

Ways and Means
Rodgers, Chairperson
Craft
Readinger

FILED FEB 3 1981

SENATE FILE 175

BY COMMITTEE ON WAYS AND MEANS

Approved 2/3 (y. 320)

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act updating references to the internal revenue code for
2 purposes of computing individual and corporate income
3 taxes and franchise taxes and making certain provisions
4 of the Act retroactive.

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

6 SENATE FILE 175
7 FISCAL NOTE

8 REQUESTED BY SENATOR CRAFT

9 In compliance with a written request, there is hereby submitted a
10 Fiscal Note for Senate File 175 pursuant to Joint Rule 16.

11 S.F. 175 provides for updates to the Iowa Code to reflect amendments to the
12 Internal Revenue Code within the Iowa income tax law. S.F. 175 incorporates
13 changes due to four federal tax bills,

- 14 1) Crude Oil Windfall Profits Tax Act of 1980,
- 15 2) Technical Corrections as of 1979,
- 16 3) Installment Sales Act of 1980, and
- 17 4) Bankruptcy Tax Act of 1980.

18 One provision of the Windfall Profits Act would be to increase the dividend
19 exclusion from \$100 per person to \$200 per person (\$400 jointly) and make the
20 exclusion applicable to both dividend and interest income for tax years 1981
21 and 1982 only. Special Iowa provisions appear in Section 2 of S.F. 175 so a
22 husband and wife who file separately on a combined Iowa return can receive the
23 benefit of the full \$400.

24 It is estimated that the increase in deduction for interest and dividend income
25 could result in a reduction of Iowa 1981 tax liabilities (filed in 1982) of
approximately \$5 million to \$6 million. Reduction in 1982 federal tax deductions
claimed on Iowa returns will result in a net reduction of Iowa 1982 tax liabilities
(filed in 1983) of approximately \$3 million to \$4 million.

No estimate of the impacts of the other provisions of S.F. 175 are available. How-
ever, it is not anticipated that these provisions will have significant impacts on
state tax liabilities.

SOURCE: DEPARTMENT OF REVENUE

FILED
FEBRUARY 3, 1981

BY GERRY RANKIN, DIRECTOR
LEGISLATIVE FISCAL BUREAU

1 Section 1. Section 422.4, subsection 17, Code 1981, is
2 amended to read as follows:

3 17. "Internal Revenue Code of 1954" means the Internal
4 Revenue Code of 1954, as amended to and including January
5 1, 1980 1981.

6 Sec. 2. Section 422.7, Code 1981, is amended by inserting
7 after subsection 8 the following new subsection:

8 NEW SUBSECTION. Married taxpayers who file a joint federal
9 return and who elect to file separate returns or separate
10 filing on a combined return for Iowa income tax purposes may
11 avail themselves of the exclusion for interest and dividend
12 income pursuant to section 116(a) of the Internal Revenue
13 Code of 1954 and shall compute the exclusion subject to the
14 limitations for joint federal income tax return filers provided
15 by section 116(b)(1) of the Internal Revenue Code of 1954.

16 Sec. 3. Section 422.7, Code 1981, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. Subtract the amount of the alcohol fuel
19 credit allowable for the tax year under section 44E of the
20 Internal Revenue Code of 1954 to the extent that the credit
21 increased federal adjusted gross income.

22 Sec. 4. Section 422.32, subsection 4, Code 1981, is amended
23 to read as follows:

24 4. "Internal Revenue Code of 1954" means the Internal
25 Revenue Code of 1954, as amended to and including January
26 1, 1980 1981.

27 Sec. 5. Section 422.35, Code 1981, is amended by inserting
28 after subsection 6 the following new subsection:

29 NEW SUBSECTION. Subtract the amount of the alcohol fuel
30 credit allowable for the tax year under section 44E of the
31 Internal Revenue Code of 1954 to the extent that the credit
32 increased federal taxable income.

33 Sec. 6. Sections 1, 3, 4 and 5 are retroactive to January
34 1, 1980, for tax years beginning on or after January 1, 1980.

35 Sec. 7. Section 2 is retroactive to January 1, 1981, for

1 tax years beginning on or after January 1, 1981.

