

FILED MAR 13 1991

SENATE FILE **356**
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 137)

Passed Senate, Date 4/1/91 (p. 956) Passed House, Date 4/17/91 (p. 1336)
Vote: Ayes 39 Nays 0 Vote: Ayes 94 Nays 3

Approved May 10, 1991 (p. 1848)
Passed Senate per 3509 as amended 4/22/91 (p. 1387) ayes 47 - Nays 1
Passed House as further amended 4/30/91 (p. 1917) ayes 93, Nays 6
Motion to reconsider (p. 1404) w/d 4/24/91

A BILL FOR

H-35001 An Act relating to the administration of the individual income
2 tax, by amending the requirement that each tax return include
3 two voter registration forms; providing uniformity in the
4 priority of the various income tax credits; specifying that
5 the incomes covered in the government pension exclusion are
6 considered for purposes of determining if taxpayers qualify
7 for total exemption from tax; providing that qualification for
8 the tuition and textbook deduction and the tuition and
9 textbook credit is based on taxpayers' net incomes instead of
10 their federal adjusted gross incomes; providing for revision
11 in the computation of the child and dependent care credit and
12 allocation of the credit between married taxpayers and
13 nonresidents and part-year resident taxpayers; relating to the
14 penalty for delinquent payment of fuel taxes resulting from a
15 check given in payment but not honored because of insufficient
16 funds; relating to access to confidential tax information by
17 certain persons and the application of confidentiality laws of
18 the state; relating to penalty provisions on the filing of
19 certain tax returns and failure to submit payment of taxes as
20 required by the rules of the director of revenue and finance;
21 relating to the due date for income tax returns for nonprofit
22 corporations subject to the unrelated business income tax;

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1 relating to use tax on vehicles subject to registration or
2 only subject to the issuance of title; relating to the
3 exemption from inheritance tax of the share of the estate
4 passing to the surviving spouse; relating to payment of
5 interest to taxpayers owed refunds for inheritance tax;
6 relating to payment of refunds of the environmental protection
7 charge; and providing effective dates.

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

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435061 Section 1. Section 48.21, Code 1991, is amended to read as follows:

3 48.21 VOTER REGISTRATION FORMS IN INCOME TAX RETURNS AND
4 BOOKLETS.

5 The director ~~of-the-department~~ of revenue and finance shall
6 insert securely in each individual income tax return form or
7 instruction booklet for odd-numbered tax years two voter
8 registration forms, designed according to rules adopted by the
9 state voter registration commission.

10 Sec. 2. Section 257.21, unnumbered paragraph 2, Code 1991,
11 is amended to read as follows:

12 The instructional support income surtax shall be imposed on
13 the state individual income tax for the calendar year during
14 which the school's budget year begins, or for a taxpayer's
15 fiscal year ending during the second half of that calendar
16 year and after the date the board adopts a resolution to
17 participate in the program or the first half of the succeeding
18 calendar year, and shall be imposed on all individuals
19 residing in the school district on the last day of the
20 applicable tax year. As used in this section, "state
21 individual income tax" means the ~~tax~~ taxes computed under
22 section 422.5, less the ~~deductions~~ credits allowed in sections
23 ~~422.10-through~~ 422.11A, 422.11B, 422.11C, 422.12, and 422.12B.

24 Sec. 3. Section 324.65, unnumbered paragraph 2, Code 1991,
25 is amended to read as follows:

26 ~~The-appropriate-state-agency-shall-not-remit-any-part-of-a~~
27 ~~penalty-for-delinquent-payment-if-the-delinquency-results-from~~
28 ~~the-fact-that-a-check-given-in-payment-is-not-honored-because~~
29 ~~of-insufficient-funds-in-the-account-upon-which-the-check-was~~
30 ~~drawn:~~ A report required of licensees or persons operating
31 under division III, upon which no tax is due, is subject to a
32 penalty of ten dollars if the report is not timely filed with
33 the state department of transportation.

34 Sec. 4. Section 421.17, Code 1991, is amended by adding
35 the following new subsection:

1 NEW SUBSECTION. 32. To ensure that persons employed under
2 contract, other than officers or employees of the state, who
3 provide assistance in administration of tax laws and who are
4 directly under contract or who are involved in any way with
5 work under the contract and who have access to confidential
6 information are subject to applicable requirements and
7 penalties of tax information confidentiality laws of the state
8 regarding all tax return, return information, or investigative
9 or audit information that may be required to be divulged in
10 order to carry out the duties specified under the contract.

11 Sec. 5. Section 421.27, subsection 4, unnumbered paragraph
12 2, Code 1991, is amended to read as follows:

13 The penalties imposed under this ~~section~~ subsection are not
14 subject to waiver.

15 Sec. 6. Section 421.27, Code 1991, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 5. If a person fails to remit at least
18 ninety percent of the tax required to be shown due by the time
19 an extension for further time to file a return is made, there
20 shall be added to the tax shown due or required to be shown
21 due a penalty of ten percent of the tax due.

22 Sec. 7. Section 421.27, Code 1991, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 6. If a person fails to remit payment of
25 taxes in the form required by the rules of the director, there
26 shall be added to the amount of the tax a penalty of five
27 percent of the amount of tax shown due or required to be shown
28 due. The penalty imposed by this subsection shall be waived
29 if the taxpayer did not receive notification of the
30 requirement to remit tax payments electronically or if the
31 electronic transmission of the payment was not in a format or
32 by means specified by the director and the payment was made
33 before the taxpayer was notified of the requirement to remit
34 tax payments electronically.

