1, 1977 for tax years beginning on or after January 1, 1977 and to this extent the provisions of section six (6) of this Act are retroactive.

Sec. 16. Section three (3) of this Act is effective to May 21, 1976 for transfers in trust made after May 21, 1976 and to this extent the provisions of section three (3) of this Act are retroactive.

Sec. 17. Sections eight (8), eleven (11), and twelve (12) of this Act are effective January 1, 1978 for tax years beginning on or after January 1, 1978.

Sec. 18. This Act, being deemed of immediate importance,

shall take effect and be in force from and after its publication in The Waterloo Courier, a newspaper published in Waterloo, Iowa, and in the Cherokee Daily Times, a newspaper published in Cherokee, Iowa.

ARTHUR A. NEU
President of the Senate

DALE M. COCHRAN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 32, Sixty-seventh General Assembly.

STEVEN C. CROSS
Secretary of the Senate

Approved March 4, 1977

ROBERT D. RAY
Governor