2 Sec. 8. This Act, being deemed of immediate importance,
3 takes effect from and after its publication in The Decorah
4 Journal, a newspaper published in Decorah, Iowa, and in the
5 Dallas County News, a newspaper published in Adel, Iowa.

6 EXPLANATION

7 Sections 1 and 3 of the bill update references to the
8 Internal Revenue Code of 1954 up to and including January
9 1, 1981 in the state individual and corporate income tax laws
10 and the franchise tax law. Section 2 provides a method for
11 married taxpayers who elect to file joint federal returns
12 and who elect to file separate returns on a combined return
13 for state income tax purposes to take the combined federal
14 exclusion from gross income of dividend and interest income
15 of up to \$400 for taxpayers who file a joint federal return.

16 The Federal Crude Oil Windfall Profit Tax Act of 1980 also
17 provided for an income tax credit for alcohol and alcohol
18 blended fuels, effective for fuel sales and uses after
19 September 30, 1980. The credit is available to a person who
20 produces the mixture or alcohol and is used by that person
21 as a fuel or is sold as a fuel. In order to claim the credit,
22 the person claiming the credit must increase their federal
23 income by the amount of the credit which is claimed. Sec-
24 tions 3 and 5 would provide an adjustment from federal adjusted
25 gross income for individuals and federal taxable income for
26 corporations so that the portion of the federal income which
27 was required to be increased as a result of the alcohol fuel
28 credit would not be included in Iowa taxable income.

29 Sections 1, 3, 4 and 5 are retroactive to and take effect
30 from and after January 1, 1980. Section 2 is retroactive
31 to January 1, 1981 for tax years beginning on or after January
32 1, 1981. The bill takes effect following publication.

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SENATE FILE 175

S-3060

1 Amend Senate File 175 as follows:

2 1. Page 1, by inserting after line 32 the follow-
3 ing:

4 "Sec. ____ . Section 450.9, subsections 1 and 2, Code
5 1981, are amended to read as follows:

6 1. Surviving spouse, eighty thousand dollars or,
7 if greater, the amount of the marital deduction
8 allowed, in computing the federal estate tax, under
9 section 2056 of the Internal Revenue Code of 1954
10 as amended to and including January 1, 1981, to the
11 extent that the value of any interest in property
12 included in determining the marital deduction is
13 included in determining the net estate under this
14 chapter.

15 2. Each son and daughter, including legally adopted
16 sons and daughters, or illegitimate sons and daughters
17 entitled to inherit under the law of this state,
18 thirty thousand dollars or, if greater, the amount
19 of the deduction for certain minor children allowed,
20 in computing the federal estate tax, under section
21 2057 of the Internal Revenue Code of 1954 as amended
22 to and including January 1, 1981, to the extent that
23 the value of any interest in property included in
24 determining the deduction for certain minor children
25 is included in determining the net estate under this
26 chapter."

27 2. Amend title page, line 3, by inserting after
28 the words "franchise taxes" the words "and providing an exemption in
29 computing the inheritance tax for the surviving
30 spouse and certain minor children similar to the
31 deduction allowed for federal estate tax purposes".

S-3060 FILED

BY EMIL J. HUSAK

FEBRUARY 9, 1981

SENATE FILE 175

S-3832

1 Amend Senate File 175 as follows:

2 1. Page 1, by inserting after line 21 the following
3 new section:

4 "Sec. ____ . Section 422.9, subsection 2, paragraph
5 e, Code 1981, is amended to read as follows:
6 e. Add an additional deduction for mileage incurred
7 by the taxpayer in voluntary work for a charitable
8 organization consisting of the excess of the state
9 employee mileage reimbursement over the amount
10 deductible for federal income tax purposes. The
11 deduction shall be proven by the keeping of a
12 contemporaneous diary by the person throughout the
13 period of the voluntary work in the tax year. A
14 taxpayer in voluntary work shall also be allowed a
15 deduction for child care expenses actually incurred
by the taxpayer while engaged in voluntary work."

17 2. Renumber sections and correct internal
18 references as are necessary in accordance with this
19 amendment.

S-3832 FILED

BY MICK LURA

MAY 20, 1981