35 Sec. 8. Section 422.5, subsection 2, unnumbered paragraph

1 1, Code 1991, is amended to read as follows:

2 However, the tax shall not be imposed on a resident or
3 nonresident whose net income, as defined in section 422.7, is
4 seven thousand five hundred dollars or less in the case of
5 married persons filing jointly or filing separately on a
6 combined return, unmarried heads of household, and surviving
7 spouses or five thousand dollars or less in the case of all
8 other persons; but in the event that the payment of tax under
9 this division would reduce the net income to less than seven
10 thousand five hundred dollars or five thousand dollars as
11 applicable, then the tax shall be reduced to that amount which
12 would result in allowing the taxpayer to retain a net income
13 of seven thousand five hundred dollars or five thousand
14 dollars as applicable. The preceding sentence does not apply
15 to estates or trusts. For the purpose of this subsection, the
16 entire net income, including any part of the net income not
17 allocated to Iowa, shall be taken into account. For purposes
18 of this subsection, net income includes all amounts of
19 pensions or other retirement income received from any source
20 which is not taxable under this division as a result of the
21 government pension exclusions in section 422.7, or any other
22 state law. If the combined net income of a husband and wife
23 exceeds seven thousand five hundred dollars, neither of them
24 shall receive the benefit of this subsection, and it is
25 immaterial whether they file a joint return or separate
26 returns. However, if a husband and wife file separate returns
27 and have a combined net income of seven thousand five hundred
28 dollars or less, neither spouse shall receive the benefit of
29 this paragraph, if one spouse has a net operating loss and
30 elects to carry back or carry forward the loss as provided in
31 section 422.9, subsection 3. A person who is claimed as a
32 dependent by another person as defined in section 422.12 shall
33 not receive the benefit of this subsection if the person
34 claiming the dependent has net income exceeding seven thousand
35 five hundred dollars or five thousand dollars as applicable or

1 the person claiming the dependent and the person's spouse have
2 combined net income exceeding seven thousand five hundred
3 dollars or five thousand dollars as applicable.

4 Sec. 9. Section 422.6, unnumbered paragraph 1, Code 1991,
5 is amended to read as follows:

6 The tax imposed by section 422.5 less the credit credits
7 allowed under section sections 422.10, 422.11A, 422.11B, and
8 422.11C, and the personal exemption credit allowed under
9 section 422.12 apply to and are a charge against estates and
10 trusts with respect to their taxable income, and the rates are
11 the same as those applicable to individuals. The fiduciary
12 shall make the return of income for the estate or trust for
13 which the fiduciary acts, whether the income is taxable to the
14 estate or trust or to the beneficiaries.

353815 Sec. 10. Section 422.9, subsection 2, paragraph f,
16 unnumbered paragraph 1, Code 1991, is amended to read as
17 follows:

18 Add the amount the taxpayer has paid to others, not to
19 exceed one thousand dollars for each dependent in grades
20 kindergarten through twelve, for tuition and textbooks of each
21 dependent in attending an elementary or secondary school
22 situated in Iowa, which school is accredited or approved under
23 section 256.11, which is not operated for profit, and which
24 adheres to the provisions of the United-States federal Civil
25 Rights Act of 1964 and chapter 601A. As used in this lettered
26 paragraph, "textbooks" means books and other instructional
27 materials and equipment used in elementary and secondary
28 schools in teaching only those subjects legally and commonly
29 taught in public elementary and secondary schools in this
30 state and does not include instructional books and materials
31 used in the teaching of religious tenets, doctrines, or
32 worship, the purpose of which is to inculcate those tenets,
33 doctrines, or worship, and does not include books or materials
34 for extracurricular activities including sporting events,
35 musical or dramatic events, speech activities, driver's

1 education, or programs of a similar nature. The deduction in
2 this paragraph does not apply to a taxpayer whose adjusted
3 gross net income, as properly computed for ~~federal~~ state tax
4 purposes, is forty-five thousand dollars or more. In the case
5 where the taxpayer is married, whether filing jointly or
6 separately, the deduction does not apply if the combined
7 adjusted-gross net income of the taxpayer and spouse is forty-
8 five thousand dollars or more.

9 Sec. 11. Section 422.10, unnumbered paragraph 2, Code
10 1991, is amended to read as follows:

11 Any credit in excess of the tax liability imposed by
12 section 422.5 less ~~personal-exemption-and-child-care~~ the
13 credits provided-in-section allowed under sections 422.11A,
14 422.11C, 422.12, and 422.12B for the taxable year shall be
15 refunded with interest computed under section 422.25. In lieu
16 of claiming a refund, a taxpayer may elect to have the
17 overpayment shown on the taxpayer's final, completed return
18 credited to the tax liability for the following taxable year.

19 Sec. 12. Section 422.11A, Code 1991, is amended to read as
20 follows:

21 422.11A NEW JOBS TAX CREDIT.

22 The taxes imposed under this division, less the credits
23 allowed under sections ~~422.10~~ and 422.12 and 422.12B, shall be
24 reduced by a new jobs tax credit. An industry which has
25 entered into an agreement under chapter 280B and which has
26 increased its base employment level by at least ten percent
27 within the time set in the agreement or, in the case of an
28 industry without a base employment level, adds new jobs within
29 the time set in the agreement is entitled to this new jobs tax
30 credit for the tax year selected by the industry. In
31 determining if the industry has increased its base employment
32 level by ten percent or added new jobs, only those new jobs
33 directly resulting from the project covered by the agreement
34 and those directly related to those new jobs shall be counted.
35 The amount of this credit is equal to the product of six

1 percent of the taxable wages upon which an employer is
2 required to contribute to the state unemployment compensation
3 fund, as defined in section 96.19, subsection 20, times the
4 number of new jobs existing in the tax year that directly
5 result from the project covered by the agreement or new jobs
6 that directly result from those new jobs. The tax year chosen
7 by the industry shall either begin or end during the period
8 beginning with the date of the agreement and ending with the
9 date by which the project is to be completed under the
10 agreement. An individual may claim the new jobs tax credit
11 allowed a partnership, subchapter S corporation, or estate or
12 trust electing to have the income taxed directly to the
13 individual. The amount claimed by the individual shall be
14 based upon the pro rata share of the individual's earnings of
15 the partnership, subchapter S corporation, or estate or trust.
16 Any credit in excess of the tax liability for the tax year may
17 be credited to the tax liability for the following ten tax
18 years or until depleted, whichever is the earlier. For
19 purposes of this section, "agreement", "industry", "new job"
20 and "project" mean the same as defined in section 280B.2 and
21 "base employment level" means the number of full-time jobs an
22 industry employs at the plant site which is covered by an
23 agreement under chapter 280B on the date of that agreement.

24 Sec. 13. Section 422.11C, subsection 1, Code 1991, is
25 amended to read as follows:

26 1. The taxes imposed under this division less the credits
27 allowed under sections ~~422.10~~, 422.11A, 422.11B, 422.12, and
28 422.12B, shall be reduced by a seed capital credit. An
29 individual may claim the seed capital credit allowed a
30 partnership, subchapter S corporation, or estate or trust
31 electing to have the income taxed directly to the individual.
32 The amount claimed by the individual shall be based upon the
33 pro rata share of the individual's earnings of a partnership,
34 subchapter S corporation, or estate or trust.

