

Do Pass 4/4 (p. 2279)

Ways and Means: Groninga, Chair: Oxley and Lageschulte.

FILFN MAR 6 1984

SENATE FILE 2318

BY COMMITTEE ON WAYS AND MEANS

(FORMERLY SSB 2125)

Approved 3/6 (p. 698)

Passed Senate, Date 4-4-84 (p. 1309) Passed House, Date 4-19-84 (p. 2337)

Vote: Ayes 46 Nays 0 Vote: Ayes 97 Nays 0

Approved May 4, 1984

A BILL FOR

1 An Act relating to the computation of interest on overpayments
2 arising from the carryback of a net operating loss or net
3 capital loss for individual and corporate income and
4 franchise tax purposes.

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

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S. 2318

1 Section 1. Section 422.25, subsection 3, Code Supple-
2 ment 1983, is amended to read as follows:

3 3. If the amount of the tax as determined by the department
4 is less than the amount paid, the excess shall be refunded
5 with interest, the interest to begin to accrue on the first
6 day of the second calendar month following the date of payment
7 or the date the return was due to be filed or was filed,
8 whichever is the latest, at the rate in effect under section
9 421.7 counting each fraction of a month as an entire month
10 under the rules prescribed by the director. If an overpayment
11 of tax results from a net operating loss or net capital loss
12 which is carried back to a prior year, the overpayment, for
13 purposes of computing interest on refunds, shall be considered
14 as having been made ~~at the close of the taxable year in which~~
15 ~~the net operating loss or net capital loss occurred~~ on the
16 date a claim for refund or amended return carrying back the
17 net operating loss or net capital loss is filed with the
18 department or on the first day of the second calendar month
19 following the date of the actual payment of the tax, whichever
20 is later. However, when the net operating loss or net capital
21 loss carryback to a prior year eliminates or reduces an
22 underpayment of tax due for an earlier year, the full amount
23 of the underpayment of tax shall bear interest at the rate
24 in effect under section 421.7 for each month counting each
25 fraction of a month as an entire month from the due date of
26 the tax for the earlier year to the last day of the taxable
27 year in which the net operating loss or net capital loss
28 occurred.

29 Sec. 2. This Act applies to claims for refund or amended
30 returns resulting from the carryback of net operating losses
31 and net capital losses filed thirty days after the effective
32 date of this Act.

33 Sec. 3. This Act, being deemed of immediate importance,
34 takes effect from and after its publication in the Union
35 Republican, a newspaper published in Albia, Iowa and in the

1 Pella Chronicle, a newspaper published in Pella, Iowa.

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EXPLANATION

3 The bill provides that interest on a claim for refund or
4 an amended return resulting from the carryback of net operat-
5 ing losses and net capital losses shall begin to accrue when
6 the claim for return or amended return is filed with the de-
7 partment of revenue. The bill takes effect upon publication
8 and is applicable to claims for refund and amended returns
9 filed thirty days after its effective date.

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SENATE FILE 2318

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FISCAL NOTE

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REQUESTED BY SENATOR PALMER

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In compliance with a written request there is hereby submitted a
Fiscal Note for Senate File 2318 pursuant to Joint Rule 17.

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15 Senate File 2318 provides that interest on a claim for refund or
16 an amended return resulting from the carryback of net operating
17 losses and net capital losses shall begin to accrue when the claim
18 for return or amended return is filed with the department of
19 revenue.

20 Because the interest rate paid on refunds of taxes has been
21 somewhat higher than the prime rate for some time, there appears
22 to be a tendency on the part of some taxpayers to delay filing of
23 claims to carryback net operating losses and net capital losses to
24 accrue more interest on the refunds. This bill would limit the
25 accrual of interest so that the interest would begin to accrue
26 when a claim for refund or amended return was filed. The Tax
27 Equity and Fiscal Responsibility Act of 1982 placed a similar
28 restriction on the accrual of interest on such refunds in the
29 Internal Revenue Code.

30 The bill takes effect upon publication and is applicable to claims
31 for refund and amended returns filed thirty days after its effec-
32 tive date.

33 Fiscal Effect: A specific estimate of the amount of interest that
34 will not have to be paid on refunds cannot be determined.
35 (3332S, 84-285E, CMG)

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Source: Department of Revenue

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FILED:

BY DENNIS C. PROUTY, DIRECTOR
LEGISLATIVE FISCAL BUREAU

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MARCH 22, 1984

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LSB 3332S 70

bk/jw/5.1

SENATE FILE 2318

AN ACT

RELATING TO THE COMPUTATION OF INTEREST ON OVERPAYMENTS ARISING FROM THE CARRYBACK OF A NET OPERATING LOSS OR NET CAPITAL LOSS FOR INDIVIDUAL AND CORPORATE INCOME AND FRANCHISE TAX PURPOSES.

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

Section 1. Section 422.25, subsection 3, Code Supplement 1983, is amended to read as follows:

3. If the amount of the tax as determined by the department is less than the amount paid, the excess shall be refunded with interest, the interest to begin to accrue on the first day of the second calendar month following the date of payment or the date the return was due to be filed or was filed, whichever is the latest, at the rate in effect under section 421.7 counting each fraction of a month as an entire month under the rules prescribed by the director. If an overpayment of tax results from a net operating loss or net capital loss which is carried back to a prior year, the overpayment, for purposes of computing interest on refunds, shall be considered as having been made ~~at the close of the taxable year in which the net operating loss or net capital loss occurred~~ on the date a claim for refund or amended return carrying back the net operating loss or net capital loss is filed with the department or on the first day of the second calendar month following the date of the actual payment of the tax, whichever is later. However, when the net operating loss or net capital loss carryback to a prior year eliminates or reduces an underpayment of tax due for an earlier year, the full amount of the underpayment of tax shall bear interest at the rate in effect under section 421.7 for each month counting each fraction of a month as an entire month from the due date of the tax for the earlier year to the last day of the taxable

year in which the net operating loss or net capital loss occurred.

Sec. 2. This Act applies to claims for refund or amended returns resulting from the carryback of net operating losses and net capital losses filed thirty days after the effective date of this Act.

Sec. 3. This Act, being deemed of immediate importance, takes effect from and after its publication in the Union-Republican, a newspaper published in Albia, Iowa, and in the Pella Chronicle, a newspaper published in Pella, Iowa.

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 2318, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved *Mary H* 1984

TERRY E. BRANSTAD
Governor

S.F. 2318