

Reprinted 3/10/83

FISCAL NOTE REQUIRED

SENATE FILE 386

BY COMMITTEE ON FINANCE
Approved 3/9 (p. 622)

FILED MAR 9 1983

Passed Senate, Date 3-9-83 (p. 658) Passed House, Date 3-18-83 (p. 806)

Vote: Ayes 26 Nays 23 Vote: Ayes 58 Nays 36

Approved June 6, 1983

A BILL FOR

1 An Act relating to taxation by updating references to the
 2 Internal Revenue Code for individual and corporate in-
 3 come tax, franchise tax and inheritance tax, providing
 4 for an increase in the minimum tax, increasing the in-
 5 dividual income tax credit for child and dependent care
 6 expenses, providing an income tax credit for an increase
 7 in qualified research expenditures in this state, reducing
 8 the rate of tax on the first thousand dollars of taxable
 9 income for individual taxpayers, limiting the amount of
 10 federal income taxes deductible for purposes of determining
 11 Iowa income taxes, increasing medical and drug deductions,
 12 increasing the exclusion for unemployment compensation,
 13 providing an individual income tax credit for expenditures
 14 for a solar domestic hot water system for use in a
 15 principal residence, and making the Act retroactive.

S.F. 386

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

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1 Section 1. Section 422.4, subsection 17, Code 1983, 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 ~~17-1982~~ 14, 1983.

6 Sec. 2. Section 422.4, Code 1983, is amended by adding
7 the following new subsection:

8 NEW SUBSECTION. 19. a. "Solar domestic hot water system"
9 means a system which performs all of the following tasks for
10 the purpose of heating domestic hot water:

11 (1) Collection of sunlight and conversion to heat energy.

12 (2) Transporting heat to a potable water supply.

13 (3) Storing heated water until it is needed for domestic
14 use.

15 (4) The system can reasonably be expected to remain in
16 operation for at least five years.

17 b. "Principal residence" means an Iowa residence and shall
18 be determined under principles similar to those applicable
19 to section 1034 of the Internal Revenue Code of 1954.

20 c. "Qualifying expenditures" means those expenditures
21 incurred and paid by the taxpayer during the tax year for
22 the original installation, including labor and material costs,
23 of a solar domestic hot water system. Federal, state or local
24 grants or subsidies do not qualify as expenditures by the
25 taxpayer.

26 Sec. 3. Section 422.5, subsection 1, Code 1983, is amended
27 to read as follows:

28 1. On the first one thousand dollars of taxable income,
29 or any part thereof, ~~one-half-of-one~~ zero percent.

30 Sec. 4. Section 422.5, unnumbered paragraph 10, Code 1983,
31 is amended to read as follows:

32 In addition to all taxes imposed under this division, there
33 is imposed upon every resident and nonresident, including
34 resident and nonresident estates and trusts, of this state
35 a state minimum tax for tax preference items equal to ~~twenty-~~

1 five fifty percent of the state's apportioned share of the
2 federal minimum tax. The state's apportioned share of the
3 federal minimum tax is one hundred percent in the case of
4 a resident and in the case of a nonresident a percent equal
5 to the ratio of the federal minimum tax on preferences
6 attributable to Iowa to the federal minimum tax on all
7 preferences. The director shall prescribe rules for the
8 determination of the amount of the federal minimum tax on
9 preference items attributable to Iowa which shall be based
10 as much as equitably possible on the allocation provisions
11 of section 422.8, subsections 2 and 3. For purposes of this
12 paragraph, "federal minimum tax" means the federal minimum
13 tax for tax preferences computed under sections 55 to 58 of
14 the Internal Revenue Code of 1954 for the tax year.

15 Sec. 5. Section 422.6, unnumbered paragraph 1, Code 1983,
16 is amended to read as follows:

17 The tax imposed by section 422.5 and credits for increasing
18 research activities granted under section 422.10 shall apply
19 to and become a charge against estates and trusts with respect
20 to their taxable income, and the rates shall be the same as
21 those applicable to individuals. The fiduciary shall be
22 responsible for making the return of income for the estate
23 or trust for which he the fiduciary acts, whether ~~such~~ the
24 income be is taxable to the estate or trust or to the
25 beneficiaries thereon.

26 Sec. 6. Section 422.7, Code 1983, is amended by adding
27 the following new subsection:

28 NEW SUBSECTION. 17. Subtract the amount of unemployment
29 compensation to be included in Iowa net income for any tax
30 year. Add back the amount of unemployment compensation
31 computed under section 85 of the Internal Revenue Code of
32 1954, as amended up to and including December 31, 1981.

33 Sec. 7. Section 422.9, subsection 1, Code 1983, is amended
34 to read as follows:

35 1. An optional standard deduction of fifteen percent of

1 the net income after deduction of federal income tax, not
2 to exceed one thousand two hundred dollars for a married
3 person who files separately, one thousand two hundred dollars
4 for a single person or three thousand dollars for a husband
5 and wife who file a joint return, a surviving spouse as defined
6 in section 2 of the Internal Revenue Code of 1954, or an
7 unmarried head of household as defined in the Internal Revenue
8 Code of 1954. The amount of the federal income tax deducted
9 shall not exceed the amount as computed under subsection 2,
10 paragraph b.

11 Sec. 8. Section 422.9, subsection 2, unnumbered paragraph
12 1, Code 1983, is amended to read as follows:

13 The total of contributions, interest, taxes, ~~medical~~
14 ~~expense~~, nonbusiness losses and miscellaneous expenses
15 deductible for federal income tax purposes under the Internal
16 Revenue Code of 1954, with the following adjustments:

17 Sec. 9. Section 422.9, subsection 2, paragraph b, Code
18 1983, is amended by striking paragraph b and inserting in
19 lieu thereof the following:

20 b. Add the amount of federal income taxes accrued for
21 the tax year. However, the accrued amount shall not exceed
22 twenty-seven thousand dollars. The amount of federal income
23 taxes accrued for the tax year shall not be adjusted by federal
24 income tax refunds or payments for prior years. Married
25 persons who file separately shall be limited to an accrued
26 federal income tax deduction not to exceed twenty-seven
27 thousand dollars in total for both spouses. The amount of
28 the federal income tax deduction shall be divided between
29 each spouse by the ratio of federal adjusted gross income
30 of each spouse to total federal adjusted gross income of both
31 spouses unless they can show that another method more
32 accurately reflects the amount of federal income tax to be
33 deducted by each.

34 Sec. 10. Section 422.9, subsection 2, Code 1983, is amended
35 by adding the following new lettered paragraph as paragraph

1 a and relettering the remaining lettered paragraphs:

2 NEW LETTERED PARAGRAPH. a. For tax year 1983, add the
3 amount deducted for medical expenses allowed as a deduction
4 under section 213 of the Internal Revenue Code of 1954, as
5 amended up to and including December 31, 1981. For tax year
6 1984 and each subsequent tax year, the amount of prescription
7 drugs and insulin and other medical expenses as defined in
8 section 213 of the Internal Revenue Code of 1954 shall be
9 allowed to the extent that these expenses exceed three percent
10 of the federal adjusted gross income. However, to the extent
11 that the expenses less three percent of the federal adjusted
12 gross income do not exceed one hundred fifty dollars, a
13 deduction of one-half of health insurance premiums paid not
14 to exceed one hundred fifty dollars shall also be allowed.

15 Sec. 11. Chapter 422, Code 1983, is amended by inserting
16 after section 422.9 the following new section:

17 NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT.

18 1. The taxes imposed under this division shall be reduced
19 by a state tax credit for increasing research activities in
20 this state. For individuals, the credit shall equal twenty-
21 five percent of the state's apportioned share of the federal
22 credit for increasing research activities. The state's appor-
23 tioned share of the federal credit for increasing research
24 activities is a percent equal to the ratio of qualified re-
25 search expenditures in this state to total qualified research
26 expenditures. Where the credit for increasing research ac-
27 tivities for partnerships, corporations electing to have their
28 income taxed directly to the shareholders, estates and trusts
29 passes through to the individual taxpayer the provisions for
30 individuals apply to the amount of federal credit passed
31 through. For purposes of this subsection, "federal credit
32 for increasing research activities" means the federal credit
33 for increasing research activities computed under section
34 44F of the Internal Revenue Code of 1954 not taking into
35 consideration the limitation on the federal credit under

1 section 44F(g) of the Internal Revenue Code of 1954.

2 Any credit in excess of the tax liability less personal
3 exemption and child care credits provided in section 422.12
4 for the taxable year shall be refunded with interest computed
5 under section 422.25. In lieu of claiming a refund, a taxpayer
6 may elect to have the overpayment shown on the taxpayer's
7 final, completed return credited to the tax liability for
8 the following taxable year.

9 2. The taxes imposed under this division shall be reduced
10 by a state credit for expenditures incurred in the installa-
11 tion of solar domestic hot water systems. For residents and
12 part-year residents, the credit, not to exceed three hundred
13 dollars, shall be equal to fifteen percent of the qualifying
14 expenditures incurred in installing a solar domestic hot water
15 system to be used in the individual's principal residence.
16 The credit cannot exceed three hundred dollars for each
17 principal residence. A credit shall not be allowed if the
18 amount of the credit is less than ten dollars. A credit is
19 not allowed for expenditures made after December 31, 1985.

20 Any credit in excess of the tax liability less personal
21 exemption and child care credits provided in section 422.12
22 for the taxable year shall be refunded with interest computed
23 under section 422.25. In lieu of claiming a refund, an
24 individual may elect to have the overpayment shown on the
25 taxpayer's final, completed return credited to the tax
26 liability for the following taxable year.

27 Sec. 12. Section 422.12, subsection 2, Code 1983, is
28 amended to read as follows:

29 2. A child and dependent care credit equal to ~~five~~ six
30 percent of the qualifying employment-related expenses and
31 subject to the same limitations provided by section 44A of
32 the Internal Revenue Code of 1954.

33 Married taxpayers electing to file separate returns or
34 filing separately on a combined return must allocate the child
35 and dependent care credit to each spouse in the proportion

1 that ~~his-ex-his~~ each spouse's respective net income bears
2 to the total combined net income. Taxpayers affected by the
3 allocation provisions of section 422.8 shall be permitted
4 a deduction for the credit only in ~~such~~ the amount as is
5 fairly and equitably allocable to Iowa under rules prescribed
6 by the director.

7 Sec. 13. Section 422.32, subsection 4, Code 1983, is
8 amended to 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 ~~17-1982~~ 14, 1983.

12 Sec. 14. Section 422.33, subsection 4, Code 1983, is
13 amended to read as follows:

14 4. In addition to all taxes imposed under this division,
15 there is imposed upon each corporation doing business within
16 the state a state minimum tax for tax preference equal to
17 ~~twenty-five~~ fifty percent of the state's apportioned share
18 of the federal minimum tax. The state's apportioned share
19 of the federal minimum tax is a percent equal to the ratio
20 of the federal minimum tax on preferences attributable to
21 Iowa to the federal minimum tax on all preferences. The
22 director shall prescribe rules for the determination of the
23 amount of the federal minimum tax on preferences attributable
24 to Iowa which shall be based as much as equitably possible
25 on the allocation and apportionment provisions of subsections
26 2 and 3. For purposes of this subsection, "federal minimum
27 tax" means the federal minimum tax for tax preferences computed
28 under sections 55 to 58 of the Internal Revenue Code of 1954
29 for the tax year.

30 Sec. 15. Section 422.33, Code 1983, is amended by adding
31 the following new subsection:

32 NEW SUBSECTION. 5. The taxes imposed under this division
33 shall be reduced by a state tax credit for increasing research
34 activities in this state equal to twenty-five percent of the
35 state's apportioned share of the federal credit for increasing

1 research activities. The state's apportioned share of the
2 federal credit for increasing research activities is a percent
3 equal to the ratio of qualified research expenditures in this
4 state to the total qualified research expenditures. For pur-
5 poses of this subsection, "federal credit for increasing re-
6 search activities" means the federal credit for increasing
7 research activities computed under section 44F of the Internal
8 Revenue Code of 1954 not taking into consideration the
9 limitation on the federal credit under section 44F(g) of the
10 Internal Revenue Code of 1954.

11 Any credit in excess of the tax liability for the taxable
12 year shall be refunded with interest computed under section
13 422.25. In lieu of claiming a refund, a taxpayer may elect
14 to have the overpayment shown on its final, completed return
15 credited to the tax liability for the following taxable year.

16 Sec. 16. Section 422.60, unnumbered paragraph 2, Code
17 1983, is amended to read as follows:

18 In addition to all taxes imposed under this division, there
19 is imposed upon each financial institution doing business
20 within the state a state minimum tax for tax preference items
21 equal to ~~twenty-five~~ fifty percent of the state's apportioned
22 share of the federal minimum tax. The state's apportioned
23 share of the federal minimum tax is a percent equal to the
24 ratio of the federal minimum tax on preferences attributable
25 to Iowa to the federal minimum tax on all preferences. The
26 director shall prescribe rules for the determination of the
27 amount of the federal minimum tax on preferences attributable
28 to Iowa which shall be based as much as equitably possible
29 on the allocation and apportionment provisions of section
30 422.63. For purposes of this subsection, "federal minimum
31 tax" means the federal minimum tax for tax preferences computed
32 and paid or payable under sections 55 to 58 of the Internal
33 Revenue Code of 1954~~7--as-amended-to-and-including-January~~
34 ~~17--1982.~~

35 Sec. 17. The prohibition in section 422.16, subsection

1 exceed three hundred dollars. If the credit is not all used
2 during the tax year, the excess may be refunded.

3 Sections 4, 14, and 16 raise the state minimum tax from
4 twenty-five percent to fifty percent of the federal minimum
5 tax for individuals, estates and trusts, corporations, and
6 financial institutions.

7 Sections 5, 11, and 15 provide for a credit against
8 individual, estates, trusts, and corporation income taxes
9 for increasing research activities within the state. The
10 state credit is twenty-five percent of the federal credit.
11 If the credit is not all used during the tax year, the excess
12 may be refunded.

13 Section 12 increases the percentage of child and dependent
14 care expenses which can be claimed as a tax credit to six
15 percent. The credit is currently five percent of those
16 expenses up to a maximum of \$2,400 for one child and \$4,800
17 if two or more children are involved.

18 Sections 7 and 9 limit to \$27,000 the amount of federal
19 income taxes deductible for purposes of determining Iowa
20 income taxes.

21 Section 3 reduces the taxes due on the first thousand
22 dollars of taxable income from one-half of one percent to
23 zero percent for individual income tax filers.

24 Section 6 retains the federal provisions on taxing
25 unemployment compensation at its basis prior to the Tax Equity
26 and Financial Responsibility Act of 1982.

27 Sections 8 and 10 retain medical deductions at three percent
28 of federal adjusted gross income. Drugs are limited to
29 prescription drugs and insulin beginning in 1984.

30 The bill takes effect upon publication with certain
31 provisions retroactive to January 1, 1982 and other provisions
32 retroactive to January 1, 1983.

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STATE OF IOWA
F I S C A L N O T E

LSB No. 1574.1S
Request No. 83-352
Staff ID CMG

In compliance with a written request received March 8, 1983, there is hereby submitted a Fiscal Note for Senate File 386 pursuant to Joint Rule 17. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

Senate File 386 relates to:

- various updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax and inheritance tax;
- an individual income tax credit for expenditures for a solar domestic hot water system for use in a principle residence;
- a reduction the rate of tax on the first thousand dollars of taxable income for individual income taxpayers;
- an increase in the minimum tax;
- an income tax credit for an increase in qualified research expenditures in this state;
- an increase in the exclusion for unemployment compensation;
- a limitation in the amount of federal income taxes deductible for purposes of determining Iowa income taxes;
- an increase in the medical and drug deductions;
- an increase in the individual income tax credit for child care and dependent care expenses; and
- a removal of the prohibition on the waver relating to reasonable cause of the addition to tax for underpayment of the estimated tax payable for the 1982 tax year for farmers and fishermen.