353435 Sec. 14. Section 422.12, subsection 2, unnumbered

1 paragraph 1, Code 1991, is amended to read as follows:

2 For those who do not itemize their ~~deduction~~ deductions, a
3 tuition credit equal to five percent of the first one thousand
4 dollars which the taxpayer has paid to others for each
5 dependent in grades kindergarten through twelve, for tuition
6 and textbooks of each dependent in attending an elementary or
7 secondary school situated in Iowa, which school is accredited
8 or approved under section 256.11, which is not operated for
9 profit, and which adheres to the provisions of the United
10 States federal Civil Rights Act of 1964 and chapter 601A. As
11 used in this subsection, "textbooks" means books and other
12 instructional materials and equipment used in elementary and
13 secondary schools in teaching only those subjects legally and
14 commonly taught in public elementary and secondary schools in
15 this state and does not include instructional books and
16 materials used in the teaching of religious tenets, doctrines,
17 or worship, the purpose of which is to inculcate those tenets,
18 doctrines, or worship, and does not include books or materials
19 for extracurricular activities including sporting events,
20 musical or dramatic events, speech activities, driver's
21 education, or programs of a similar nature. Notwithstanding
22 any other provision, all other credits allowed under section
23 ~~422.10-through~~ sections 422.12 and 422.12B shall be deducted
24 before the tuition credit under this subsection. The credit
25 in this subsection does not apply to a taxpayer whose adjusted
26 gross net income, as properly computed for ~~federal~~ state tax
27 purposes, is forty-five thousand dollars or more. In the case
28 where the taxpayer is married, whether filing jointly or
29 separately, the credit does not apply if the combined adjusted
30 gross net income of the taxpayer and spouse is forty-five
31 thousand dollars or more.

32 Sec. 15. Section 422.12B, subsection 1, Code 1991, is
33 amended to read as follows:

34 1. The taxes imposed under this division, less the credits
35 allowed under ~~sections-422.10-through~~ section 422.12, shall be

1 reduced by an earned income credit equal to six and one-half
2 percent of the federal earned income credit received by the
3 taxpayer under section 32(b) of the Internal Revenue Code.
4 Any credit in excess of the tax liability is nonrefundable.

5 Sec. 16. Section 422.12C, subsections 1 and 3, Code 1991,
6 are amended to read as follows:

7 1. The taxes imposed under this division, less the credits
8 allowed under sections ~~422.10~~ through 422.11A, 422.11B,
9 422.11C, 422.12, and 422.12B shall be reduced by a child and
10 dependent care credit equal to the following percentages of
11 the federal child and dependent care credit provided in
12 section 21 of the Internal Revenue Code:

13 a. For a taxpayer with ~~an-adjusted-gross~~ net income of
14 less than ten thousand dollars, seventy-five percent.

15 b. For a taxpayer with ~~an-adjusted-gross~~ net income of ten
16 thousand dollars or more but less than twenty thousand
17 dollars, sixty-five percent.

18 c. For a taxpayer with ~~an-adjusted-gross~~ net income of
19 twenty thousand dollars or more but less than twenty-five
20 thousand dollars, fifty-five percent.

21 d. For a taxpayer with ~~an-adjusted-gross~~ net income of
22 twenty-five thousand dollars or more but less than thirty-five
23 thousand dollars, fifty percent.

24 e. For a taxpayer with ~~an-adjusted-gross~~ net income of
25 thirty-five thousand dollars or more but less than forty
26 thousand dollars, forty percent.

27 f. For a taxpayer with ~~an-adjusted-gross~~ net income of
28 forty thousand dollars or more but less than forty-five
29 thousand dollars, thirty percent.

30 g. For a taxpayer with ~~an-adjusted-gross~~ net income of
31 forty-five thousand dollars or more but less than fifty
32 thousand dollars, twenty percent.

33 h. For a taxpayer with ~~an-adjusted-gross~~ net income of
34 fifty thousand dollars or more, ten percent.

35 3. Married taxpayers who have filed joint federal returns

1 electing to file separate returns or to file separately on a
2 combined return form must determine the child and dependent
3 care credit under subsection 1 based upon their combined
4 adjusted-gross net income and allocate the total credit amount
5 to each spouse in the proportion that each spouse's respective
6 adjusted-gross net income bears to the total combined adjusted
7 gross net income. Nonresidents or part-year residents of Iowa
8 must determine their Iowa child and dependent care credit in
9 the ratio of their Iowa source net income to their all source
10 net income. Nonresidents or part-year residents who are
11 married and elect to file separate returns or to file
12 separately on a combined return form must allocate the Iowa
13 child and dependent care credit between the spouses in the
14 ratio of each spouse's Iowa source net income to the combined
15 Iowa source net income of the taxpayers.

16 Sec. 17. Section 422.20, subsection 3, unnumbered
17 paragraph 1, Code 1991, is amended to read as follows:

18 Unless otherwise expressly permitted by section 421.17,
19 subsections 21, 22, 23, 25, and 29, and 32, sections 252B.9,
20 324.63, 421.19, 421.28, and 422.72, and this section, a tax
21 return, return information, or investigative or audit
22 information shall not be divulged to any person or entity,
23 other than the taxpayer, the department, or internal revenue
24 service for use in a matter unrelated to tax administration.

25 Sec. 18. Section 422.21, unnumbered paragraph 1, Code
26 1991, is amended to read as follows:

27 Returns shall be in the form the director prescribes, and
28 shall be filed with the department on or before the last day
29 of the fourth month after the expiration of the tax year
30 except-that. However, co-operative associations as defined in
31 section 6072(d) of the Internal Revenue Code shall file their
32 returns on or before the fifteenth day of the ninth month
33 following the close of the taxable year and nonprofit
34 corporations subject to the unrelated business income tax
35 imposed by section 422.33, subsection 1A, shall file their

1 returns on or before the fifteenth day of the fifth month
2 following the close of the taxable year. If, under the
3 Internal Revenue Code, a corporation is required to file a
4 return covering a tax period of less than twelve months, the
5 state return shall be for the same period and is due forty-
6 five days after the due date of the federal tax return,
7 excluding any extension of time to file. In case of sickness,
8 absence, or other disability, or if good cause exists, the
9 director may allow further time for filing returns. The
10 director shall cause to be prepared blank forms for the
11 returns and shall cause them to be distributed throughout the
12 state and to be furnished upon application, but failure to
13 receive or secure the form does not relieve the taxpayer from
14 the obligation of making a return that is required. The
15 department may as far as consistent with the Code draft income
16 tax forms to conform to the income tax forms of the internal
17 revenue department of the United States government. Each
18 return by a taxpayer upon whom a tax is imposed by section
19 422.5 shall show the county of the residence of the taxpayer.

