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SENATE FILE 391

By RODGERS

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the state individual income tax by increas-
 2 ing the standard deduction and indexing the personal
 3 credits, the amount of income below which no tax is owed
 4 and the standard deduction to mitigate the effect of
 5 inflation.

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

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1 Section 1. Section four hundred twenty-two point four
2 (422.4), Code 1979, is amended by adding the following new
3 subsection:

4 NEW SUBSECTION. "Adjusted inflation factor" means a
5 cumulative index, expressed as a percentage, determined
6 pursuant to section four hundred twenty-two point twenty-one
7 (422.21) of the Code by the director to reflect the purchasing
8 power of the dollar as a result of inflation or deflation
9 since January 1, 1980.

10 Sec. 2. Section four hundred twenty-two point five (422.5),
11 Code 1979, is amended by adding the following new unnumbered
12 paragraph:

13 NEW UNNUMBERED PARAGRAPH. Upon determination of the latest
14 adjusted inflation factor, the director shall multiply each
15 dollar amount, including those expressed in the tax brackets,
16 set forth in this section by that adjusted inflation factor
17 and shall round off the resulting product to the nearest one
18 dollar.

19 Sec. 3. Section four hundred twenty-two point nine (422.9),
20 subsection one (1), Code 1979, is amended to read as follows:

21 1. An optional standard deduction of ~~ten~~ twenty percent
22 of the net income after deduction of federal income tax, not
23 to exceed ~~five-hundred~~ one thousand dollars multiplied by
24 the adjusted inflation factor for a married person who files
25 separately, ~~or one~~ two thousand dollars multiplied by the
26 adjusted inflation factor for a single person or three thousand
27 dollars multiplied by the adjusted inflation factor for a
28 husband and wife who file a joint return.

29 Sec. 4. Section four hundred twenty-two point twelve
30 (422.12), subsection one (1), Code 1979, is amended by adding
31 the following new unnumbered paragraph:

32 NEW UNNUMBERED PARAGRAPH. Upon determination of the latest
33 adjusted inflation factor, the director shall multiply each
34 dollar amount set forth in this subsection by that adjusted
35 inflation factor and shall round off the resulting product

1 to the nearest one dollar.

2 Sec. 5. Section four hundred twenty-two point thirteen
3 (422.13), subsections one (1) and two (2), Code 1979, are
4 amended to read as follows:

5 1. Every resident of Iowa who is required to file a federal
6 income tax return under the Internal Revenue Code of 1954,
7 or who has a net income of two thousand dollars multiplied
8 by the adjusted inflation factor or more for the tax year
9 from sources taxable under this division, shall make and sign
10 a return.

11 2. Every nonresident who is required to file a federal
12 income tax return under the Internal Revenue Code of 1954
13 and who has a net income of two thousand dollars multiplied
14 by the adjusted inflation factor or more for the tax year
15 from sources taxable under this division, shall make and sign
16 a return.

17 Sec. 6. Section four hundred twenty-two point fourteen
18 (422.14), subsection one (1), Code 1979, is amended to read
19 as follows:

20 1. Every fiduciary subject to taxation under the provisions
21 of this division, as provided in section 422.6, shall make
22 and sign a return for the individual, estate or trust for
23 whom or for which he or she acts, if the taxable income thereof
24 amounts to six hundred dollars multiplied by the adjusted
25 inflation factor or more. A nonresident fiduciary shall file
26 a copy of the federal income tax return for the current tax
27 year with the return required by this section.

28 Sec. 7. Section four hundred twenty-two point twenty-
29 one (422.21), Code 1979, is amended by adding the following
30 new unnumbered paragraphs:

31 NEW UNNUMBERED PARAGRAPH. The director shall determine
32 the adjusted inflation factor by December thirty-first of
33 each calendar year to be applied to tax years ending on or
34 after December thirty-first. The adjusted inflation factor,
35 to be expressed as a percentage, shall reflect the purchasing

1 power of the dollar as a result of inflation or deflation
2 from January 1, 1980, to the end of the second quarter of
3 the applicable calendar year. The director shall base the
4 determination on any consumer price index or comparable index
5 which adequately reflects the purchasing power of the dollar
6 in the state. The adjusted inflation factor determined by
7 the director is not a rule as defined in section seventeen
8 A point two (17A.2), subsection seven (7), of the Code.

9 NEW UNNUMBERED PARAGRAPH. The director shall compute the
10 new dollar amounts as required in sections four hundred twenty-
11 two point nine (422.9), four hundred twenty-two point twelve
12 (422.12), four hundred twenty-two point thirteen (422.13)
13 and four hundred twenty-two point fourteen (422.14) of the
14 Code by multiplying the dollar amounts specified therein to
15 be adjusted by the adjusted inflation factor, rounding off
16 the result to the nearest one dollar, and incorporating the
17 result into the income tax forms and instructions for each
18 tax year. However, the resulting product shall not reduce
19 the specified dollar amounts below those specified on January
20 1, 1980.

21 Sec. 8. This Act is effective January 1, 1980, for tax
22 years beginning on or after January 1, 1980.

23 EXPLANATION

24 This bill adjusts the personal income tax credits, the
25 standard deduction, and the amount of net income below which
26 no tax is owed by an inflation factor to mitigate the effect
27 which inflation has on increasing state income taxes. The
28 bill also increases the amount of standard deduction which
29 will be adjusted from \$500 to \$1000 for marrieds filing
30 separately, from \$1,000 to \$2,000 for singles and from \$1,000
31 to \$3,000 for marrieds filing jointly. The bill is effective
32 January 1, 1980, for tax years beginning on or after that
33 date.

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