FISCAL EFFECT SUMMARY

Sec. 1, Updates the individual, fiduciary, corporate, and franchise tax
Sec. 13. references to the Internal Revenue Code of 1954, up to and including
 January 14, 1983, to eliminate any potential disparities between
 federal and state tax laws. For those provisions where estimates
 can be made, using midpoints where a range is stipulated, the
 following table summarizes these sections. Areas with no fiscal
 effect or minimal effects are not included in the table. Totals do
 not include minimal increases and decreases. NOTE: A detailed
 report concerning all provisions included in the federal legislation
 is available from the Legislative Fiscal Bureau.

<u>Provision</u>	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>
Individual Minimum Tax	\$ 1.8 million increase	\$ 1.5 million increase
Non-business Casualty Loss Deduction	\$ 1.0 million increase	\$ 1.0 million increase
Corporate Tax Preferences (six provisions)	\$ 1.0 million increase	\$ 1.0 million increase

<u>Provision</u>	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>
Accelerated Cost Recovery System	none	\$ 1.5 million increase
Investment Credit Reduction, Asset	\$ 2.2 million increase	\$ 4.0 million increase
Construction Period Interest and Taxes	\$ 1.5 million increase	\$ 1.5 million increase
Withholding on Interest and Dividends	\$ 4.7 million increase	\$ 5.5 million increase
<u>SUBTOTAL</u> , Sections 1 and 13	<u>\$12.2 million</u> <u>increase</u>	<u>\$16.0 million</u> <u>increase</u>

Sec. 2, Sec. 11. Provides for a credit for individuals for qualifying expenditures incurred for the installation of solar domestic hot water systems. The credit shall be an amount equal to 15 percent of the qualifying expenditures for a system used in the taxpayer's principle residence, not to exceed \$300.00. If the credit is not all used during the tax year, the excess may be refunded. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: FY 1984 \$ 0.1 million decrease
FY 1985 0.1 million decrease

Sec. 3. Reduces the taxes due on the first thousand dollars of taxable income from one-half of one percent to zero percent for individual income tax filers. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: FY 1984 \$ 7.5 million decrease
FY 1985 8.0 million decrease

Sec. 4, Sec. 14, Sec. 16. Raises the state minimum tax from 25 percent to 50 percent of the federal minimum tax for individuals, estates, trusts, corporations, and financial institutions. For all preferences, the state's apportioned share is 100 percent for a resident and a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa for a non-resident and a corporation. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: FY 1984 \$ 3.8 million increase
FY 1985 3.3 million increase

Sec. 5, Sec. 11, Sec. 15. Provides for a credit against individual, estates, trusts, and corporation income taxes for increasing research activities within the state. The state credit is 25 percent of the federal credit. If the credit is not all used during the tax year, the excess may be refunded. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: FY 1984 \$ 1.0 million decrease
FY 1985 1.0 million decrease

Sec. 6. Retains the taxes due on taxing unemployment compensation at its basis prior to the Tax Equity and Fiscal Responsibility Act of 1982. Effective retroactive to January 1, 1982 for tax years beginning on or after January 1, 1982.

o FISCAL IMPACT: none

Sec. 7, Sec. 9. Limits to \$27,000 the amount of federal income taxes deductible for purposes of determining Iowa income taxes. The amount of taxes actually paid/or refunds received would not be used to determine a current year's federal tax deduction. Any federal tax payments or refunds made or received after January 1, 1983 would not be considered when computing the Iowa federal deduction except to the extent that they reflect the 1983 federal tax liability. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: FY 1984 \$21.5 million increase
FY 1985 \$14.0 million increase

Sec. 8, Sec. 10. Retains medical deductions at three percent of federal adjusted gross income. Drugs are limited to prescription drugs and insulin. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: Undetermined reduction

Sec. 12. Increases the percentage of child and dependent care expenses which can be claimed as a tax credit to six percent. The credit is currently five percent of those expenses up to a maximum of \$2,400 for one child and \$4,800 if two or more children are involved. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

o FISCAL IMPACT: FY 1984 \$ 0.5 million decrease
FY 1985 0.5 million decrease

Sec. 17. Removes the prohibition on the waver relating to reasonable cause of the addition to tax and underpayment of the estimated tax payable for the 1982 tax year for farmers and fishermen who have elected not to pay estimated taxes during the 1982 tax year, allowing payment to April 30, 1983 with no penalty.

o FISCAL IMPACT: FY 1984 \$ 0.5 million decrease

	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>
<u>SUBTOTAL</u> , Sections 2-12, 14-17	\$ 15.7 million <u>increase</u>	\$ 7.7 million <u>increase</u>
 <u>TOTAL, ENTIRE BILL</u>	 \$ 27.9 million <u>increase</u>	 \$ 23.7 million <u>increase</u>

Source: Department of Revenue

(374.15, 83-352, CMS)
Dennis A. Prouty
Fiscal Director
Legislative Fiscal Bureau

Date: 3/8/83

SENATE FILE 386

S-3200

1 Amend Senate File 386 as follows:

- 2 1. Page 1, line 9, by inserting after the word
- 3 "system" the words "which can reasonably be expected
- 4 to remain in operation for at least five years and".
- 5 2. Page 1, line 12, by striking the word
- 6 "Transporting" and inserting in lieu thereof the words
- 7 "Transportation of".
- 8 3. Page 1, line 13, by striking the word "Storing"
- 9 and inserting in lieu thereof the words "Storage of".
- 10 4. Page 1, by striking lines 15 and 16.
- 11 5. Page 1, by striking lines 20 through 22 and
- 12 inserting in lieu thereof the following:
- 13 "c. "Qualifying expenditures" means those
- 14 expenditures, including labor and material costs,
- 15 incurred and paid by the taxpayer during the tax year
- 16 for the original installation".

S-3200 FILED

BY DOUG RITSEMA

MARCH 9, 1983

ADOPTED AS AMENDED *by 3215 (p 684)*

SENATE FILE 386

S-3203

1 Amend Senate File 386 as follows:

- 2 1. By striking page 1, line 30 through page 2,
- 3 line 14.
- 4 2. Page 6, by striking lines 12 through 29.
- 5 3. Page 7, line 21, by striking the words "~~twenty-~~
- 6 ~~five~~ fifty" and inserting in lieu thereof the word
- 7 "twenty-five".
- 8 4. Renumber sections and correct internal
- 9 references as are necessary in accordance with this
- 10 amendment.

S-3203 FILED & LOST

BY JACK W. HESTER

MARCH 9, 1983 (*p. 685*)

SENATE 3
MARCH 10, 1983

SENATE FILE 386

S-3204

- 1 Amend Senate File 386 as follows:
- 2 1. Page 3, by striking lines 11 through 16.
- 3 2. Page 3, by striking lines 34 and 35.
- 4 3. Page 4, by striking lines 1 through 14.
- 5 4. Renumber sections and correct internal
- 6 references as are necessary in accordance with this
- 7 amendment.

S-3204 FILED & LOST
MARCH 9, 1983 (p. 687)

BY CALVIN O. HULTMAN
JOHN W. JENSEN
DAVID M. READINGER
ARNE WALDSTEIN
DOUGLAS RITSEMA

RAY TAYLOR
DALE L. TIEDEN
ARTHUR L. GRATIAS

SENATE FILE 386

S-3205

- 1 Amend Senate File 386 as follows:
- 2 1. Page 2, by striking lines 26 through 32.
- 3 2. Renumber sections and correct internal
- 4 references as necessary in accordance with this
- 5 amendment.

S-3205 FILED & LOST
MARCH 9, 1983 (p. 686)

BY CALVIN O. HULTMAN
JOHN W. JENSEN
RICHARD F. DRAKE
DALE L. TIEDEN

DAVID READINGER
RAY TAYLOR
ARTHUR L. GRATIAS

SENATE FILE 386

S-3206

- 1 Amend Senate File 386 as follows:
- 2 1. By striking page 2, line 33 through page 3,
- 3 line 10.
- 4 2. Page 2, by striking lines 17 through 33.
- 5 3. Renumber sections and correct internal
- 6 references as are necessary in accordance with this
- 7 amendment.

S-3206 FILED
MARCH 9, 1983
WITHDRAWN (p. 685)

BY CALVIN O. HULTMAN
JOHN JENSEN
RICHARD F. DRAKE
DOUGLAS RITSEMA
DALE L. TIEDEN

DAVID READINGER
JACK RIFE
RAY TAYLOR
ARTHUR L. GRATIAS

SENATE FILE 386

S-3213

- 1 Amend Senate File 386 as follows:
- 2 1. By striking page 2, line 33 through page 3,
- 3 line 10.
- 4 2. Page 3, by striking lines 17 through 33.
- 5 3. Renumber sections and correct internal
- 6 references as are necessary in accordance with this
- 7 amendment.

S-3213 FILED
MARCH 9, 1983
LOST (p. 686)

BY CALVIN O. HULTMAN
JOHN W. JENSEN
RICHARD F. DRAKE
DOUGLAS RITSEMA
DALE L. TIEDEN

DAVID M. READINGER
JACK RIFE
RAY TAYLOR
ARTHUR L. GRATIAS

SENATE FILE 386

S-3212

- 1 Amend Senate File 386 as follows:
- 2 1. Page 1, line 10, by striking the word "heating"
- 3 and inserting in lieu thereof the word "providing".

S-3212 FILED & LOST
MARCH 9, 1983 (p. 684)

BY EDGAR H. HOLDEN

SENATE FILE 386

S-3210

- 1 Amend Senate File 386 as follows:
- 2 1. Page 1, by striking lines 6 through 25.
- 3 2. Page 5, by striking lines 9 through 26.
- 4 3. Renumber sections and correct internal
- 5 references as are necessary in accordance with this
- 6 amendment.

S-3210 FILED & LOST
MARCH 9, 1983 (p. 684)

BY EDGAR H. HOLDEN

SENATE FILE 386

S-3215

- 1 Amend the amendment S-3200 to Senate File 386 as
- 2 follows:
- 3 1. Page 1, by striking lines 5, 6, and 7 and in-
- 4 serting in lieu thereof the following:
- 5 "2. Page 1, by striking line 12."

S-3215 FILED & ADOPTED
MARCH 9, 1983 (p. 684)

BY EDGAR H. HOLDEN

SENATE FILE 386

S-3211

- 1 Amend Senate File 386 as follows:
2 1. Page 6, by inserting after line 6 the following
3 section:
4 "Sec. 20. Section 422.12, Code 1983, is amended
5 by adding the following new subsection:
6 NEW SUBSECTION. 4. An investment tax credit equal
7 to two percent of the value of depreciable property
8 located in this state which qualifies for the federal
9 investment tax credit as authorized under section
10 38 of the Internal Revenue Code of 1954 and computed
11 under section 46 of the Internal Revenue Code of
12 1954."
13 2. Page 6, by inserting after line 29 the following
14 section:
15 "Sec. 30. Section 422.33, Code 1983, is amended
16 by adding the following new subsection:
17 NEW SUESECTION. 6. A corporation may deduct from
18 the computed tax an investment tax credit equal to
19 two percent of the value of the depreciable property
20 located in this state which qualifies for the federal
21 investment tax credit as authorized under section
22 38 of the Internal Revenue Code of 1954 and computed
23 under section 46 of the Internal Revenue Code of
24 1954."
25 3. Page 8, by inserting after line 19 the following
26 new section:
27 "Sec. _____. Sections 20 and 30 are effective January
28 1, 1984 for tax years beginning on or after January
29 1, 1984."
30 4. Renumber sections and correct internal
31 references as are necessary in accordance with this
32 amendment.

S-3211 FILED
MARCH 9, 1983
RULED OUT OF ORDER (p. 686)

BY RICHARD VANDE HOEF
LEE W. HOLT
FORREST V. SCHWENGELS
RAY TAYLOR
JOHN W. JENSEN
JACK W. HESTER

SENATE FILE 386

S-3220

- 1 Amend Senate File 386 as follows:
2 1. Page 1, line 9, by striking the word "all"
3 and inserting in lieu thereof the word "each".
4 2. Page 1, line 10, by striking the word "hot".

S-3220 FILED & LOST
MARCH 9, 1983 (p. 687)

BY DOUG RITSEMA

SENATE FILE 386
FISCAL NOTE

REQUESTED BY REPRESENTATIVE DODERER

In compliance with a written request received March 9, 1983, there is hereby submitted a Fiscal Note for Senate File 386, as passed by the Senate pursuant to Joint Rule 17. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

Senate File 386, as passed by the Senate relates to:

- various updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax and inheritance tax;
- an individual income tax credit for expenditures for a solar domestic hot water system for use in a principle residence;
- a reduction in the rate of tax on the first thousand dollars of taxable income for individual income taxpayers;
- an increase in the minimum tax;
- an income tax credit for an increase in qualified research expenditures in this state;
- an increase in the exclusion for unemployment compensation;
- a limitation in the amount of federal income taxes deductible for purposes of determining Iowa income taxes;
- an increase in the medical and drug deductions;
- an increase in the individual income tax credit for child care and dependent care expenses; and
- a removal of the prohibition on the waiver relating to reasonable cause of the addition to tax for underpayment of the estimated tax payable for the 1982 tax year for farmers and fishermen.

FISCAL EFFECT SUMMARY

Sec. 1, Updates the individual, fiduciary, corporate, and franchise tax
Sec. 13. references to the Internal Revenue Code of 1954, up to and including
 January 14, 1983, to eliminate any potential disparities between
 federal and state tax laws. For those provisions where estimates
 can be made, using midpoints where a range is stipulated, the
 following table summarizes these sections. Areas with no fiscal
 effect or minimal effects are not included in the table. Totals do
 not include minimal increases and decreases. NOTE: A detailed
 report concerning all provisions included in the federal legislation
 is available from the Legislative Fiscal Bureau.