20 Sec. 19. Section 422.72, subsection 3, unnumbered
21 paragraph 1, Code 1991, is amended to read as follows:

22 Unless otherwise expressly permitted by section 421.17,
23 subsections 21, 22, 23, 25, and 29, and 32, sections 252B.9,
24 324.63, 421.19, 421.28, and 422.20, and this section, a tax
25 return, return information, or investigative or audit
26 information shall not be divulged to any person or entity,
27 other than the taxpayer, the department, or internal revenue
28 service for use in a matter unrelated to tax administration.

29 Sec. 20. NEW SECTION. 423.27 PENALTY FOR WILLFUL FAILURE
30 TO PAY TAX.

31 A person who willfully makes a false statement in regard to
32 the purchase price of a vehicle subject to taxation under sec-
33 tion 423.7 with the intent to evade the payment of tax shall
34 be assessed a penalty of seventy-five percent of the amount of
35 tax unpaid and required to be paid on the actual purchase

1 price less trade-in allowance.

2 Sec. 21. Section 442.15, unnumbered paragraph 2, Code
3 1991, is amended to read as follows:

4 The school district income surtax is imposed on the state
5 individual income tax for the calendar year during which the
6 school's budget year begins, or for a taxpayer's fiscal year
7 ending during the second half of that calendar year or the
8 first half of the succeeding calendar year, and is imposed on
9 all individuals residing in the school district on the last
10 day of the applicable tax year. As used in this section,
11 "state individual income tax" means the ~~tax~~ taxes computed
12 under section 422.5, less the ~~deductions~~ credits allowed in
13 sections ~~422.10 and~~ 422.11A, 422.11B, 422.11C, 422.12, and
14 422.12B.

15 Sec. 22. Section 450.9, subsection 1, Code 1991, is
16 amended to read as follows:

17 1. Surviving spouse, ~~one-hundred-twenty-thousand-dollars~~
18 the entire amount of property, interest in property, and
19 income.

20 Sec. 23. Section 450.9, unnumbered paragraph 2, Code 1991,
21 is amended by striking the unnumbered paragraph.

22 Sec. 24. Section 450.10, subsection 1, unnumbered
23 paragraph 1, Code 1991, is amended to read as follows:

24 When ~~such~~ the property, interest, or income passes to the
25 ~~wife-or-the-husband-of-the-deceased, grantor, donor, or~~
26 ~~vendor, or to the~~ father or mother, or to ~~any~~ a child or
27 lineal descendant of ~~such~~ the decedent, grantor, donor, or
28 vendor, including a legally adopted child or illegitimate
29 child entitled to inherit under the laws of this state, the
30 tax imposed shall be on the individual share so passing in
31 excess of the exemptions herein allowed ~~and shall be as~~
32 follows:

33 Sec. 25. Section 450.10, subsection 3, unnumbered
34 paragraph 1, Code 1991, is amended to read as follows:

35 When the property or ~~any interest therein~~ in property or

1 income ~~therefrom~~ from property, taxable under the ~~provisions~~
2 of this chapter, passes to any a person not included in
3 subsections 1, and 2, hereof and 7, the rate of tax imposed on
4 the individual share so passing shall be as follows:

5 Sec. 26. Section 450.10, subsection 7, Code 1991, is
6 amended by striking the subsection and inserting in lieu
7 thereof the following:

8 7. Property, interest in property, or income passing to
9 the surviving spouse is not taxable under this section.

10 Sec. 27. Section 450.94, subsection 3, Code 1991, is
11 amended to read as follows:

12 3. If the amount paid is greater than the correct tax,
13 penalty, and interest due, the department shall refund the
14 excess, ~~with interest after sixty days from the date of~~
15 payment. Interest shall be computed at the rate in effect
16 under section 421.7, under the rules prescribed by the
17 director counting each fraction of a month as an entire month
18 and the interest shall begin to accrue on the first day of the
19 second calendar month following the date of payment or on the
20 date the return was due to be filed or was filed, whichever is
21 the latest. However, the director shall not allow a claim for
22 refund or credit that has not been filed with the department
23 within three years after the tax payment upon which a refund
24 or credit is claimed became due, or one year after the tax
25 payment was made, whichever time is later. A determination by
26 the department of the amount of tax, penalty, and interest
27 due, or the amount of refund for excess tax paid, is final
28 unless the person aggrieved by the determination appeals to
29 the director for a revision of the determination within thirty
30 days from the postmark date of the notice of determination of
31 tax, penalty, and interest due or refund owing. The director
32 shall grant a hearing, and upon the hearing the director shall
33 determine the correct tax, penalty and interest or refund due,
34 and notify the appellant of the decision by mail. The
35 decision of the director is final unless the appellant seeks

1 judicial review of the director's decision under section
2 450.59 within sixty days after the postmark date of the notice
3 of the director's decision.

4 Sec. 28. Section 455G.3, Code 1991, is amended by adding
5 the following new subsection:

6 NEW SUBSECTION. 5. For purposes of payment of refunds of
7 the environmental protection charge under section 424.15 by
8 the department of revenue and finance, the treasurer of state
9 shall allocate to the department of revenue and finance the
10 total amount budgeted by the fund's board for environmental
11 protection charge refunds. Any unused funds shall be remitted
12 to the treasurer of state.

13 Sec. 29. Sections 2 and 21 of this Act are retroactive to
14 January 1, 1990, for tax years beginning on or after that
15 date.

16 Sec. 30. Sections 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, and
17 18 of this Act are retroactive to January 1, 1991, for tax
18 years beginning on or after that date.