<u>Provision</u>	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>
Individual Minimum Tax	\$ 1.8 million increase	\$ 1.5 million increase
Non-business Casualty Loss Deduction	\$ 1.0 million increase	\$ 1.0 million increase
Corporate Tax Preferences (six provisions)	\$ 1.0 million increase	\$ 1.0 million increase

<u>Provision</u>	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>
Accelerated Cost Recovery System	none	\$ 1.5 million increase
Investment Credit Reduction, Asset	\$ 2.2 million increase	\$ 4.0 million increase
Construction Period Interest and Taxes	\$ 1.5 million increase	\$ 1.5 million increase
Withholding on Interest and Dividends	\$ 4.7 million increase	\$ 5.5 million increase
<u>SUBTOTAL, Sections 1 and 13</u>	<u>\$12.2 million increase</u>	<u>\$16.0 million increase</u>

Sec. 2, Sec. 11. Provides for a credit for individuals for qualifying expenditures incurred for the installation of solar domestic hot water systems. The credit shall be an amount equal to 15 percent of the qualifying expenditures for a system used in the taxpayer's principle residence, not to exceed \$300.00. If the credit is not all used during the tax year, the excess may be refunded. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

- FISCAL IMPACT: FY 1984 \$ 0.1 million decrease
FY 1985 0.1 million decrease

Sec. 3. Reduces the taxes due on the first thousand dollars of taxable income from one-half of one percent to zero percent for individual income tax filers. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

- FISCAL IMPACT: FY 1984 \$ 7.5 million decrease
FY 1985 8.0 million decrease

Sec. 4, Sec. 14, Sec. 16. Raises the state minimum tax from 25 percent to 50 percent of the federal minimum tax for individuals, estates, trusts, corporations, and financial institutions. For all preferences, the state's apportioned share is 100 percent for a resident and a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa for a non-resident and a corporation. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

- FISCAL IMPACT: FY 1984 \$ 3.8 million increase
FY 1985 3.3 million increase

Sec. 5, Sec. 11, Sec. 15. Provides for a credit against individual, estates, trusts, and corporation income taxes for increasing research activities within the state. The state credit is 25 percent of the federal credit. If the credit is not all used during the tax year, the excess may be refunded. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

- FISCAL IMPACT: FY 1984 \$ 1.0 million decrease
FY 1985 1.0 million decrease

FISCAL NOTE, SENATE FILE 386
PAGE THREE

6. Retains the taxes due on taxing unemployment compensation at its basis prior to the Tax Equity and Fiscal Responsibility Act of 1982. Effective retroactive to January 1, 1982 for tax years beginning on or after January 1, 1982.
 • FISCAL IMPACT: none
- Sec. 7, Sec. 9. Limits to \$27,000 the amount of federal income taxes deductible for purposes of determining Iowa income taxes. The amount of taxes actually paid/or refunds received would not be used to determine a current year's federal tax deduction. Any federal tax payments or refunds made or received after January 1, 1983 would not be considered when computing the Iowa federal deduction except to the extent that they reflect the 1983 federal tax liability. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.
 • FISCAL IMPACT: FY 1984 \$21.5 million increase
 FY 1985 \$14.0 million increase
- Sec. 8, Sec. 10. Retains medical deductions at three percent of federal adjusted gross income. Drugs are limited to prescription drugs and insulin. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.
 • FISCAL IMPACT: Undetermined reduction
- Sec. 12. Increases the percentage of child and dependent care expenses which can be claimed as a tax credit to six percent. The credit is currently five percent of those expenses up to a maximum of \$2,400 for one child and \$4,800 if two or more children are involved. Effective retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.
 • FISCAL IMPACT: FY 1984 \$ 0.5 million decrease
 FY 1985 0.5 million decrease
- Sec. 17. Removes the prohibition on the waiver relating to reasonable cause of the addition to tax and underpayment of the estimated tax payable for the 1982 tax year for farmers and fishermen who have elected not to pay estimated taxes during the 1982 tax year, allowing payment to April 30, 1983 with no penalty.
 • FISCAL IMPACT: FY 1983 \$ 0.5 million decrease

	F. Y. 1983	F. Y. 1984	F. Y. 1985
<u>SUBTOTAL, Sections 2-12, 14-17</u>	<u>\$ 0.5 million decrease</u>	<u>\$ 16.2 million increase</u>	<u>\$ 7.7 million increase</u>
<u>TOTAL, S.F. 386</u>	<u>\$ 0.5 million decrease</u>	<u>\$ 28.4 million increase</u>	<u>\$ 23.7 million increase</u>

See Report Measure 3/10/83 Do Pass 3/10/83 (p. 716)

Senate File 386

Finance: Doderer, Chair; Connolly and Krewson.

Do Pass 3/14/83 (p. 738)

SENATE FILE **386**

BY COMMITTEE ON FINANCE

(AS AMENDED AND PASSED BY THE SENATE MARCH 9, 1983)

per Conference Committee
 Passed Senate, Date 5-14-83 (p. 1770) Passed House, Date 3-18-83 (p. 806)
 Vote: Ayes 30 Nays 19 Vote: Ayes 58 Nays 36

Approved June 6, 1983
Motion to reconsider w/d 5/14 *Repassed House per Conference Committee Report 5-14-83 (p. 2213)*

A BILL FOR

91-0

1 An Act relating to taxation by updating references to the
 2 Internal Revenue Code for individual and corporate in-
 3 come tax, franchise tax and inheritance tax, providing
 4 for an increase in the minimum tax, increasing the in-
 5 dividual income tax credit for child and dependent care
 6 expenses, providing an income tax credit for an increase
 7 in qualified research expenditures in this state, reducing
 8 the rate of tax on the first thousand dollars of taxable
 9 income for individual taxpayers, limiting the amount of
 10 federal income taxes deductible for purposes of determining
 11 Iowa income taxes, increasing medical and drug deductions,
 12 increasing the exclusion for unemployment compensation,
 13 providing an individual income tax credit for expenditures
 14 for a solar domestic hot water system for use in a
 15 principal residence, and making the Act retroactive.

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

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 = New Language
by the Senate

* = Language Stricken
by the Senate

22 *Conference Committee Appointed*
 23 *Representatives Doderer, chair; Sabo, Rosenberg, Schudloth & Carpenter 3/31/85 (p. 1042)*
 24 *Senators Palmer, chair; Hester, Small, Bureau Lura 4/6/83 (p. 1121)*
 25 *2nd Conference Committee Appointed*
Senators Palmer (chair) Bureau, Hester, Lura, Small 8/10/83 (p. 1210)
Representatives Doderer (chair), Rosenberg, Sabo, Carpenter, Schudloth 5/10 (p. 2005)

1 Section 1. Section 422.4, subsection 17, Code 1983, 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 ~~17-1982~~ 14, 1983.

6 Sec. 2. Section 422.4, Code 1983, is amended by adding
7 the following new subsection:

8 NEW SUBSECTION. 19. a. "Solar domestic hot water system"
9 means a system which can reasonably be expected to remain
10 in operation for at least five years and which performs all
11 of the following tasks for the purpose of heating domestic
12 hot water:

13 (1) Collection of sunlight and conversion to heat energy.

* 14 (2) Storage of heated water until it is needed for domestic
15 use.

* 16 b. "Principal residence" means an Iowa residence and shall
17 be determined under principles similar to those applicable
18 to section 1034 of the Internal Revenue Code of 1954.

19 c. "Qualifying expenditures" means those expenditures,
20 including labor and material costs, incurred and paid by the
21 taxpayer during the tax year for the original installation
22 of a solar domestic hot water system. Federal, state or local
23 grants or subsidies do not qualify as expenditures by the
24 taxpayer.

25 Sec. 3. Section 422.5, subsection 1, Code 1983, is amended
26 to read as follows:

27 1. On the first one thousand dollars of taxable income,
28 or any part thereof, ~~one-half-of-one~~ zero percent.

29 Sec. 4. Section 422.5, unnumbered paragraph 10, Code 1983,
30 is amended to read as follows:

31 In addition to all taxes imposed under this division, there
32 is imposed upon every resident and nonresident, including
33 resident and nonresident estates and trusts, of this state
34 a state minimum tax for tax preference items equal to ~~twenty-~~
35 ~~five~~ fifty percent of the state's apportioned share of the

1 federal minimum tax. The state's apportioned share of the
2 federal minimum tax is one hundred percent in the case of
3 a resident and in the case of a nonresident a percent equal
4 to the ratio of the federal minimum tax on preferences
5 attributable to Iowa to the federal minimum tax on all
6 preferences. The director shall prescribe rules for the
7 determination of the amount of the federal minimum tax on
8 preference items attributable to Iowa which shall be based
9 as much as equitably possible on the allocation provisions
10 of section 422.8, subsections 2 and 3. For purposes of this
11 paragraph, "federal minimum tax" means the federal minimum
12 tax for tax preferences computed under sections 55 to 58 of
13 the Internal Revenue Code of 1954 for the tax year.

14 Sec. 5. Section 422.6, unnumbered paragraph 1, Code 1983,
15 is amended to read as follows:

16 The tax imposed by section 422.5 and credits for increasing
17 research activities granted under section 422.10 shall apply
18 to and become a charge against estates and trusts with respect
19 to their taxable income, and the rates shall be the same as
20 those applicable to individuals. The fiduciary shall be
21 responsible for making the return of income for the estate
22 or trust for which ~~he~~ the fiduciary acts, whether ~~such~~ the
23 ~~income be~~ is taxable to the estate or trust or to the
24 beneficiaries thereon.

25 Sec. 6. Section 422.7, Code 1983, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 17. Subtract the amount of unemployment
28 compensation to be included in Iowa net income for any tax
29 year. Add back the amount of unemployment compensation
30 computed under section 85 of the Internal Revenue Code of
31 1954, as amended up to and including December 31, 1981.

32 Sec. 7. Section 422.9, subsection 1, Code 1983, is amended
33 to read as follows:

34 1. An optional standard deduction of fifteen percent of
35 the net income after deduction of federal income tax, not

1 to exceed one thousand two hundred dollars for a married
2 person who files separately, one thousand two hundred dollars
3 for a single person or three thousand dollars for a husband
4 and wife who file a joint return, a surviving spouse as defined
5 in section 2 of the Internal Revenue Code of 1954, or an
6 unmarried head of household as defined in the Internal Revenue
7 Code of 1954. The amount of the federal income tax deducted
8 shall not exceed the amount as computed under subsection 2,
9 paragraph b.

10 Sec. 8. Section 422.9, subsection 2, unnumbered paragraph
11 1, Code 1983, is amended to read as follows:

12 The total of contributions, interest, taxes, ~~medical~~
13 ~~expense~~, nonbusiness losses and miscellaneous expenses
14 deductible for federal income tax purposes under the Internal
15 Revenue Code of 1954, with the following adjustments:

16 Sec. 9. Section 422.9, subsection 2, paragraph b, Code
17 1983, is amended by striking paragraph b and inserting in
18 lieu thereof the following:

19 b. Add the amount of federal income taxes accrued for
20 the tax year. However, the accrued amount shall not exceed
21 twenty-seven thousand dollars. The amount of federal income
22 taxes accrued for the tax year shall not be adjusted by federal
23 income tax refunds or payments for prior years. Married
24 persons who file separately shall be limited to an accrued
25 federal income tax deduction not to exceed twenty-seven
26 thousand dollars in total for both spouses. The amount of
27 the federal income tax deduction shall be divided between
28 each spouse by the ratio of federal adjusted gross income
29 of each spouse to total federal adjusted gross income of both
30 spouses unless they can show that another method more
31 accurately reflects the amount of federal income tax to be
32 deducted by each.

33 Sec. 10. Section 422.9, subsection 2, Code 1983, is amended
34 by adding the following new lettered paragraph as paragraph
35 a and relettering the remaining lettered paragraphs:

1 NEW LETTERED PARAGRAPH. a. For tax year 1983, add the
2 amount deducted for medical expenses allowed as a deduction
3 under section 213 of the Internal Revenue Code of 1954, as
4 amended up to and including December 31, 1981. For tax year
5 1984 and each subsequent tax year, the amount of prescription
6 drugs and insulin and other medical expenses as defined in
7 section 213 of the Internal Revenue Code of 1954 shall be
8 allowed to the extent that these expenses exceed three percent
9 of the federal adjusted gross income. However, to the extent
10 that the expenses less three percent of the federal adjusted
11 gross income do not exceed one hundred fifty dollars, a
12 deduction of one-half of health insurance premiums paid not
13 to exceed one hundred fifty dollars shall also be allowed.

14 Sec. 11. Chapter 422, Code 1983, is amended by inserting
15 after section 422.9 the following new section:

16 NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT.

17 1. The taxes imposed under this division shall be reduced
18 by a state tax credit for increasing research activities in
19 this state. For individuals, the credit shall equal twenty-
20 five percent of the state's apportioned share of the federal
21 credit for increasing research activities. The state's appor-
22 tioned share of the federal credit for increasing research
23 activities is a percent equal to the ratio of qualified re-
24 search expenditures in this state to total qualified research
25 expenditures. Where the credit for increasing research ac-
26 tivities for partnerships, corporations electing to have their
27 income taxed directly to the shareholders, estates and trusts
28 passes through to the individual taxpayer the provisions for
29 individuals apply to the amount of federal credit passed
30 through. For purposes of this subsection, "federal credit
31 for increasing research activities" means the federal credit
32 for increasing research activities computed under section
33 44F of the Internal Revenue Code of 1954 not taking into
34 consideration the limitation on the federal credit under
35 section 44F(g) of the Internal Revenue Code of 1954.

1 Any credit in excess of the tax liability less personal
2 exemption and child care credits provided in section 422.12
3 for the taxable year shall be refunded with interest computed
4 under section 422.25. In lieu of claiming a refund, a taxpayer
5 may elect to have the overpayment shown on the taxpayer's
6 final, completed return credited to the tax liability for
7 the following taxable year.

8 2. The taxes imposed under this division shall be reduced
9 by a state credit for expenditures incurred in the installa-
10 tion of solar domestic hot water systems. For residents and
11 part-year residents, the credit, not to exceed three hundred
12 dollars, shall be equal to fifteen percent of the qualifying
13 expenditures incurred in installing a solar domestic hot water
14 system to be used in the individual's principal residence.
15 The credit cannot exceed three hundred dollars for each
16 principal residence. A credit shall not be allowed if the
17 amount of the credit is less than ten dollars. A credit is
18 not allowed for expenditures made after December 31, 1985.

19 Any credit in excess of the tax liability less personal
20 exemption and child care credits provided in section 422.12
21 for the taxable year shall be refunded with interest computed
22 under section 422.25. In lieu of claiming a refund, an
23 individual may elect to have the overpayment shown on the
24 taxpayer's final, completed return credited to the tax
25 liability for the following taxable year.

26 Sec. 12. Section 422.12, subsection 2, Code 1983, is
27 amended to read as follows:

28 2. A child and dependent care credit equal to ~~five~~ six
29 percent of the qualifying employment-related expenses and
30 subject to the same limitations provided by section 44A of
31 the Internal Revenue Code of 1954.

32 Married taxpayers electing to file separate returns or
33 filing separately on a combined return must allocate the child
34 and dependent care credit to each spouse in the proportion
35 that ~~his-or-her~~ each spouse's respective net income bears

1 to the total combined net income. Taxpayers affected by the
2 allocation provisions of section 422.8 shall be permitted
3 a deduction for the credit only in ~~such~~ the amount as is
4 fairly and equitably allocable to Iowa under rules prescribed
5 by the director.

6 Sec. 13. Section 422.32, subsection 4, Code 1983, is
7 amended to read as follows:

8 4. "Internal Revenue Code of 1954" means the Internal
9 Revenue Code of 1954, as amended to and including January
10 ~~17-1982~~ 14, 1983.

11 Sec. 14. Section 422.33, subsection 4, Code 1983, is
12 amended to read as follows:

13 4. In addition to all taxes imposed under this division,
14 there is imposed upon each corporation doing business within
15 the state a state minimum tax for tax preference equal to
16 ~~twenty-five~~ fifty percent of the state's apportioned share
17 of the federal minimum tax. The state's apportioned share
18 of the federal minimum tax is a percent equal to the ratio
19 of the federal minimum tax on preferences attributable to
20 Iowa to the federal minimum tax on all preferences. The
21 director shall prescribe rules for the determination of the
22 amount of the federal minimum tax on preferences attributable
23 to Iowa which shall be based as much as equitably possible
24 on the allocation and apportionment provisions of subsections
25 2 and 3. For purposes of this subsection, "federal minimum
26 tax" means the federal minimum tax for tax preferences computed
27 under sections 55 to 58 of the Internal Revenue Code of 1954
28 for the tax year.