19 Sec. 31. Section 7 of this Act is effective July 1, 1991,
20 for tax payments due on or after that date.

21 Sec. 32. Section 8 of this Act is retroactive to January
22 1, 1989, for tax years beginning on or after that date.

23 Sec. 33. Section 27 of this Act is effective July 1, 1991,
24 for estates of decedents dying on or after that date.

25 Sec. 34. Sections 22, 23, 24, 25, and 26 of this Act are
26 retroactive to January 1, 1988, for estates of decedents dying
27 on or after that date.

28 EXPLANATION

29 Section 1 amends the requirement that a voter registration
30 form be placed in the individual income tax booklet every year
31 to require only that a voter registration form be placed in
32 the individual income tax return booklet that will be filed in
33 a general election year.

34 Sections 2, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 21
35 pertain to individual income tax. These sections revise the

1 statutes for the school district income surtaxes so that the
2 same nonrefundable income tax credits and same carryover
3 income tax credits are applied to the income tax liabilities
4 prior to imposition of the two income surtaxes; specify that
5 certain government pensions which are exempt in computing net
6 income are considered for purposes of determining whether
7 taxpayers are totally exempt from tax; provide that it is a
8 taxpayer's net income instead of federal adjusted gross income
9 which determines a taxpayer's income qualification for the
10 deduction for tuition and textbooks or the tax credit for
11 tuition and textbooks and for computing the child and
12 dependent care credit; and make technical changes in the
13 statutes for the various income tax credits so that there is
14 uniformity in the priority of the tax credits and so that
15 nonrefundable credits are applied against tax prior to the
16 application of carryover tax credits and refundable tax
17 credits.

18 Section 3 eliminates special treatment of delinquent pay-
19 ment penalties related to fuel taxes resulting from payment by
20 a check not honored because of insufficient funds in the
21 account upon which the check was drawn. Penalties from
22 delinquencies of payment of fuel taxes occurring from
23 insufficient funds checks will be treated the same as any
24 other delinquent payment penalty.

25 Sections 4, 17, and 19 require the director of revenue and
26 finance to ensure that persons employed under contract and who
27 are not officers or employees of the state, but have access to
28 the confidential tax information as a result of the contracts,
29 are subject to the requirements and penalties of the tax
30 confidentiality laws of the state to the same extent as
31 officers and employees of the state.

32 Section 5 provides that the penalty for willful failure to
33 file a return or deposit form with the intent to evade tax or
34 willfully filing a false return or deposit form with the
35 intent to evade tax is not subject to waiver. This is a

1 technical correction to 1990 Iowa Acts, chapter 1172 (SF
2 2304).

3 Section 6 provides a 10 percent penalty for failure to
4 remit at least 90 percent of the tax due when an extension of
5 time to file a return or deposit form is made.

6 Section 7 imposes a penalty of five percent for failure to
7 remit payment of taxes by the method set forth in rules of the
8 director of revenue and finance. In case of large payments,
9 this method is by electronic funds transfers. Prior to the
10 imposition of the penalty, the department will notify the
11 taxpayer of the electronic funds transfer requirement and
12 assist the taxpayer in meeting those requirements. The
13 penalty will be assessed if the taxpayer fails to comply after
14 notification.

15 Section 18 makes Iowa law consistent with federal law con-
16 cerning the due date for filing income tax returns for
17 nonprofit corporations subject to the unrelated business
18 income tax.

19 Section 20 imposes a penalty of 75 percent of the unpaid
20 use tax when the purchaser of a vehicle subject to use tax
21 willfully makes a false statement regarding the purchase
22 price.

23 Current law provides a complete exemption from inheritance
24 taxation for the share of property passing to the surviving
25 spouse. Sections 22 through 26 remove the language which
26 provides for the phase-in of the exemption.

27 Section 27 changes, in some instances, the date upon which
28 the department of revenue and finance begins to pay interest
29 to taxpayers owed refunds for overpayment of inheritance tax.
30 Currently, interest begins to accrue 60 days after the date of
31 payment of the tax. Under this section, interest would begin
32 to accrue on one of the following three dates, whichever is
33 the latest: the first day of the second calendar month
34 following the date of payment, the date the return was due to
35 be filed, or the date the return was filed. The bill further

1 states that, for the purposes of measuring the date from which
2 interest is to be computed, any fraction of a month will count
3 as an entire month.

4 Section 28 provides that certain funds in the Iowa compre-
5 hensive petroleum underground storage tank fund be allocated
6 to the department of revenue and finance for refunds of the
7 environmental protection charge.

8 Sections 29, 30, 32, and 34 provide for retroactive
9 effective dates for sections 2, 5, 6, 8 through 16, 18, and 21
10 through 26.

11 Sections 31 and 33 provide for prospective effective dates
12 for sections 7 and 27.

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SENATE FILE 356

H-3538

1 Amend Senate File 356, as passed by the Senate, as
2 follows:
3 1. By striking page 4, line 16, through page 5,
4 line 3, and inserting the following: "Code 1991, is
5 amended by striking the paragraph."
6 2. Page 6, line 35, by striking the word "unnum-
7 bered".
8 3. Page 7, by striking lines 1 through 31 and in-
9 serting the following: "Code 1991, is amended by
10 striking the subsection."
11 4. Title page, by striking lines 7 through 10 and
12 inserting the following: "For total exemption from
13 tax; providing for revision".

BY CONNORS OF POLK
HAMMOND OF STORY
CARPENTER OF POLK

H-3538 FILED APRIL 8, 1991

w/ox 4/17/91 (p. 1335)

SENATE FILE 356
FISCAL NOTE

A fiscal note for H-3538 to Senate File 356 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

H-3538 to Senate File 356 repeals the current itemized deduction for tuition and textbooks for dependents in grades kindergarten through 12th grade in qualified private schools. Additionally, the amendment repeals the 5% credit for tuition and textbooks for dependents available to taxpayers who do not itemize. The deduction and credit are allowed for tuition and textbook expenses for qualified private schools.

Fiscal Effect

The effect of this amendment would be to increase State General Fund revenues by about \$750,000, since taxpayers would no longer be able to claim the credit or deduction. This effect would first occur in FY 1992.

Source: Department of Revenue and Finance

(ISS 19105v, 200)

FILED APRIL 10, 1991

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 356

H-3500

1 Amend Senate File 356 as passed by the Senate, as
2 follows:

- 3 1. Page 1, by striking lines 1 through 3.
- 4 2. Title page 1, by striking lines 2 and 3 and
5 inserting the following: "tax, by providing
6 uniformity in the".
- 7 3. By renumbering and correcting internal
8 references.