29 Sec. 15. Section 422.33, Code 1983, is amended by adding
30 the following new subsection:

31 NEW SUBSECTION. 5. The taxes imposed under this division
32 shall be reduced by a state tax credit for increasing research
33 activities in this state equal to twenty-five percent of the
34 state's apportioned share of the federal credit for increasing
35 research activities. The state's apportioned share of the

1 federal credit for increasing research activities is a percent
2 equal to the ratio of qualified research expenditures in this
3 state to the total qualified research expenditures. For pur-
4 poses of this subsection, "federal credit for increasing re-
5 search activities" means the federal credit for increasing
6 research activities computed under section 44F of the Internal
7 Revenue Code of 1954 not taking into consideration the
8 limitation on the federal credit under section 44F(g) of the
9 Internal Revenue Code of 1954.

10 Any credit in excess of the tax liability for the taxable
11 year shall be refunded with interest computed under section
12 422.25. In lieu of claiming a refund, a taxpayer may elect
13 to have the overpayment shown on its final, completed return
14 credited to the tax liability for the following taxable year.

15 Sec. 16. Section 422.60, unnumbered paragraph 2, Code
16 1983, is amended to read as follows:

17 In addition to all taxes imposed under this division, there
18 is imposed upon each financial institution doing business
19 within the state a state minimum tax for tax preference items
20 equal to ~~twenty-five~~ fifty percent of the state's apportioned
21 share of the federal minimum tax. The state's apportioned
22 share of the federal minimum tax is a percent equal to the
23 ratio of the federal minimum tax on preferences attributable
24 to Iowa to the federal minimum tax on all preferences. The
25 director shall prescribe rules for the determination of the
26 amount of the federal minimum tax on preferences attributable
27 to Iowa which shall be based as much as equitably possible
28 on the allocation and apportionment provisions of section
29 422.63. For purposes of this subsection, "federal minimum
30 tax" means the federal minimum tax for tax preferences computed
31 and paid or payable under sections 55 to 58 of the Internal
32 Revenue Code of 1954~~-as-amended-to-and-including-January~~
33 ~~17-1982~~.

34 Sec. 17. The prohibition in section 422.16, subsection
35 11, paragraph e, on the waiver relating to reasonable cause

1 of the addition to tax for underpayment of the estimated tax
2 payable shall not apply with regard to the 1982 tax year to
3 farmers and fishermen who have elected not to pay estimated
4 taxes during the 1982 tax year and the director shall waive
5 the addition to tax for underpayment of the estimated tax
6 payable for the 1982 tax year to April 30, 1983 for reasonable
7 cause.

8 Sec. 18. Sections 1, 6, and 13 are retroactive to January
9 1, 1982 for tax years beginning on or after January 1, 1982.
10 These sections shall also be applicable for tax years beginning
11 prior to January 1, 1982 where the Internal Revenue Code of
12 1954, as amended up to and including January 14, 1983, provides
13 for certain inclusions or exclusions in computing federal
14 taxable income for a tax year beginning prior to January 1,
15 1982.

16 Sec. 19. Sections 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 14,
17 15, and 16 are retroactive to January 1, 1983 for tax years
18 beginning on or after January 1, 1983.

19 Sec. 20. This Act, being deemed of immediate importance,
20 takes effect from and after its publication in The Altoona
21 Herald-Mitchellville Index, a newspaper published in Altoona,
22 Iowa, and in the Ankeny Press Citizen, a newspaper published
23 in Ankeny, Iowa.

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H-3269

1 Amend Senate File 386, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. By striking everything after the enacting
4 clause and inserting in lieu thereof the following:

5 "Section 1. Section 422.4, subsection 17, Code
6 1983, is amended to read as follows:

7 17. "Internal Revenue Code of 1954" means the
8 Internal Revenue Code of 1954, as amended to and
9 including January ~~17-1982~~ 14, 1983.

10 Sec. 2. Section 422.4, Code 1983, is amended by
11 adding the following new subsection:

12 NEW SUBSECTION. 19. a. "Solar domestic hot water
13 system" means a system which performs all of the
14 following tasks for the purpose of heating domestic
15 hot water:

16 (1) Collection of sunlight and conversion to heat
17 energy.

18 (2) Transporting heat to a potable water supply.

19 (3) Storing heated water until it is needed for
20 domestic use.

21 (4) The system can reasonably be expected to
22 remain in operation for at least five years.

23 b. "Principal residence" means an Iowa residence
24 and shall be determined under principles similar to
25 those applicable to section 1034 of the Internal
26 Revenue Code of 1954.

27 c. "Qualifying expenditures" means those
28 expenditures incurred and paid by the taxpayer during
29 the tax year for the original installation, including
30 labor and material costs, of a solar domestic hot
31 water system. Federal, state or local grants or
32 subsidies do not qualify as expenditures by the tax-
33 payer.

34 Sec. 3. Section 422.5, unnumbered paragraph 10,
35 Code 1983, is amended to read as follows:

36 In addition to all taxes imposed under this
37 division, there is imposed upon every resident and
38 nonresident, including resident and nonresident estates
39 and trusts, of this state a state minimum tax for
40 tax preference items equal to ~~twenty-five~~ fifty percent
41 of the state's apportioned share of the federal minimum
42 tax. The state's apportioned share of the federal
43 minimum tax is one hundred percent in the case of
44 a resident and in the case of a nonresident a percent
45 equal to the ratio of the federal minimum tax on
46 preferences attributable to Iowa to the federal minimum
47 tax on all preferences. The director shall prescribe
48 rules for the determination of the amount of the
49 federal minimum tax on preference items attributable
50 to Iowa which shall be based as much as equitably

1 possible on the allocation provisions of section
2 422.8, subsections 2 and 3. For purposes of this
3 paragraph, "federal minimum tax" means the federal
4 minimum tax for tax preferences computed under sections
5 55 to 58 of the Internal Revenue Code of 1954 for
6 the tax year.

7 Sec. 4. Section 422.6, unnumbered paragraph 1,
8 Code 1983, is amended to read as follows:

9 The tax imposed by section 422.5 and credits for
10 increasing research activities granted under section
11 422.10 shall apply to and become a charge against
12 estates and trusts with respect to their taxable
13 income, and the rates shall be the same as those
14 applicable to individuals. The fiduciary shall be
15 responsible for making the return of income for the
16 estate or trust for which he the fiduciary acts,
17 whether ~~such~~ the income ~~be~~ is taxable to the estate
18 or trust or to the beneficiaries thereon.

19 Sec. 5. Chapter 422, Code 1983, is amended by
20 inserting after section 422.9 the following new
21 section:

22 NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT.

23 1. The taxes imposed under this division shall
24 be reduced by a state tax credit for increasing
25 research activities in this state. For individuals,
26 the credit shall equal twenty-five percent of the
27 state's apportioned share of the federal credit for
28 increasing research activities. The state's appor-
29 tioned share of the federal credit for increasing
30 research activities is a percent equal to the ratio
31 of qualified research expenditures in this state to
32 total qualified research expenditures. Where the
33 credit for increasing research activities for
34 partnerships, corporations electing to have its income
35 taxed directly to the shareholders, estates and trusts
36 passes through to the individual taxpayer the
37 provisions for individuals apply to the amount of
38 federal credit passed through. For purposes of this
39 subsection, "federal credit for increasing research
40 activities" means the federal credit for increasing
41 research activities computed under section 44F of
42 the Internal Revenue Code of 1954 not taking into
43 consideration the limitation on the federal credit
44 under section 44F(g) of the Internal Revenue Code
45 of 1954.

46 Any credit in excess of the tax liability less
47 personal exemption and child care credits provided
48 in section 422.12 for the taxable year shall be
49 refunded with interest computed under section 422.25.
50 In lieu of claiming a refund, a taxpayer may elect

1 to have the overpayment shown on the taxpayer's final,
2 completed return credited to the tax liability for
3 the following taxable year.

4 2. The taxes imposed under this division shall
5 be reduced by a state credit for expenditures incurred
6 in the installation of solar domestic hot water
7 systems. For residents and part-year residents, the
8 credit, not to exceed three hundred dollars, shall
9 be equal to fifteen percent of the qualifying
10 expenditures incurred in installing a solar domestic
11 hot water system to be used in the individual's
12 principal residence. The credit cannot exceed three
13 hundred dollars for each principal residence. A
14 credit shall not be allowed if the amount of the
15 credit is less than ten dollars. A credit is not
16 allowed for expenditures made after December 31, 1985.

17 Any credit in excess of the tax liability less
18 personal exemption and child care credits provided
19 in section 422.12 for the taxable year shall be
20 refunded with interest computed under section 422.25.
21 In lieu of claiming a refund, an individual may elect
22 to have the overpayment shown on the taxpayer's final,
23 completed return credited to the tax liability for
24 the following taxable year.

25 Sec. 6. Section 422.12, subsection 2, Code 1983,
26 is amended to read as follows:

27 2. A child and dependent care credit equal to
28 ~~five~~ six percent of the qualifying employment-related
29 expenses and subject to the same limitations provided
30 by section 44A of the Internal Revenue Code of 1954.

31 Married taxpayers electing to file separate returns
32 or filing separately on a combined return must allocate
33 the child and dependent care credit to each spouse
34 in the proportion that ~~his-or-her~~ each spouse's
35 respective net income bears to the total combined
36 net income. Taxpayers affected by the allocation
37 provisions of section 422.8 shall be permitted a
38 deduction for the credit only in ~~such~~ the amount as
39 is fairly and equitably allocable to Iowa under rules
40 prescribed by the director.

41 Sec. 7. Section 422.32, subsection 4, Code 1983,
42 is amended to read as follows:

43 4. "Internal Revenue Code of 1954" means the
44 Internal Revenue Code of 1954, as amended to and
45 including January ~~17-1982~~ 14, 1983.

46 Sec. 8. Section 422.33, subsection 4, Code 1983,
47 is amended to read as follows:

48 4. In addition to all taxes imposed under this
49 division, there is imposed upon each corporation doing
50 business within the state a state minimum tax for

H-3269
Page Four

1 tax preference equal to ~~twenty-five~~ fifty percent
2 of the state's apportioned share of the federal minimum
3 tax. The state's apportioned share of the federal
4 minimum tax is a percent equal to the ratio of the
5 federal minimum tax on preferences attributable to
6 Iowa to the federal minimum tax on all preferences.
7 The director shall prescribe rules for the
8 determination of the amount of the federal minimum
9 tax on preferences attributable to Iowa which shall
10 be based as much as equitably possible on the
11 allocation and apportionment provisions of subsections
12 2 and 3. For purposes of this subsection, "federal
13 minimum tax" means the federal minimum tax for tax
14 preferences computed under sections 55 to 58 of the
15 Internal Revenue Code of 1954 for the tax year.

16 Sec. 9. Section 422.33, Code 1983, is amended
17 by adding the following new subsection:

18 NEW SUBSECTION. 5. The taxes imposed under this
19 division shall be reduced by a state tax credit for
20 increasing research activities in this state equal
21 to twenty-five percent of the state's apportioned
22 share of the federal credit for increasing research
23 activities. The state's apportioned share of the
24 federal credit for increasing research activities
25 is a percent equal to the ratio of qualified research
26 expenditures in this state to the total qualified
27 research expenditures. For purposes of this
28 subsection, "federal credit for increasing research
29 activities" means the federal credit for increasing
30 research activities computed under section 44F of
31 the Internal Revenue Code of 1954 not taking into
32 consideration the limitation on the federal credit
33 under section 44F(g) of the Internal Revenue Code
34 of 1954.

35 Any credit in excess of the tax liability for the
36 taxable year shall be refunded with interest computed
37 under section 422.25. In lieu of claiming a refund,
38 a taxpayer may elect to have the overpayment shown
39 on its final, completed return credited to the tax
40 liability for the following taxable year.

41 Sec. 10. Section 422.60, unnumbered paragraph
42 2, Code 1983, is amended to read as follows:

43 In addition to all taxes imposed under this
44 division, there is imposed upon each financial
45 institution doing business within the state a state
46 minimum tax for tax preference items equal to ~~twenty-~~
47 five fifty percent of the state's apportioned share
48 of the federal minimum tax. The state's apportioned
49 share of the federal minimum tax is a percent equal
50 to the ratio of the federal minimum tax on preferences

H-3269
Page Five

1 attributable to Iowa to the federal minimum tax on
2 all preferences. The director shall prescribe rules
3 for the determination of the amount of the federal
4 minimum tax on preferences attributable to Iowa which
5 shall be based as much as equitably possible on the
6 allocation and apportionment provisions of section
7 422.63. For purposes of this subsection, "federal
8 minimum tax" means the federal minimum tax for tax
9 preferences computed and paid or payable under sections
10 55 to 58 of the Internal Revenue Code of 1954, as
11 ~~amended to and including January 17, 1982.~~

12 Sec. 11. Sections 1 and 7 are retroactive to
13 January 1, 1982 for tax years beginning on or after
14 January 1, 1982. These sections shall also be
15 applicable for tax years beginning prior to January
16 1, 1982 where the Internal Revenue Code of 1954, as
17 amended up to and including January 14, 1983, provides
18 for certain inclusions or exclusions in computing
19 federal taxable income for a tax year beginning prior
20 to January 1, 1982.

21 Sec. 12. Sections 2, 3, 4, 5, 6, 8, 9, and 10
22 are retroactive to January 1, 1983 for tax years
23 beginning on or after January 1, 1983.

24 Sec. 13. This Act, being deemed of immediate
25 importance, takes effect from and after its publication
26 in The Altoona Herald-Mitchellville Index, a newspaper
27 published in Altoona, Iowa, and in the Ankeny Press
28 Citizen, a newspaper published in Ankeny, Iowa."

H-3269 FILED MARCH 16, 1983 BY HUMMEL of Benton
Lost 3/18/83 (p. 772)

SENATE FILE 386

H-3268

1 Amend Senate File 386 as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 3, line 21, by striking the word "twenty-
4 seven" and inserting in lieu thereof the word
5 "fifteen".

6 2. Page 3, line 25, by striking the word "twenty-
7 seven" and inserting in lieu thereof the word
8 "fifteen".

H-3268 FILED MARCH 16, 1983
Lost 3/18/83 (p. 792)

BY McKEAN of Jones
KREWSON of Polk

SENATE FILE 386

H-3263

- 1 Amend Senate File 386, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. By striking page 2, line 32 through page 3,
- 4 line 9.
- 5 2. Page 3, by striking lines 16 through 32.
- 6 3. Renumber sections and correct internal
- 7 references as are necessary in accordance with this
- 8 amendment.

H-3263 FILED MARCH 16, 1983 BY HANSON of Delaware

Lost 3/18/83 (p. 797)

SENATE FILE 386

H-3264

- 1 Amend Senate File 386 as amended, passed and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 2, by striking lines 25 through 31.
- 4 2. Renumber sections and correct internal
- 5 references as are necessary in accordance with this
- 6 amendment.

H-3264 FILED MARCH 16, 1983 BY HANSON of Delaware

Lost 3/18/83 (p. 787)

H-3270

1 Amend Senate File 386 as amended, passed and
2 reprinted by the Senate, as follows:

3 1. Page 6, by inserting after line 5 the following
4 new section:

5 "Sec. 20. Section 422.12, Code 1983, is amended
6 by adding the following new subsection:

7 NEW SUBSECTION. 4. An investment tax credit equal
8 to one percent of the value of depreciable property
9 located in this state which qualifies for the federal
10 investment tax credit as authorized under section
11 38 of the Internal Revenue Code of 1954 and computed
12 under section 46 of the Internal Revenue Code of 1954.
13 The investment tax credit allowed under this subsection
14 shall be applicable for tax years beginning on or
15 after January 1, 1985 and shall be subject to the
16 following limitations:

17 a. For the tax year beginning on or after January
18 1, 1985, the maximum allowable credit shall be two
19 hundred fifty dollars.

20 b. For the tax year beginning on or after January
21 1, 1986, the maximum allowable credit shall be five
22 hundred dollars.

23 c. For the tax year beginning on or after January
24 1, 1987, the maximum allowable credit shall be seven
25 hundred fifty dollars.

26 d. For the tax year beginning on or after January
27 1, 1988, the maximum allowable credit shall be one
28 thousand dollars.

29 e. For the tax year beginning on or after January
30 1, 1989 and succeeding tax years, the allowable credit
31 shall be the amount allowed under this subsection."

32 2. Page 7, by inserting after line 14 the following
33 new section:

34 "Sec. 30. Section 422.33, Code 1983, is amended
35 by adding the following new subsection:

36 NEW SUBSECTION. 6. A corporation may deduct from
37 the computed tax an investment tax credit equal to
38 one percent of the value of the depreciable property
39 located in this state which qualifies for the federal
40 investment tax credit as authorized under section
41 38 of the Internal Revenue Code of 1954 and computed
42 under section 46 of the Internal Revenue Code of 1954.
43 The investment tax credit allowed under this subsection
44 shall be applicable for tax years beginning on or
45 after January 1, 1985 and shall be subject to the
46 following limitations:

47 a. For the tax year beginning on or after January
48 1, 1985, the maximum allowable credit shall be two
49 hundred fifty dollars.

50 b. For the tax year beginning on or after January

H-3270

Page Two

1 1, 1986, the maximum allowable credit shall be five
2 hundred dollars.

3 c. For the tax year beginning on or after January
4 1, 1987, the maximum allowable credit shall be seven
5 hundred fifty dollars.

6 d. For the tax year beginning on or after January
7 1, 1988, the maximum allowable credit shall be one
8 thousand dollars.

9 e. For the tax year beginning on or after January
10 1, 1989 and succeeding tax years, the allowable credit
11 shall be the amount allowed under this subsection.

12 The credit allowed under this subsection shall
13 not exceed the taxpayer's tax liability. The credit
14 may be claimed only in the tax year in which the
15 depreciable property is acquired."

16 3. Page 8, line 17, by striking the word and
17 figure "and 16" and inserting in lieu thereof the
18 word and figures "16, 20, and 30".

19 4. Renumber sections and correct internal
20 references as are necessary in accordance with this
21 amendment.

H-3270 FILED MARCH 16, 1983

BY DE GROOT of Lyon

Revised not germane 3/14/83 (p. 805)

H-3271

1 Amend Senate File 386, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. By striking everything after the enacting
4 clause and inserting in lieu thereof the following:
5 "Section 1. Section 422.4, subsection 17, Code
6 1983, is amended to read as follows:

7 17. "Internal Revenue Code of 1954" means the
8 Internal Revenue Code of 1954, as amended to and
9 including January ~~17-1982~~ 14, 1983.

10 Sec. 2. Section 422.4, Code 1983, is amended by
11 adding the following new subsection:

12 NEW SUBSECTION. 19. a. "Solar domestic hot water
13 system" means a system which performs all of the
14 following tasks for the purpose of heating domestic
15 hot water:

16 (1) Collection of sunlight and conversion to heat
17 energy.

18 (2) Transporting heat to a potable water supply.

19 (3) Storing heated water until it is needed for
20 domestic use.

21 (4) The system can reasonably be expected to
22 remain in operation for at least five years.

23 b. "Principal residence" means an Iowa residence
24 and shall be determined under principles similar to
25 those applicable to section 1034 of the Internal
26 Revenue Code of 1954.

27 c. "Qualifying expenditures" means those
28 expenditures incurred and paid by the taxpayer during
29 the tax year for the original installation, including
30 labor and material costs, of a solar domestic hot
31 water system. Federal, state or local grants or
32 subsidies do not qualify as expenditures by the tax-
33 payer.

34 Sec. 3. Section 422.5, subsections 5 and 6, Code
35 1983, are amended to read as follows:

36 5. On the fifth, sixth, and seventh thousand
37 dollars of taxable income, or any part thereof, ~~five~~
38 four and one-half percent.

39 6. On the eighth and ninth thousand dollars of
40 taxable income, or any part thereof, ~~six~~ five and
41 one-half percent.

42 Sec. 4. Section 422.5, unnumbered paragraph 10,
43 Code 1983, is amended to read as follows:

44 In addition to all taxes imposed under this
45 division, there is imposed upon every resident and
46 nonresident, including resident and nonresident estates
47 and trusts, of this state a state minimum tax for
48 tax preference items equal to ~~twenty-five~~ fifty percent
49 of the state's apportioned share of the federal minimum
50 tax. The state's apportioned share of the federal

MARCH 18, 1983

PAGE THREE

H-3271

Page Two

1 minimum tax is one hundred percent in the case of
2 a resident and in the case of a nonresident a percent
3 equal to the ratio of the federal minimum tax on
4 preferences attributable to Iowa to the federal minimum
5 tax on all preferences. The director shall prescribe
6 rules for the determination of the amount of the
7 federal minimum tax on preference items attributable
8 to Iowa which shall be based as much as equitably
9 possible on the allocation provisions of section
10 422.8, subsections 2 and 3. For purposes of this
11 paragraph, "federal minimum tax" means the federal
12 minimum tax for tax preferences computed under sections
13 55 to 58 of the Internal Revenue Code of 1954 for
14 the tax year.

15 Sec. 5. Section 422.6, unnumbered paragraph 1,
16 Code 1983, is amended to read as follows:

17 The tax imposed by section 422.5 and credits for
18 increasing research activities granted under section
19 422.10 shall apply to and become a charge against
20 estates and trusts with respect to their taxable
21 income, and the rates shall be the same as those
22 applicable to individuals. The fiduciary shall be
23 responsible for making the return of income for the
24 estate or trust for which he the fiduciary acts,
25 whether ~~such~~ the income be is taxable to the estate
26 or trust or to the beneficiaries thereon.

27 Sec. 6. Chapter 422, Code 1983, is amended by
28 inserting after section 422.9 the following new
29 section:

30 NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT.

31 1. The taxes imposed under this division shall
32 be reduced by a state tax credit for increasing
33 research activities in this state. For individuals,
34 the credit shall equal twenty-five percent of the
35 state's apportioned share of the federal credit for
36 increasing research activities. The state's appor-
37 tioned share of the federal credit for increasing
38 research activities is a percent equal to the ratio
39 of qualified research expenditures in this state to
40 total qualified research expenditures. Where the
41 credit for increasing research activities for
42 partnerships, corporations electing to have its income
43 taxed directly to the shareholders, estates and trusts
44 passes through to the individual taxpayer the
45 provisions for individuals apply to the amount of
46 federal credit passed through. For purposes of this
47 subsection, "federal credit for increasing research
48 activities" means the federal credit for increasing
49 research activities computed under section 44F of
50 the Internal Revenue Code of 1954 not taking into

MARCH 18, 1983

PAGE FOUR

H-3271

Page Three

1 consideration the limitation on the federal credit
2 under section 44F(g) of the Internal Revenue Code
3 of 1954.

4 Any credit in excess of the tax liability less
5 personal exemption and child care credits provided
6 in section 422.12 for the taxable year shall be
7 refunded with interest computed under section 422.25.
8 In lieu of claiming a refund, a taxpayer may elect
9 to have the overpayment shown on the taxpayer's final,
10 completed return credited to the tax liability for
11 the following taxable year.

12 2. The taxes imposed under this division shall
13 be reduced by a state credit for expenditures incurred
14 in the installation of solar domestic hot water
15 systems. For residents and part-year residents, the
16 credit, not to exceed three hundred dollars, shall
17 be equal to fifteen percent of the qualifying
18 expenditures incurred in installing a solar domestic
19 hot water system to be used in the individual's
20 principal residence. The credit cannot exceed three
21 hundred dollars for each principal residence. A
22 credit shall not be allowed if the amount of the
23 credit is less than ten dollars. A credit is not
24 allowed for expenditures made after December 31, 1985.

25 Any credit in excess of the tax liability less
26 personal exemption and child care credits provided
27 in section 422.12 for the taxable year shall be
28 refunded with interest computed under section 422.25.
29 In lieu of claiming a refund, an individual may elect
30 to have the overpayment shown on the taxpayer's final,
31 completed return credited to the tax liability for
32 the following taxable year.

33 Sec. 7. Section 422.9, subsection 1, Code 1983,
34 is amended to read as follows:

35 1. An optional standard deduction of fifteen
36 percent of the net income after deduction of federal
37 income tax, not to exceed one thousand two hundred
38 dollars for a married person who files separately,
39 one thousand two hundred dollars for a single person
40 or three thousand dollars for a husband and wife who
41 file a joint return, a surviving spouse as defined
42 in section 2 of the Internal Revenue Code of 1954,
43 or an unmarried head of household as defined in the
44 Internal Revenue Code of 1954. The amount of the
45 federal income tax deducted shall not exceed the
46 amount as computed under subsection 2, paragraph b.

47 Sec. 8. Section 422.9, subsection 2, paragraph
48 b, Code 1983, is amended by striking paragraph b and
49 inserting in lieu thereof the following:

50 b. Add the amount of federal income taxes accrued

MARCH 18, 1983

PAGE FIVE

H-3271

Page Four

1 for the tax year. However, the accrued amount shall
2 not exceed fifteen thousand dollars. The amount of
3 federal income taxes accrued for the tax year shall
4 not be adjusted by federal income tax refunds or
5 payments for prior years. Married persons who file
6 separately shall be limited to an accrued federal
7 income tax deduction not to exceed fifteen thousand
8 dollars in total for both spouses. The amount of
9 the federal income tax deduction shall be divided
10 between each spouse by the ratio of federal adjusted
11 gross income of each spouse to total federal adjusted
12 gross income of both spouses unless they can show
13 that another method more accurately reflects the
14 amount of federal income tax to be deducted by each.

15 Sec. 9. Section 422.12, subsection 2, Code 1983,
16 is amended to read as follows:

17 2. A child and dependent care credit equal to
18 ~~five~~ six percent of the qualifying employment-related
19 expenses and subject to the same limitations provided
20 by section 44A of the Internal Revenue Code of 1954.

21 Married taxpayers electing to file separate returns
22 or filing separately on a combined return must allocate
23 the child and dependent care credit to each spouse
24 in the proportion that ~~his-or-her~~ each spouse's
25 respective net income bears to the total combined
26 net income. Taxpayers affected by the allocation
27 provisions of section 422.8 shall be permitted a
28 deduction for the credit only in ~~such~~ the amount as
29 is fairly and equitably allocable to Iowa under rules
30 prescribed by the director.

31 Sec. 10. Section 422.32, subsection 4, Code 1983,
32 is amended to read as follows:

33 4. "Internal Revenue Code of 1954" means the
34 Internal Revenue Code of 1954, as amended to and
35 including January ~~17-1982~~ 14, 1983.

36 Sec. 11. Section 422.33, subsection 4, Code 1983,
37 is amended to read as follows:

38 4. In addition to all taxes imposed under this
39 division, there is imposed upon each corporation doing
40 business within the state a state minimum tax for
41 tax preference equal to ~~twenty-five~~ fifty percent
42 of the state's apportioned share of the federal minimum
43 tax. The state's apportioned share of the federal
44 minimum tax is a percent equal to the ratio of the
45 federal minimum tax on preferences attributable to
46 Iowa to the federal minimum tax on all preferences.
47 The director shall prescribe rules for the
48 determination of the amount of the federal minimum
49 tax on preferences attributable to Iowa which shall
50 be based as much as equitably possible on the

H-3271

Page Five

1 allocation and apportionment provisions of subsections
2 2 and 3. For purposes of this subsection, "federal
3 minimum tax" means the federal minimum tax for tax
4 preferences computed under sections 55 to 58 of the
5 Internal Revenue Code of 1954 for the tax year.

6 Sec. 12. Section 422.33, Code 1983, is amended
7 by adding the following new subsection:

8 NEW SUBSECTION. 5. The taxes imposed under this
9 division shall be reduced by a state tax credit for
10 increasing research activities in this state equal
11 to twenty-five percent of the state's apportioned
12 share of the federal credit for increasing research
13 activities. The state's apportioned share of the
14 federal credit for increasing research activities
15 is a percent equal to the ratio of qualified research
16 expenditures in this state to the total qualified
17 research expenditures. For purposes of this
18 subsection, "federal credit for increasing research
19 activities" means the federal credit for increasing
20 research activities computed under section 44F of
21 the Internal Revenue Code of 1954 not taking into
22 consideration the limitation on the federal credit
23 under section 44F(g) of the Internal Revenue Code
24 of 1954.

25 Any credit in excess of the tax liability for the
26 taxable year shall be refunded with interest computed
27 under section 422.25. In lieu of claiming a refund,
28 a taxpayer may elect to have the overpayment shown
29 on its final, completed return credited to the tax
30 liability for the following taxable year.

31 Sec. 13. Section 422.60, unnumbered paragraph
32 2, Code 1983, is amended to read as follows:

33 In addition to all taxes imposed under this
34 division, there is imposed upon each financial
35 institution doing business within the state a state
36 minimum tax for tax preference items equal to ~~twenty-~~
37 five fifty percent of the state's apportioned share
38 of the federal minimum tax. The state's apportioned
39 share of the federal minimum tax is a percent equal
40 to the ratio of the federal minimum tax on preferences
41 attributable to Iowa to the federal minimum tax on
42 all preferences. The director shall prescribe rules
43 for the determination of the amount of the federal
44 minimum tax on preferences attributable to Iowa which
45 shall be based as much as equitably possible on the
46 allocation and apportionment provisions of section
47 422.63. For purposes of this subsection, "federal
48 minimum tax" means the federal minimum tax for tax
49 preferences computed and paid or payable under sections
50 55 to 58 of the Internal Revenue Code of 1954--as

MARCH 18, 1983

PAGE SEVEN

H-3271

Page Six

1 ~~amended-to-and-including-January-17-1982.~~

2 Sec. 14. Sections 1 and 10 are retroactive to
3 January 1, 1982 for tax years beginning on or after
4 January 1, 1982. These sections shall also be
5 applicable for tax years beginning prior to January
6 1, 1982 where the Internal Revenue Code of 1954, as
7 amended up to and including January 14, 1983, provides
8 for certain inclusions or exclusions in computing
9 federal taxable income for a tax year beginning prior
10 to January 1, 1982.

11 Sec. 15. Sections 2, 3, 4, 5, 6, 7, 8, 9, 11,
12 12, and 13 are retroactive to January 1, 1983 for
13 tax years beginning on or after January 1, 1983.

14 Sec. 16. This Act, being deemed of immediate
15 importance, takes effect from and after its publication
16 in The Altoona Herald-Mitchellville Index, a newspaper
17 published in Altoona, Iowa, and in the Ankeny Press
18 Citizen, a newspaper published in Ankeny, Iowa."