By HOLVECK of Polk

H-3500 FILED APRIL 4, 1991

*Adopted 4/17/91 (p. 1335)
Line 4 then 6 placed % by 3523*

SENATE FILE 356

H-3523

1 Amend Senate File 356, as passed by the Senate, as
2 follows:

- 3 1. By striking title page 1, line 1 through title
4 page 2, line 7, and inserting the following: "An Act
5 relating to the procedures, confidentiality,
6 penalties, refunds, and nonsubstantive changes for
7 taxes administered by the department of revenue and
8 finance, relating to refunds of the environmental
9 protection charge, and providing effective dates."

By HOLVECK of Polk

H-3523 FILED APRIL 5, 1991

Adopted 4/12/91 (p. 1336)

SENATE FILE 356

H-3572

1 Amend Senate File 356, as passed by the Senate, as
2 follows:

- 3 1. Page 10, by inserting after line 19, the
4 following:
5 "Sec. ____ . Section 422.45, Code 1991, is amended
6 by adding the following new subsection:
7 NEW SUBSECTION. 46. The gross receipts from the
8 sale of property which the seller transfers to a
9 carrier for shipment to a point outside of Iowa,
10 places in the United States mail or parcel post
11 directed to a point outside of Iowa, or transports to
12 a point outside of Iowa by means of the seller's own
13 vehicles, and which is not thereafter returned to a
14 point within Iowa, except solely in the course of
15 interstate commerce or transportation. This exemption
16 shall not apply if the purchaser, consumer, or their
17 agent, other than a carrier, takes physical possession
18 of the property in Iowa."

By HOLVECK of Polk

GRONINGA of Cerro Gordo

H-3572 FILED APRIL 10, 1991

Adopted 4/17/91 (p. 1335)

SENATE FILE 356

S-3523

1 Amend the House amendment, S-3509, to Senate File
2 356, as passed by the Senate, as follows:
3 1. Page 1, by inserting after line 5 the
4 following:
5 ""Sec. ____ . Section 422.43, subsection 11,
6 unnumbered paragraph 1, Code 1991, is amended to read
7 as follows:
8 The following enumerated services are subject to
9 the tax imposed on gross taxable services: Alteration
10 and garment repair; armored car; automobile repair;
11 battery, tire and allied; investment counseling;
12 service charges of all financial institutions; barber
13 and beauty; boat repair; car wash and wax; carpentry;
14 roof, shingle, and glass repair; dance schools and
15 dance studios; dry cleaning, pressing, dyeing, and
16 laundering; electrical and electronic repair and
17 installation; rental of tangible personal property,
18 except mobile homes which are tangible personal
19 property; excavating and grading; farm implement
20 repair of all kinds; flying service; furniture, rug,
21 upholstery repair and cleaning; fur storage and
22 repair; golf and country clubs and all commercial
23 recreation; house and building moving; household
24 appliance, television, and radio repair; jewelry and
25 watch repair; machine operator; machine repair of all
26 kinds; motor repair; motorcycle, scooter, and bicycle
27 repair; oilers and lubricators; office and business
28 machine repair; painting, papering, and interior
29 decorating; parking facilities; pipe fitting and
30 plumbing; wood preparation; licensed executive search
31 agencies; private employment agencies, excluding
32 services for placing a person in employment where the
33 principal place of employment of that person is to be
34 located outside of the state; sewing and stitching;
35 shoe repair and shoeshine; storage warehousing of raw
36 agricultural products; telephone answering service;
37 test laboratories, except tests on humans or animals;
38 termite, bug, roach, and pest eradicators; tin and
39 sheet metal repair; turkish baths, massage, and
40 reducing salons; weighing; welding; well drilling;
41 wrapping, packing, and packaging of merchandise other
42 than processed meat, fish, fowl and vegetables;
43 wrecking service; wrecker and towing; pay television;
44 campgrounds; carpet and upholstery cleaning; gun and
45 camera repair; janitorial and building maintenance or
46 cleaning; lawn care, landscaping and tree trimming and
47 removal; pet grooming; reflexology; security and
48 detective services; tanning beds or salons; and water
49 conditioning and softening."

By JIM LIND
BERL E. PRIEBE

S-3523 FILED APRIL 22, 1991
ACCEPTED (p. 1387) Motion to reconsider (p. 1404)

HOUSE AMENDMENT TO
SENATE FILE 356

S-3509

1 Amend Senate File 356, as passed by the Senate, as
2 follows:

- 3 1. Page 1, by striking lines 1 through 9.
- 4 2. Page 10, by inserting after line 19, the
5 following:

6 "Sec. ____ . Section 422.45, Code 1991, is amended
7 by adding the following new subsection:

8 NEW SUBSECTION. 46. The gross receipts from the
9 sale of property which the seller transfers to a
10 carrier for shipment to a point outside of Iowa,
11 places in the United States mail or parcel post
12 directed to a point outside of Iowa, or transports to
13 a point outside of Iowa by means of the seller's own
14 vehicles, and which is not thereafter returned to a
15 point within Iowa, except solely in the course of
16 interstate commerce or transportation. This exemption
17 shall not apply if the purchaser, consumer, or their
18 agent, other than a carrier, takes physical possession
19 of the property in Iowa."

20 3. By striking title page 1, line 1 through title
21 page 2, line 7, and inserting the following: "An Act
22 relating to the procedures, confidentiality,
23 penalties, refunds, and nonsubstantive changes for
24 taxes administered by the department of revenue and
25 finance, relating to refunds of the environmental
26 protection charge, and providing effective dates."