H-3271 FILED MARCH 17, 1983

BY KREWSON of Polk

Let 3/18/83 (p. 785)

SENATE FILE 386

H-3281

1 Amend Senate File 386, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 2, by inserting after line 31 the following
4 new section:

5 "Sec. 30. Section 422.7, Code 1983, is amended
6 by adding the following new subsection:
7 NEW SUBSECTION. 18. If the taxpayer elects to
8 receive the benefits of sections 422.120 through
9 422.124, add the amount equal to the excess of the
10 amount excluded from federal gross income under section
11 911 and subpart D of part III of subchapter N of the
12 Internal Revenue Code of 1954 over the deductions
13 which would have been properly allowable to or
14 chargeable against such amount but for the exclusion
15 of that amount from federal gross income."

16 2. Page 7, by inserting after line 33 the following
17 new sections:

18 "Sec. 31. Chapter 422, Code 1983, is amended by
19 adding sections 32 through 36 as a new division.

20 Sec. 32. NEW SECTION. 422.120 LIMITATION ON
21 TAX. Notwithstanding the amount of tax determined
22 in accordance with section 422.5, if an eligible
23 individual has averagable income exceeding three
24 thousand dollars for the computation year, then the
25 tax imposed by section 422.5 for the computation year
26 which is attributable to averagable income shall be
27 five times the increase in tax under that section
28 between the tax on the sum of twenty percent of the
29 averagable income plus one hundred twenty percent
30 of the average base period income and the tax on one
31 hundred twenty percent of the average base period
32 income.

33 Sec. 33. NEW SECTION. 422.121 DEFINITIONS.
34 For the purposes of this division, unless the context
35 otherwise requires:

36 1. "Averagable income" means the amount by which
37 Iowa taxable income for the computation year exceeds
38 one hundred twenty percent of average base period
39 income. In computing averagable income, taxable
40 income for the computation year shall be reduced,
41 to the extent included in taxable income, by the
42 amount to which section 72(m) (5) of the Internal
43 Revenue Code of 1954 applies and the amounts included
44 in the income of a beneficiary of a trust under section
45 667(a) of the Internal Revenue Code of 1954.

46 2. "Average base period income" means one-fourth
47 of the sum of the base period incomes for the base
48 period.

49 3. "Base period income" for a tax year means the
50 Iowa taxable income for that year increased, to the

MARCH 18, 1983

PAGE NINE

H-3281

Page Two

1 extent the amount would have been included in taxable
2 income, by an amount equal to the excess of the amount
3 excluded from federal gross income under section 911
4 and subpart D of part III of subchapter N of the
5 Internal Revenue Code of 1954, over the deductions
6 which would have been properly allocable to or
7 chargeable against that amount but for the exclusion
8 of that amount from federal gross income; and
9 decreased, to the extent included in taxable income,
10 by the amounts included in the income of a beneficiary
11 of a trust under section 667(a) of the Internal Revenue
12 Code of 1954.

13 4. "Computation year" means the tax year for which
14 the taxpayer chooses the benefits of this division.

15 5. "Base period" means the four tax years
16 immediately preceding the computation year.

17 6. "Base period year" means any of the four tax
18 years immediately preceding the computation year.

19 7. Except as otherwise provided in this subsection,
20 "eligible individual" means an individual who is
21 subject to the tax imposed by division II of this
22 chapter for the computation year. An individual is
23 not an eligible individual for the computation year
24 if, for any base period year, the individual and the
25 individual's spouse furnished less than one-half of
26 the individual's support except that the individual
27 is an eligible individual in any of the following
28 cases:

29 a. If the computation year ends after the
30 individual attained age twenty-five and, during at
31 least four of the individual's tax years beginning
32 after the individual attained age twenty-one and
33 ending with the computation year, the individual was
34 not a full-time student.

35 b. If more than one-half of the individual's Iowa
36 taxable income for the computation year is attributable
37 to work performed by the individual in substantial
38 part during two or more of the base period years.

39 c. If the individual computes the individual's
40 tax on the basis of joint income of husband and wife
41 for the computation year and not more than twenty-
42 five percent of the aggregate Iowa net income of the
43 individual and the individual's spouse for the
44 computation year is attributable to the individual.

45 8. "Student" means, with respect to a tax year,
46 an individual who during each of five calendar months
47 during the tax year was a full-time student at an
48 educational organization described in section
49 170(b)(1)(A)(ii) of the Internal Revenue Code of 1954,
50 or was pursuing a full-time course of institutional

H-3281

Page Three

1 on-farm training under the supervision of an accredited
2 agent of such an educational organization or of a
3 state or a political subdivision of a state.

4 9. "Net income", "taxable income", "tax year"
5 and "Internal Revenue Code of 1954" have the same
6 meaning as defined in section 422.4.

7 Sec. 34. NEW SECTION. 422.122 ELECTION. This
8 division applies to a tax year only at the taxpayer's
9 election. The election may be made or changed at
10 any time before the expiration of the period prescribed
11 for making a claim for credit or refund of the tax
12 imposed by division II of this chapter for the tax
13 year.

14 Sec. 35. NEW SECTION. 422.123 MARRIED TAXPAYERS.
15 1. For purposes of this division, the base period
16 income of an individual for any base period year shall
17 not be less than fifty percent of the base period
18 income which would result from combining his or her
19 income and deductions for that year with the greater
20 of the income and deductions for that year of the
21 individual who is his or her spouse for the computation
22 year or with the income and deductions for that year
23 of the individual who was his or her spouse for that
24 base period year. However, this subsection does not
25 apply for a base period year if, for the computation
26 year, the individual files with his or her spouse
27 a joint return for Iowa income tax purposes or files
28 a federal return as a surviving spouse and the
29 individual was not married to any other spouse for
30 that base period year.

31 2. In the case of a joint return for Iowa income
32 tax purposes, the three thousand dollar figure
33 specified in section 2 of this Act shall be applied
34 to the aggregate averagable income.

35 3. For purposes of this division, section 143(a)
36 of the Internal Revenue Code of 1954 applies in
37 determining whether an individual is married for any
38 tax year.

39 Sec. 36. NEW SECTION. 422.124 RETURN NOT MADE
40 IN BASE YEAR. This division applies to the tax year
41 even though the taxpayer electing the benefits of
42 this division was not required to make and sign an
43 Iowa income tax return for one or more tax years
44 during the base period. The average base period
45 income for that taxpayer shall be determined as if
46 that taxpayer had been required to make and sign an
47 Iowa income tax return for the tax years in the base
48 period."

49 3. Page 8, line 17, by striking the word and
50 figure "and 16" and inserting in lieu thereof the

MARCH 18, 1983
PAGE ELEVEN

H-3281
Page Four

1 word and figures "16, 30, 31, 32, 33, 34, 35, and
2 36".
3 4. Renumber sections and correct internal
4 references as are necessary in accordance with this
5 amendment.

H-3281 FILED MARCH 17, 1983 BY COCHRAN of Webster
Revised not germane 3/17/83 (p. 791)

SENATE FILE 386

H-3284

1 Amend Senate File 386 as amended, passed and
2 reprinted by the Senate, as follows:
3 1. Page 1, by striking lines 25 through 28.
4 2. Renumber sections and correct internal
5 references as necessary in accordance with this
6 amendment.

H-3284 FILED MARCH 17, 1983 BY DODERER of Johnson
TABOR of Jackson
Adopted 3/17/83 (p. 786)

SENATE FILE 386

H-3272

1 Amend Senate File 386 as amended, passed and
2 reprinted by the Senate, as follows:
3 1. Page 3, by striking lines 21 through 23 and
4 inserting in lieu thereof the words "twenty-seven
5 thousand dollars. Married".

H-3272 FILED MARCH 17, 1983 BY SCHNEKLOTH of Scott
Lost 3/17/83 (p. 799)

SENATE FILE 386

H-3286

1 Amend Senate File 386 as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 3, by striking lines 19 through 32 and
4 inserting in lieu thereof the following:

5 "b. Add the amount of federal income taxes paid
6 for the tax year as a result of withholding and
7 estimated tax payments. Also add the amount of federal
8 income taxes paid and additional federal income taxes
9 paid during the tax year for a prior year. However,
10 the amount of federal income taxes deducted for the
11 tax year shall not exceed twenty-two thousand dollars,
12 except that any additional taxes paid for tax years
13 ending prior to January 1, 1983 shall not be subject
14 to the twenty-two thousand dollar limitation. Subtract
15 the amount of federal income tax refunds received
16 for the tax year to the extent that the federal income
17 tax was deducted in a previous year. Married persons
18 who file separately shall be limited to a federal
19 income tax deduction for federal income taxes paid
20 during the tax year not to exceed twenty-two thousand
21 dollars in total for both spouses. The amount of
22 the federal income tax deduction shall be divided
23 between each spouse by the ratio of federal adjusted
24 gross income of each spouse to total federal adjusted
25 gross income of both spouses unless they can show
26 that another method more accurately reflects the
27 amount of federal income tax to be deducted by each."

BY DODERER of Johnson
TABOR of Jackson

H-3286 FILED MARCH 17, 1983

Adopted as amended by 32 91 3/18 (p. 803)

SENATE FILE 386

H-3287

1 Amend Senate File 386 as amended, passed and
2 reprinted by the Senate, as follows:

3 1. Page 3, by striking lines 26 through 32 and
4 inserting in lieu thereof the words "thousand dollars
5 for each spouse."

BY MULLINS of Kossuth
LAGESCHULTE of Bremer
CARPENTER of Polk

H-3287 FILED MARCH 17, 1983

Loach 3/18/83 (p. 800)

MARCH 21, 1983

PAGE TEN

SENATE FILE 386

H-3289

- 1 Amend H-3269 to Senate File 386, as amended,
2 passed and reprinted by the Senate, as follows:
3 1. Page 5, by adding the following new section
4 after line 11:
5 "Sec. _____. The prohibition in section 422.16,
6 subsection II, paragraph e, on the waiver relating to
7 reasonable cause of the addition to tax for under-
8 payment of the estimated tax payable shall not apply
9 with regard to the 1982 tax year to farmers and fish-
10 ermen who have elected not to pay estimated taxes
11 during the 1982 tax year and the director shall waive
12 the addition to tax for underpayment of the estimated
13 tax payable for the 1982 tax year to April 30, 1983 for
14 reasonable cause."
15 2. By renumbering as necessary.

H-3289 FILED MARCH 18, 1983 BY HALVORSON of Clayton
ADOPTED (p. 777)

SENATE FILE 386

H-3291

- 1 Amend the Doderer and Tabor amendment, H-3286,
2 to Senate File 386, as amended, passed, and reprinted
3 by the Senate, as follows:
4 1. Page 1, lines 8 and 9, by striking the words
5 "and additional federal income taxes paid" and
6 inserting in lieu thereof the words "with the federal
7 return or as a result of an adjustment to a federal
8 return".
9 2. Page 1, line 12, by inserting after the word
10 "paid" the words "with the federal return or as a
11 result of an adjustment to a federal return".

H-3291 FILED MARCH 18, 1983 BY DODERER of Johnson
ADOPTED (p. 801) TABOR of Jackson

SENATE FILE 386

H-3288

- 1 Amend H-3286 to Senate File 386 as amended, passed,
2 and reprinted by the Senate, as follows:
3 1. Page 1, by striking lines 21 through 27 and inserting
4 in lieu thereof the words: "dollars for each spouse."

H-3288 FILED MARCH 18, 1983 BY MULLINS of Kossuth
LAGESCHULTE of Bremer
LOST (p. 803) CARPENTER of Polk

SENATE FILE 386

H-3307

1 Amend Senate File 386 as follows:

- 2 1. Title page, lines 7 through 9, by striking the
- 3 words "reducing the rate of tax on the first thousand
- 4 dollars of taxable income for individual taxpayers,".

H-3307 FILED MARCH 18, 1983 BY DODERER of Johnson
ADOPTED BY UNANIMOUS CONSENT (p. 206)

SENATE FILE 386

H-3290

1 Amend the amendment, H-3271, to Senate File 386 as
2 amended, passed, and reprinted by the Senate, as fol-
3 lows:

4 1. By striking page 3, line 50 through page 4, line
5 14 and inserting in lieu thereof the following:

6 "b. Add the amount of federal income taxes paid
7 for the tax year as a result of withholding and
8 estimated tax payments. Also add the amount of federal
9 income taxes paid and additional federal income taxes
10 paid during the tax year for a prior year. However,
11 the amount of federal income taxes deducted for the
12 tax year shall not exceed fifteen thousand dollars,
13 except that any additional taxes paid for tax years
14 ending prior to January 1, 1983 shall not be subject
15 to the fifteen thousand dollar limitation. Subtract
16 the amount of federal income tax refunds received for
17 the tax year to the extent that the federal income tax
18 was deducted in a previous year. Married persons who
19 file separately shall be limited to a federal income
20 tax deduction for federal income taxes paid during the
21 tax year not to exceed fifteen thousand dollars for
22 each spouse."

23 2. Page 6, by inserting after line 1 the follow-
24 ing new section:

25 "Sec. __. The prohibition in section 422.16, sub-
26 section 11, paragraph e, on the waiver relating to
27 reasonable cause of the addition to tax for underpay-
28 ment of the estimated tax payable shall not apply with
29 regard to the 1982 tax year to farmers and fishermen
30 who have elected not to pay estimated taxes during the
31 1982 tax year and the director shall waive the addition
32 to tax for underpayment of the estimated tax payable for
33 the 1982 tax year to April 30, 1983 for reasonable
34 cause."

35 3. By renumbering as necessary.

BY KREWSON of Polk
McKEAN of Jones

H-3290 FILED MARCH 18, 1983
ADOPTED (p 735)

SENATE FILE 386

H-3294

1 Amend the Doderer and Tabor amendment, H-3286,
2 to Senate File 386, as amended, passed, and reprinted
3 by the Senate, as follows:

4 1. Page 1, line 14, by inserting after the period
5 the words "Any amount of federal taxes paid in a tax
6 year in excess of twenty-two thousand dollars may
7 be deducted in any succeeding tax year."

H-3294 FILED MARCH 18, 1983 BY SCHROEDER of Pottawattamie
LOST (p. 803)

HOUSE AMENDMENT TO SENATE FILE 386

S-3271

1 Amend Senate File 386 as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 1, by striking lines 25 through 28.
4 2. Page 3, by striking lines 19 through 32 and
5 inserting in lieu thereof the following:
6 "b. Add the amount of federal income taxes paid
7 for the tax year as a result of withholding and
8 estimated tax payments. Also add the amount of federal
9 income taxes paid with the federal return or as a
10 result of an adjustment to a federal return during
11 the tax year for a prior year. However, the amount
12 of federal income taxes deducted for the tax year
13 shall not exceed twenty-two thousand dollars, except
14 that any additional taxes paid with the federal return
15 or as a result of an adjustment to a federal return
16 for tax years ending prior to January 1, 1983 shall
17 not be subject to the twenty-two thousand dollar
18 limitation. Subtract the amount of federal income
19 tax refunds received for the tax year to the extent
20 that the federal income tax was deducted in a previous
21 year. Married persons who file separately shall be
22 limited to a federal income tax deduction for federal
23 income taxes paid during the tax year not to exceed
24 twenty-two thousand dollars in total for both spouses.
25 The amount of the federal income tax deduction shall
26 be divided between each spouse by the ratio of federal
27 adjusted gross income of each spouse to total federal
28 adjusted gross income of both spouses unless they
29 can show that another method more accurately reflects
30 the amount of federal income tax to be deducted by
31 each."
32 3. Renumber sections and correct internal
33 references as necessary in accordance with this
34 amendment.
35 4. Title page, lines 7 through 9, by striking
36 the words "reducing the rate of tax on the first
37 thousand dollars of taxable income for individual
38 taxpayers,".