27 4. By renumbering, relettering, or redesignating
28 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-3509 FILED APRIL 19, 1991

Senate Conference 4/22/91 (p. 1387)
Motion to Reconsider (p. 1404)

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 356
H-3824

1 Amend the House amendment, S-3509, to Senate File
2 356, as passed by the Senate, as follows:
3 1. Page 1, by inserting after line 5 the
4 following:
5 "Sec. ____ . Section 422.43, subsection 11,
6 unnumbered paragraph 1, Code 1991, is amended to read
7 as follows:
8 The following enumerated services are subject to
9 the tax imposed on gross taxable services: Alteration
10 and garment repair; armored car; automobile repair;
11 battery, tire and allied; investment counseling;
12 service charges of all financial institutions; barber
13 and beauty; boat repair; car wash and wax; carpentry;
14 roof, shingle, and glass repair; dance schools and
15 dance studios; dry cleaning, pressing, dyeing, and
16 laundering; electrical and electronic repair and
17 installation; rental of tangible personal property,
18 except mobile homes which are tangible personal
19 property; excavating and grading; farm implement
20 repair of all kinds; flying service; furniture, rug,
21 upholstery repair and cleaning; fur storage and
22 repair; golf and country clubs and all commercial
23 recreation; house and building moving; household
24 appliance, television, and radio repair; jewelry and
25 watch repair; machine operator; machine repair of all
26 kinds; motor repair; motorcycle, scooter, and bicycle
27 repair; oilers and lubricators; office and business
28 machine repair; painting, papering, and interior
29 decorating; parking facilities; pipe fitting and
30 plumbing; wood preparation; licensed executive search
31 agencies; private employment agencies, excluding
32 services for placing a person in employment where the
33 principal place of employment of that person is to be
34 located outside of the state; sewing and stitching;
35 shoe repair and shoeshine; storage warehousing of raw
36 agricultural products; telephone answering service;
37 test laboratories, except tests on humans or animals;
38 termite, bug, roach, and pest eradicators; tin and
39 sheet metal repair; turkish baths, massage, and
40 reducing salons; weighing; welding; well drilling;
41 wrapping, packing, and packaging of merchandise other
42 than processed meat, fish, fowl and vegetables;
43 wrecking service; wrecker and towing; pay television;
44 campgrounds; carpet and upholstery cleaning; gun and
45 camera repair; janitorial and building maintenance or
46 cleaning; lawn care, landscaping and tree trimming and
47 removal; pet grooming; reflexology; security and
48 detective services; tanning beds or salons; and water
49 conditioning and softening."

RECEIVED FROM THE SENATE

H-3824 FILED APRIL 25, 1991

House concurred 4/30/91 (p. 1917)

MURPHY, CH.

ROSENBERG

McLAREN

SSB 137

WAYS & MEANS

SENATE FILE 356

BY (PROPOSED COMMITTEE ON

WAYS AND MEANS BILL

BY CHAIRPERSON DIELEMAN)

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act relating to the administration of the individual income
2 tax, by amending the requirement that each tax return include
3 two voter registration forms; providing uniformity in the
4 priority of the various income tax credits; specifying that
5 the incomes covered in the government pension exclusion are
6 considered for purposes of determining if taxpayers qualify
7 for total exemption from tax; providing that qualification for
8 the tuition and textbook deduction and the tuition and
9 textbook credit is based on taxpayers' net incomes instead of
10 their federal adjusted gross incomes; providing for revision
11 in the computation of the child and dependent care credit and
12 allocation of the credit between married taxpayers and
13 nonresidents and part-year resident taxpayers; relating to the
14 penalty for delinquent payment of fuel taxes resulting from a
15 check given in payment but not honored because of insufficient
16 funds; relating to access to confidential tax information by
17 certain persons and the application of confidentiality laws of
18 the state; relating to penalty provisions on the filing of
19 certain tax returns and failure to submit payment of taxes as
20 required by the rules of the director of revenue and finance;
21 relating to the due date for income tax returns for nonprofit
22 corporations subject to the unrelated business income tax;

1 relating to use tax on vehicles subject to registration or
2 only subject to the issuance of title; relating to the
3 exemption from inheritance tax of the share of the estate
4 passing to the surviving spouse; relating to payment of
5 interest to taxpayers owed refunds for inheritance tax;
6 relating to payment of refunds of the environmental protection
7 charge; and providing effective dates.

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

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1 Section 1. Section 48.21, Code 1991, is amended to read as
2 follows:

3 48.21 VOTER REGISTRATION FORMS IN INCOME TAX RETURNS AND
4 BOOKLETS.

5 The director ~~of the department~~ of revenue and finance shall
6 insert securely in each individual income tax return form or
7 instruction booklet for odd-numbered tax years two voter
8 registration forms, designed according to rules adopted by the
9 state voter registration commission.

10 Sec. 2. Section 257.21, unnumbered paragraph 2, Code 1991,
11 is amended to read as follows:

12 The instructional support income surtax shall be imposed on
13 the state individual income tax for the calendar year during
14 which the school's budget year begins, or for a taxpayer's
15 fiscal year ending during the second half of that calendar
16 year and after the date the board adopts a resolution to
17 participate in the program or the first half of the succeeding
18 calendar year, and shall be imposed on all individuals
19 residing in the school district on the last day of the
20 applicable tax year. As used in this section, "state
21 individual income tax" means the ~~tax~~ taxes computed under
22 section 422.5, less the ~~deductions~~ credits allowed in sections
23 ~~422.10 through~~ 422.11A, 422.11B, 422.11C, 422.12, and 422.12B.

24 Sec. 3. Section 324.65, unnumbered paragraph 2, Code 1991,
25 is amended to read as follows:

26 ~~The appropriate state agency shall not remit any part of a~~
27 ~~penalty for delinquent payment if the delinquency results from~~
28 ~~the fact that a check given in payment is not honored because~~
29 ~~of insufficient funds in the account upon which the check was~~
30 ~~drawn.~~ A report required of licensees or persons operating
31 under division III, upon which no tax is due, is subject to a
32 penalty of ten dollars if the report is not timely filed with
33 the state department of transportation.

34 Sec. 4. Section 421.17, Code 1991, is amended by adding
35 the following new subsection:

1 NEW SUBSECTION. 32. To ensure that persons employed under
2 contract, other than officers or employees of the state, who
3 provide assistance in administration of tax laws and who are
4 directly under contract or who are involved in any way with
5 work under the contract and who have access to confidential
6 information are subject to applicable requirements and
7 penalties of tax information confidentiality laws of the state
8 regarding all tax return, return information, or investigative
9 or audit information that may be required to be divulged in
10 order to carry out the duties specified under the contract.