S-3271 FILED
MARCH 21, 1983

RECEIVED FROM THE HOUSE

Senate refused to concur 3/20/83 (p. 1021)
House insists 3/21/83 (p. 1042)

SENATE 7
 MARCH 28, 1983

SENATE FILE 386
 FISCAL NOTE

REQUESTED BY SENATOR PALMER

In compliance with a written request there is hereby submitted a Fiscal Note for Amendment S-3271 to Senate File 386 pursuant to Joint Rule 17.

Amendment S-3271 to Senate File 386 (Senate File 386 as passed by the House) makes the following changes to Senate File 386:

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Senate File 386	\$ 0.5 M	\$ 28.4 M	\$ 23.7 M
fiscal effect:	<u>decrease</u>	<u>increase</u>	<u>increase</u>

<u>Change from Senate File 386</u>		
<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>

Retains .5% tax on the first \$1,000 of taxable income for individual income tax filers.	0	\$ 7.5 M increase	\$ 8.0 M increase
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Changes federal deductibility limit from \$27,000 to \$22,000; application of provision on a cash basis rather than accrual; prior years deductions are not in the \$22,000 ceiling for tax years ending prior to January 1, 1983.	0	\$ 14.0 M decrease	\$ 4.0 M increase
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Total Effect of Amendments	0	\$ 6.5 M <u>decrease</u>	\$ 12.0 M <u>increase</u>
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Total Effect of Senate File 386, as amended by the House	\$ 0.5 M <u>decrease</u>	\$ 21.9 M <u>increase</u>	\$ 35.7 M <u>increase</u>
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(1574.X02, 83-454, CMG)

FILED:
 MARCH 25, 1983

BY LEGISLATIVE FISCAL BUREAU
 DENNIS C. PROUTY, DIRECTOR

APRIL 13, 1983
PAGE TWO

SENATE FILE 386
AS AMENDED BY CONFERENCE COMMITTEE
FISCAL NOTE
REQUESTED BY REPRESENTATIVE DODERER

In compliance with a written request received April 11, 1983, there is hereby submitted a Fiscal Note for Senate File 386, as amended by Conference Committee pursuant to Joint Rule 17. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

Senate File 386, as amended by Conference Committee, has the following provisions:

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Senate File 386	\$ 0.5 M	\$ 28.4 M	\$ 23.7 M
(Senate Version)	<u>decrease</u>	<u>increase</u>	<u>increase</u>

Amended Sections:

Sec. 3, S.F. 386: Reduces the taxes due on the first \$1,000 of taxable income from one-half of one percent to zero percent for individual income tax filers.

Amendment Provision: Reduces the taxes due on the first \$500 of taxable income from one-half of one percent to zero percent. (Changes current law 0.5% tax bracket from \$0-1,000 to \$501-1,000).

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
S.F. 386 effect	\$ 0.0	\$ 7.5 M decrease	\$ 8.0 M decrease
Amendment effect	\$ 0.0	\$ 3.2 M <u>decrease</u>	\$ 3.4 M <u>decrease</u>
Fiscal change to S.F. 386	\$ 0.0 =====	\$ 4.3 M <u>increase</u>	\$ 4.6 M <u>increase</u>

Sec. 7, 9. S.F. 386: Limits to \$27,000 the amount of federal income taxes deductible for purposes of determining Iowa income taxes. The amount of taxes actually paid or refunds received would not be used to determine a current year's federal tax deduction. Any federal tax payments or refunds made or received after January 1, 1983 would not be considered when computing the Iowa federal deduction except to the extent that they reflect the 1983 federal tax liability.

Amendment Provision: Changes the federal deductibility limit from \$27,000 to \$25,000. Application of the provision is on a cash basis rather than an accrual. Prior year's deductions are not in the \$25,000 ceiling for tax years ending prior to January 1, 1983.

APRIL 13, 1983
PAGE THREE

FISCAL NOTE, SENATE FILE 386, as amended by conference committee
Page Two

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
S.F. 386 effect	\$ 0.0	\$ 21.5 M increase	\$ 14.0 M increase
Amendment effect	\$ 0.0	\$ 5.5 M increase	\$ 16.0 M increase
Fiscal change to S.F. 386	\$ 0.0 =====	\$ 16.0 M <u>decrease</u>	\$ 2.0 M <u>increase</u>

<u>FISCAL SUMMARY:</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Total Effect of Amendment	\$ 0.0 =====	\$ 11.7 M <u>decrease</u>	\$ 6.6 M <u>increase</u>
Total Effect of S.F. 386, As Amended	\$ 0.5 M <u>decrease</u>	\$ 16.7 M <u>increase</u>	\$ 30.3 M <u>increase</u>

Source: Dept. of Revenue
FILED APRIL 12, 1983

(1574.1C, 83-475, CMG)
BY DENNIS PROUTY, FISCAL DIRECTOR

Final
REPORT OF THE CONFERENCE COMMITTEE
ON SENATE FILE 386

To the President of the Senate and the Speaker of the House of Representatives:

We, the undersigned members of the conference committee appointed to resolve the differences between the Senate and the House of Representatives on Senate File 386, a bill for an Act relating to taxation by updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax and inheritance tax, providing for an increase in the minimum tax, increasing the individual income tax credit for child and dependent care expenses, providing an income tax credit for an increase in qualified research expenditures in this state, reducing the rate of tax on the first thousand dollars of taxable income for individual taxpayers, limiting the amount of federal income taxes deductible for purposes of determining Iowa income taxes, increasing medical and drug deductions, increasing the exclusion for unemployment compensation, providing an individual income tax credit for expenditures for a solar domestic hot water system for use in a principal residence, and making the Act retroactive, respectfully make the following report:

1. That the House recede from its amendment, S-3271, to Senate File 386, as amended, passed, and reprinted by the Senate.

2. That Senate File 386, as amended, passed, and reprinted by the Senate, be amended as follows:

1. Page 1, by striking lines 25 through 28 and inserting in lieu thereof the following:

"Sec. 3. Section 422.5, subsection 1, Code 1983, is amended to read as follows:

SENATE FILE 386 - CONFERENCE COMMITTEE REPORT - PAGE 2

1. On the first ~~one-thousand~~ five hundred dollars of taxable income, or any part thereof, ~~one-half-of-one~~ zero per cent.

Sec. 3a. Section 422.5, Code 1983, is amended by inserting after subsection 1 the following new subsection:

NEW SUBSECTION. 2. ON THE NEXT FIVE HUNDRED DOLLARS OF taxable income, or any part thereof, one-half of one percent."

2. Page 3, by striking lines 19 through 32 and inserting in lieu thereof the following:

"b. Add the amount of federal income taxes paid for the tax year as a result of withholding and estimated tax payments. Also add the amount of federal income taxes paid with the federal return or as a result of an adjustment to a federal return during the tax year for a prior year. However, the amount of federal income taxes deducted for the tax year shall not exceed twenty-five thousand dollars, except that any additional taxes paid with the federal return or as a result of an adjustment to a federal return for tax years ending prior to January 1, 1983 shall not be subject to the twenty-five thousand dollar limitation. Subtract the amount of federal income tax refunds received for the tax year to the extent that the federal income tax was deducted in a previous year. Married persons who file separately shall be limited to a federal income tax deduction for federal income taxes paid during the tax year not to exceed twenty-five thousand dollars in total for both spouses. The amount of the federal income tax deduction shall be divided between each spouse by the ratio of federal adjusted gross income of each spouse to total federal adjusted gross income of both spouses unless they can show that another method more accurately reflects the amount of federal income tax to be deducted by each."

3. Page 8, line 16, by inserting after the figure "3," the figure "3a,".

4. Renumber sections and correct internal references as necessary in accordance with this amendment.

PAGE 3

5. Amend the title, line 8, by striking the word "thousand" and inserting in lieu thereof the words "five hundred".

ON THE PART OF THE SENATE:

WILLIAM D. PALMER, CHAIR
CHARLES H. BRUNER
ARTHUR A. SMALL, JR.

FILED: APRIL 12, 1983

ON THE PART OF THE HOUSE:

MINNETTE F. DODERER, CHAIR
RALPH ROSENBERG
DAVID M. TABOR

Filed violation of Grand Rule 13 5/9/83 (p. 1610)

SENATE FILE 386
AS AMENDED BY CONFERENCE COMMITTEE REPORT
REQUESTED BY REPRESENTATIVE DODERER

In compliance with a written request received May 14, 1983, there is hereby submitted a Fiscal Note for Senate File 386, as amended by Conference Committee pursuant to Joint Rule 17. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

Senate File 386, as amended by Conference Committee, has the following provisions:

Amended Sections:

Sec. 2, 11, S.F. 386: Those sections providing a credit for individuals for qualifying expenditures incurred for the installation of solar domestic hot water are deleted.

Sec. 3, S.F. 386: That section reducing the taxes due on the first \$1,000 of taxable income from one-half of one percent to zero percent for individual income tax filers is deleted.

Sec. 4, 14, 16, S.F. 386: The sections increasing the state minimum tax from 25 percent to 50 percent is changed to increase the state minimum tax from 25 percent to 70 percent.

Sec. 5, 11, 15, S.F. 386: The effective date for those sections providing a credit for increasing research activities within the state is changed to begin one year later (January 1, 1985).

Sec. 6, S.F. 386: The section retaining taxes due on taxing unemployment compensation at its basis prior to the Tax Equity and Fiscal Responsibility Act of 1982 is kept for the 1982 tax year and deleted for those tax years beginning on or after 1983, payable in 1984, effectively coupling with federal provisions as of January 1, 1983.

Sec. 7, 9, S.F. 386: Those sections relating to limiting the federal income taxes deductible for purposes of the Iowa income taxes are deleted.

Sec. 8, 10, S.F. 386: Those sections retaining the medical deductions at three percent of the federal adjusted gross income are deleted, with the effect of coupling with the federal provision changing the medical deduction to five percent of the federal adjusted gross income.

Sec. 12, S.F. 386: The section increasing the percentage of child and dependent care expenses which can be claimed as a tax credit is changed from increasing from a credit of five percent to six percent to increasing from a credit of five percent to ten percent.

Sec. 20, S.F. 386: The publication clause is deleted.

New Provision: Provides that agricultural commodities received under the 1983 payment-in-kind program be treated as if grown by the taxpayer.

New Provision: Provides that those individuals claiming extra credits on their state withholding tax forms meet the same requirements as federal law.

New Provision: Removes the deduction on the state individual income tax return for political contributions up to \$100 for singles and \$200 for married couples filing a joint return and provides for a credit equal to 5 percent of the first \$100 for singles or \$200 for married couples filing jointly.

New Provision: Subtracts the amounts included in current Iowa law as income relating to sale-leaseback agreements under the safe-harbor provisions, thus providing that income received under these provisions shall not be included for state income tax purposes. This provision is retroactive to January 1, 1981 for tax years beginning on or after that date.

New Provision: Provides that the Department of Revenue conduct a study of alternative forms of minimum taxes, with a report to the General Assembly by January 15, 1984.

FISCAL IMPACT:

	<u>FY 1984</u>	<u>FY 1985</u>
Senate File 386 (Senate Version)	<u>\$ 28.4 M increase</u>	<u>\$ 23.7 M increase</u>
 Provision Changes/Additions:		
- Solar Hot Water Credit	\$.1 M increase	\$.1 M increase
- 1st \$1,000 change	7.5 M increase	8.0 M increase
- Minimum Tax	3.0 M increase	2.6 M increase
- Research Credit	1.0 M increase	1.0 M increase
- Unemployment Compensation	1.5 M increase	1.5 M increase
- Federal Deductibility	21.5 M decrease	14.0 M decrease
- Medical Deduction	8.0 M increase	5.5 M increase
- Child Care Credit	2.0 M decrease	2.0 M decrease
- PIK treatment	unknown	unknown
- Withholding credits	none	none
- Credit for political contributions	unknown	unknown
- Sale-leaseback	<u>unknown reduction</u>	<u>unknown reduction</u>
Total Changes	<u>\$ 2.4 M decrease</u>	<u>\$ 2.7 M increase</u>
Total Conference Committee Report	<u>\$ 26.0 M increase</u>	<u>\$ 26.4 M increase</u>

(1574.2C, 83-519, CMG)

FILED MAY 14, 1983

BY DENNIS PROUTY, FISCAL DIRECTOR

REPORT OF THE SECOND CONFERENCE COMMITTEE
ON SENATE FILE 386

To the President of the Senate and the Speaker of the House of Representatives:

We, the undersigned members of the second conference committee appointed to resolve the differences between the Senate and the House of Representatives on Senate File 386, a bill for an Act relating to taxation by updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax and inheritance tax, providing for an increase in the minimum tax, increasing the individual income tax credit for child and dependent care expenses, providing an income tax credit for an increase in qualified research expenditures in this state, reducing the rate of tax on the first thousand dollars of taxable income for individual taxpayers, limiting the amount of federal income taxes deductible for purposes of determining Iowa income taxes, increasing medical and drug deductions, increasing the exclusion for unemployment compensation, providing an individual income tax credit for expenditures for a solar domestic hot water system for use in a principal residence, and making the Act retroactive, respectfully make the following report:

1. That the House recede from its amendment, S-3271, to

Senate File 386, as amended, passed, and reprinted by the Senate.

2. That Senate File 386, as amended, passed, and reprinted by the Senate, be amended as follows:

1. By striking everything after the enacting clause and inserting in lieu thereof the following:

"Section 1. Section 422.4, subsection 17, Code 1983, 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 ~~17-1982~~ 14, 1983.

Sec. 2. Section 422.4, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 19. For purposes of section 422.4, subsection 17, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 3. Section 422.5, unnumbered paragraph 10, Code 1983, is amended to read as follows:

In addition to all taxes imposed under this division, there is imposed upon every resident and nonresident, including resident and nonresident estates and trusts, of this state a state minimum tax for tax preference items equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is one hundred percent in the case of a resident and in the case of a nonresident a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preference items attributable to Iowa which shall be based as much as equitably possible on the allocation provisions of section 422.8, subsections 2 and 3. For purposes of this paragraph, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 to 58 of the Internal Revenue Code of 1954 for the tax year.

CONFERENCE COMMITTEE REPORT ON SENATE FILE 386 - PAGE 3

Sec. 4. Section 422.6, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The tax imposed by section 422.5 and credit for increasing research activities granted under section 422.10 shall apply to and become a charge against estates and trusts with respect to their taxable income, and the rates shall be the same as those applicable to individuals. The fiduciary shall be responsible for making the return of income for the estate or trust for which ~~he~~ the fiduciary acts, whether ~~such~~ the income ~~be~~ is taxable to the estate or trust or to the beneficiaries thereon.

Sec. 5. Section 422.7, subsection 16, Code 1983, is amended to read as follows:

16. Add the amounts deducted and subtract the amounts included as income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under ~~the provisions of~~ the Internal Revenue Code of 1954. Entitlement to depreciation on any property included in a sale-leaseback agreement shall be determined under the Internal Revenue Code of 1954, excluding section 168(f)(8) in making the determination.

Sec. 6. Section 422.7, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 17. Subtract the amount of unemployment compensation to be included in Iowa net income for any tax year. Add back the amount of unemployment compensation computed under section 85 of the Internal Revenue Code of 1954, as amended up to and including December 31, 1981. This subsection is effective only for the tax year beginning on or after January 1, 1982 and before December 31, 1982.

Sec. 7. Section 422.9, subsection 2, paragraph c, Code 1983, is amended by striking the paragraph.

Sec. 8. Chapter 422, Code 1983, is amended by inserting after section 422.9 the following new section:

NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state. For individuals, the credit shall equal six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership, subchapter S corporation, and estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities computed under section 44F of the Internal Revenue Code of 1954, as amended to and including January 1, 1983.

Any credit in excess of the tax liability less personal exemption and child care credits provided in section 422.12 for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

Sec. 9. Section 422.12, subsection 2, Code 1983, is amended to read as follows:

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

Married taxpayers electing to file separate returns or

CONFERENCE COMMITTEE REPORT ON SENATE FILE 386 - PAGE 5

filing separately on a combined return must allocate the child and dependent care credit to each spouse in the proportion that ~~his-or-her~~ each spouse's respective net income bears to the total combined net income. Taxpayers affected by the allocation provisions of section 422.8 shall be permitted a deduction for the credit only in ~~such~~ the amount as is fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 10. Section 422.12, Code 1983, is amended by inserting after subsection 2 the following new subsection and renumbering the remaining subsection:

NEW SUBSECTION. 3. A political contributions credit equal to five percent of the first one hundred dollars donated as a political contribution as defined in section 41(c) of the Internal Revenue Code of 1954. In the case of a married couple filing a joint return, a political contributions credit equal to five percent of the first two hundred dollars donated shall be allowed.

Sec. 11. Section 422.16, subsection 1, Code 1983, is amended to read as follows:

1. Every withholding agent as defined herein and every employer as defined herein and further defined in the Internal Revenue Code of 1954, as amended, with respect to income tax collected at source, making payment of wages as defined herein to either a resident employee or employees, or a nonresident employee or employees, working in Iowa, shall deduct and withhold from such wages an amount which will approximate the employee's annual tax liability on a calendar year basis, calculated on the basis of tables to be prepared by the department and schedules or percentage rates, based on such wages, to be prescribed by the department. Every employee or other person shall declare to such employer or withholding agent the number of his personal exemptions and dependency exemptions or credits to be used in applying such tables and schedules or percentage rates, provided that no more such personal or dependency exemptions or credits may be declared

CONFERENCE COMMITTEE REPORT ON SENATE FILE 386 - PAGE 6

by such employee or other person than the number to which he is entitled except as allowed under section 3204(m)(1) of the Internal Revenue Code of 1954. Such claiming of such exemptions or credits in excess of entitlement shall constitute a misdemeanor.

Sec. 12. Section 422.32, subsection 4, Code 1983, 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 ~~17-1982~~ 14, 1983.

Sec. 13. Section 422.32, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 12. For purposes of section 422.32, subsection 4, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 14. Section 422.33, subsection 4, Code 1983, is amended to read as follows:

4. In addition to all taxes imposed under this division, there is imposed upon each corporation doing business within the state a state minimum tax for tax preference equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of subsections 2 and 3. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 to 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 15. Section 422.33, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 5. The taxes imposed under this division

CONFERENCE COMMITTEE REPORT ON SENATE FILE 386 - PAGE 7

shall be reduced by a state tax credit for increasing research activities in this state equal to six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures. For purposes of this subsection, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities computed under section 44F of the Internal Revenue Code of 1954, as amended to and including January 1, 1983.

Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following taxable year.

Sec. 16. Section 422.35, subsection 8, Code 1983, is amended to read as follows:

8. Add the amounts deducted and subtract the amounts included in income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the other provisions of the Internal Revenue Code of 1954. Entitlement to depreciation on any property involved in a sale-leaseback agreement shall be determined under the Internal Revenue Code of 1954, excluding section 168(f)(8) in making the determination.

Sec. 17. Section 422.60, unnumbered paragraph 2, Code 1983, is amended to read as follows:

In addition to all taxes imposed under this division, there is imposed upon each financial institution doing business within the state a state minimum tax for tax preference items equal to ~~twenty-five~~ seventy percent of the state's apportioned

CONFERENCE COMMITTEE REPORT ON SENATE FILE 386 - PAGE 8

share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of section 422.63. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed and paid or payable under sections 55 to 58 of the Internal Revenue Code of 1954, ~~as amended to and including January 1, 1982.~~

Sec. 18. Section 450B.1, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 4. For purposes of section 450B.1, subsection 1, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 19. The prohibition in section 422.16, subsection 11, paragraph e, on the waiver relating to reasonable cause of the addition to tax for underpayment of the estimated tax payable shall not apply with regard to the 1982 tax year to farmers and fishermen who have elected not to pay estimated taxes during the 1982 tax year and the director shall waive the addition to tax for underpayment of the estimated tax payable for the 1982 tax year to April 30, 1983 for reasonable cause.

Sec. 20. During the 1983 legislative interim, the department of revenue shall study the tax incidence and tax impact of the existing state minimum tax, using tax information from minimum tax filings with the state and other available tax information. The department shall also estimate the tax incidence, tax impact, and tax effect of alternative methods for determining a state minimum tax, including the development of a state minimum tax paralleling the federal minimum tax but using the Iowa net income as the initial tax base, adding

tax preference items from the federal minimum tax, deducting federal taxes and general and specified itemized deduction from the federal tax, and establishing a rate of eight, nine or ten percent on the resulting income, comparing that with the Iowa regular taxable income to determine the state minimum tax. The department of revenue shall report the result of this study to the General Assembly by January 15, 1984.

Sec. 21. Sections 1, 6, and 12 are retroactive to January 1, 1982 for tax years beginning on or after January 1, 1982. These sections shall also be applicable for tax years beginning prior to January 1, 1982 where the Internal Revenue Code of 1954, as amended up to and including January 14, 1983, provides for certain inclusions or exclusions in computing federal taxable income for a tax year beginning prior to January 1, 1982.

Sec. 22. Sections 3, 7, 9, 10, 14, and 17 are retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

Sec. 23. Sections 2, 13, and 18 are retroactive to tax years ending after December 31, 1982. The sections shall be applicable for tax years ending after December 31, 1982, but only with respect to commodities received for the 1983 crop year.

Sec. 24. Sections 5 and 16 are retroactive to January 1, 1981 for the tax years beginning on or after January 1, 1981.

Sec. 25. Sections 4, 8, and 15 are effective January 1, 1985 for tax years beginning on or after January 1, 1985."

2. Amend the title, by striking all of the title after the word "Act" in line 1 and inserting in lieu thereof the words "relating to taxation by updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax and inheritance tax, providing for an increase in the minimum tax, increasing the individual income tax credit for child and dependent care expenses, providing an income tax credit for an increase in qualified research

SENATE 22
MAY 14, 1983 FINAL ADJOURNMENT

CONFERENCE COMMITTEE REPORT ON SENATE FILE 386 - PAGE 10
expenditures in this state, providing a temporary provision
on unemployment compensation, and making the Act retroactive."

ON THE PART OF THE SENATE:

WILLIAM D. PALMER, CHAIR
CHARLES H. BRUNER
MICK LURA
ARTHUR A. SMALL, JR.

ON THE PART OF THE HOUSE:

MINNETTE F. DODERER, CHAIR
DOROTHY F. CARPENTER
RALPH ROSENBERG
HUGO SCHNEKLOTH
DAVID M. TABOR

FILED: May 14, 1983
SENATE ADOPTED (p. 1770)
House A. d. p. t. d. 5/14 (p. 2213)

SENATE FILE 386

AN ACT

RELATING TO TAXATION BY UPDATING REFERENCES TO THE INTERNAL REVENUE CODE FOR INDIVIDUAL AND CORPORATE INCOME TAX, FRANCHISE TAX AND INHERITANCE TAX, PROVIDING FOR AN INCREASE IN THE MINIMUM TAX, INCREASING THE INDIVIDUAL INCOME TAX CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES, PROVIDING AN INCOME TAX CREDIT FOR AN INCREASE IN QUALIFIED RESEARCH EXPENDITURES IN THIS STATE, PROVIDING A TEMPORARY PROVISION ON UNEMPLOYMENT COMPENSATION, AND MAKING THE ACT RETROACTIVE.

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

Section 1. Section 422.4, subsection 17, Code 1983, 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 17-1982 14, 1983.

Sec. 2. Section 422.4, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 19. For purposes of section 422.4, subsection 17, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 3. Section 422.5, unnumbered paragraph 10, Code 1983, is amended to read as follows:

In addition to all taxes imposed under this division, there is imposed upon every resident and nonresident, including resident and nonresident estates and trusts, of this state a state minimum tax for tax preference items equal to twenty-five percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is one hundred percent in the case of

a resident and in the case of a nonresident a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preference items attributable to Iowa which shall be based as much as equitably possible on the allocation provisions of section 422.8, subsections 2 and 3. For purposes of this paragraph, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 to 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 4. Section 422.6, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The tax imposed by section 422.5 and credit for increasing research activities granted under section 422.10 shall apply to and become a charge against estates and trusts with respect to their taxable income, and the rates shall be the same as those applicable to individuals. The fiduciary shall be responsible for making the return of income for the estate or trust for which he the fiduciary acts, whether such the income be is taxable to the estate or trust or to the beneficiaries thereon.

Sec. 5. Section 422.7, subsection 16, Code 1983, is amended to read as follows:

16. Add the amounts deducted and subtract the amounts included as income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the provisions of the Internal Revenue Code of 1954. Entitlement to depreciation on any property included in a sale-leaseback agreement shall be determined under the Internal Revenue Code of 1954, excluding section 168(f)(8) in making the determination.

Sec. 6. Section 422.7, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 17. Subtract the amount of unemployment compensation to be included in Iowa net income for any tax year. Add back the amount of unemployment compensation computed under section 85 of the Internal Revenue Code of 1954, as amended up to and including December 31, 1981. This subsection is effective only for the tax year beginning on or after January 1, 1982 and before December 31, 1982.

Sec. 7. Section 422.9, subsection 2, paragraph c, Code 1983, is amended by striking the paragraph.

Sec. 8. Chapter 422, Code 1983, is amended by inserting after section 422.9 the following new section:

NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state. For individuals, the credit shall equal six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership, subchapter S corporation, and estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities computed under section 44F of the Internal Revenue Code of 1954, as amended to and including January 1, 1983.

Any credit in excess of the tax liability less personal exemption and child care credits provided in section 422.12 for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

Sec. 9. Section 422.12, subsection 2, Code 1983, is amended to read as follows:

2. A child and dependent care credit equal to five ten percent of the qualifying employment-related expenses and subject to the same limitations provided by section 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~~ each spouse's respective net income bears to the total combined net income. Taxpayers affected by the allocation provisions of section 422.8 shall be permitted a deduction for the credit only in ~~such~~ the amount as is fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 10. Section 422.12, Code 1983, is amended by inserting after subsection 2 the following new subsection and renumbering the remaining subsection:

NEW SUBSECTION. 3. A political contributions credit equal to five percent of the first one hundred dollars donated as a political contribution as defined in section 41(c) of the Internal Revenue Code of 1954. In the case of a married couple filing a joint return, a political contributions credit equal to five percent of the first two hundred dollars donated shall be allowed.

Sec. 11. Section 422.16, subsection 1, Code 1983, is amended to read as follows:

1. Every withholding agent as defined herein and every employer as defined herein and further defined in the Internal Revenue Code of 1954, as amended, with respect to income tax collected at source, making payment of wages as defined herein to either a resident employee or employees, or a nonresident employee or employees, working in Iowa, shall deduct and withhold from such wages an amount which will approximate the employee's annual tax liability on a calendar year basis, calculated on the basis of tables to be prepared by the department and schedules or percentage rates, based on such wages, to be prescribed by the department. Every employee or other person shall declare to such employer or withholding agent the number of his personal exemptions and dependency exemptions or credits to be used in applying such tables and schedules or percentage rates, provided that no more such personal or dependency exemptions or credits may be declared by such employee or other person than the number to which he is entitled except as allowed under section 3204(m)(1) of the Internal Revenue Code of 1954. Such claiming of such exemptions or credits in excess of entitlement shall constitute a misdemeanor.

Sec. 12. Section 422.32, subsection 4, Code 1983, 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 ~~17-1982~~ 14, 1983.

Sec. 13. Section 422.32, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 12. For purposes of section 422.32, subsection 4, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 14. Section 422.33, subsection 4, Code 1983, is amended to read as follows:

4. In addition to all taxes imposed under this division, there is imposed upon each corporation doing business within

the state a state minimum tax for tax preference equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of subsections 2 and 3. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 to 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 15. Section 422.33, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 5. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures. For purposes of this subsection, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities computed under section 44F of the Internal Revenue Code of 1954, as amended to and including January 1, 1983.

Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following taxable year.

Sec. 16. Section 422.35, subsection 8, Code 1983, is amended to read as follows:

8. Add the amounts deducted and subtract the amounts included in income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the other provisions of the Internal Revenue Code of 1954. Entitlement to depreciation on any property involved in a sale-leaseback agreement shall be determined under the Internal Revenue Code of 1954, excluding section 168(f)(8) in making the determination.

Sec. 17. Section 422.60, unnumbered paragraph 2, Code 1983, is amended to read as follows:

In addition to all taxes imposed under this division, there is imposed upon each financial institution doing business within the state a state minimum tax for tax preference items equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of section 422.63. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed and paid or payable under sections 55 to 58 of the Internal Revenue Code of 1954 ~~as amended to and including January 1, 1982.~~

Sec. 18. Section 450B.1, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 4. For purposes of section 450B.1, subsection 1, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 19. The prohibition in section 422.16, subsection 11, paragraph e, on the waiver relating to reasonable cause of the addition to tax for underpayment of the estimated tax payable shall not apply with regard to the 1982 tax year to farmers and fishermen who have elected not to pay estimated taxes during the 1982 tax year and the director shall waive the addition to tax for underpayment of the estimated tax payable for the 1982 tax year to April 30, 1983 for reasonable cause.

Sec. 20. During the 1983 legislative interim, the department of revenue shall study the tax incidence and tax impact of the existing state minimum tax, using tax information from minimum tax filings with the state and other available tax information. The department shall also estimate the tax incidence, tax impact, and tax effect of alternative methods for determining a state minimum tax, including the development of a state minimum tax paralleling the federal minimum tax but using the Iowa net income as the initial tax base, adding tax preference items from the federal minimum tax, deducting federal taxes and general and specified itemized deduction from the federal tax, and establishing a rate of eight, nine or ten percent on the resulting income, comparing that with the Iowa regular taxable income to determine the state minimum tax. The department of revenue shall report the result of this study to the General Assembly by January 15, 1984.

Sec. 21. Sections 1, 6, and 12 are retroactive to January 1, 1982 for tax years beginning on or after January 1, 1982. These sections shall also be applicable for tax years beginning prior to January 1, 1982 where the Internal Revenue Code of 1954, as amended up to and including January 14, 1983, provides for certain inclusions or exclusions in computing federal taxable income for a tax year beginning prior to January 1, 1982.

Sec. 22. Sections 3, 7, 9, 10, 14, and 17 are retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

Sec. 23. Sections 2, 13, and 18 are retroactive to tax years ending after December 31, 1982. The sections shall be applicable for tax years ending after December 31, 1982, but only with respect to commodities received for the 1983 crop year.

Sec. 24. Sections 5 and 16 are retroactive to January 1, 1981 for the tax years beginning on or after January 1, 1981.

Sec. 25. Sections 4, 8, and 15 are effective January 1, 1985 for tax years beginning on or after January 1, 1985.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 386, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved June 6, 1983

TERRY E. BRANSTAD
Governor