11 Sec. 5. Section 421.27, subsection 4, unnumbered paragraph
12 2, Code 1991, is amended to read as follows:

13 The penalties imposed under this ~~section~~ subsection are not
14 subject to waiver.

15 Sec. 6. Section 421.27, Code 1991, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 5. If a person fails to remit at least
18 ninety percent of the tax required to be shown due by the time
19 an extension for further time to file a return is made, there
20 shall be added to the tax shown due or required to be shown
21 due a penalty of ten percent of the tax due.

22 Sec. 7. Section 421.27, Code 1991, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 6. If a person fails to remit payment of
25 taxes in the form required by the rules of the director, there
26 shall be added to the amount of the tax a penalty of five
27 percent of the amount of tax shown due or required to be shown
28 due. The penalty imposed by this subsection shall be waived
29 if the taxpayer did not receive notification of the
30 requirement to remit tax payments electronically or if the
31 electronic transmission of the payment was not in a format or
32 by means specified by the director and the payment was made
33 before the taxpayer was notified of the requirement to remit
34 tax payments electronically.

35 Sec. 8. Section 422.5, subsection 2, unnumbered paragraph

1 1, Code 1991, is amended to read as follows:

2 However, the tax shall not be imposed on a resident or
3 nonresident whose net income, as defined in section 422.7, is
4 seven thousand five hundred dollars or less in the case of
5 married persons filing jointly or filing separately on a
6 combined return, unmarried heads of household, and surviving
7 spouses or five thousand dollars or less in the case of all
8 other persons; but in the event that the payment of tax under
9 this division would reduce the net income to less than seven
10 thousand five hundred dollars or five thousand dollars as
11 applicable, then the tax shall be reduced to that amount which
12 would result in allowing the taxpayer to retain a net income
13 of seven thousand five hundred dollars or five thousand
14 dollars as applicable. The preceding sentence does not apply
15 to estates or trusts. For the purpose of this subsection, the
16 entire net income, including any part of the net income not
17 allocated to Iowa, shall be taken into account. For purposes
18 of this subsection, net income includes all amounts of
19 pensions or other retirement income received from any source
20 which is not taxable under this division as a result of the
21 government pension exclusions in section 422.7, or any other
22 state law. If the combined net income of a husband and wife
23 exceeds seven thousand five hundred dollars, neither of them
24 shall receive the benefit of this subsection, and it is
25 immaterial whether they file a joint return or separate
26 returns. However, if a husband and wife file separate returns
27 and have a combined net income of seven thousand five hundred
28 dollars or less, neither spouse shall receive the benefit of
29 this paragraph, if one spouse has a net operating loss and
30 elects to carry back or carry forward the loss as provided in
31 section 422.9, subsection 3. A person who is claimed as a
32 dependent by another person as defined in section 422.12 shall
33 not receive the benefit of this subsection if the person
34 claiming the dependent has net income exceeding seven thousand
35 five hundred dollars or five thousand dollars as applicable or

1 the person claiming the dependent and the person's spouse have
2 combined net income exceeding seven thousand five hundred
3 dollars or five thousand dollars as applicable.

4 Sec. 9. Section 422.6, unnumbered paragraph 1, Code 1991,
5 is amended to read as follows:

6 The tax imposed by section 422.5 less the ~~credit~~ credits
7 allowed under ~~section~~ sections 422.10, 422.11A, 422.11B, and
8 422.11C, and the personal exemption credit allowed under
9 section 422.12 apply to and are a charge against estates and
10 trusts with respect to their taxable income, and the rates are
11 the same as those applicable to individuals. The fiduciary
12 shall make the return of income for the estate or trust for
13 which the fiduciary acts, whether the income is taxable to the
14 estate or trust or to the beneficiaries.

15 Sec. 10. Section 422.9, subsection 2, paragraph f,
16 unnumbered paragraph 1, Code 1991, is amended to read as
17 follows:

18 Add the amount the taxpayer has paid to others, not to
19 exceed one thousand dollars for each dependent in grades
20 kindergarten through twelve, for tuition and textbooks of each
21 dependent in attending an elementary or secondary school
22 situated in Iowa, which school is accredited or approved under
23 section 256.11, which is not operated for profit, and which
24 adheres to the provisions of the United-States federal Civil
25 Rights Act of 1964 and chapter 601A. As used in this lettered
26 paragraph, "textbooks" means books and other instructional
27 materials and equipment used in elementary and secondary
28 schools in teaching only those subjects legally and commonly
29 taught in public elementary and secondary schools in this
30 state and does not include instructional books and materials
31 used in the teaching of religious tenets, doctrines, or
32 worship, the purpose of which is to inculcate those tenets,
33 doctrines, or worship, and does not include books or materials
34 for extracurricular activities including sporting events,
35 musical or dramatic events, speech activities, driver's

1 education, or programs of a similar nature. The deduction in
2 this paragraph does not apply to a taxpayer whose adjusted
3 gross net income, as properly computed for federal state tax
4 purposes, is forty-five thousand dollars or more. In the case
5 where the taxpayer is married, whether filing jointly or
6 separately, the deduction does not apply if the combined
7 adjusted-gross net income of the taxpayer and spouse is forty-
8 five thousand dollars or more.

9 Sec. 11. Section 422.10, unnumbered paragraph 2, Code
10 1991, is amended to read as follows:

11 Any credit in excess of the tax liability imposed by
12 section 422.5 less personal-exemption-and-child-care the
13 credits provided-in-section allowed under sections 422.11A,
14 422.11C, 422.12, and 422.12B for the taxable year shall be
15 refunded with interest computed under section 422.25. In lieu
16 of claiming a refund, a taxpayer may elect to have the
17 overpayment shown on the taxpayer's final, completed return
18 credited to the tax liability for the following taxable year.

19 Sec. 12. Section 422.11A, Code 1991, is amended to read as
20 follows:

21 422.11A NEW JOBS TAX CREDIT.

22 The taxes imposed under this division, less the credits
23 allowed under sections ~~422.10~~ and 422.12 and 422.12B, shall be
24 reduced by a new jobs tax credit. An industry which has
25 entered into an agreement under chapter 280B and which has
26 increased its base employment level by at least ten percent
27 within the time set in the agreement or, in the case of an
28 industry without a base employment level, adds new jobs within
29 the time set in the agreement is entitled to this new jobs tax
30 credit for the tax year selected by the industry. In
31 determining if the industry has increased its base employment
32 level by ten percent or added new jobs, only those new jobs
33 directly resulting from the project covered by the agreement
34 and those directly related to those new jobs shall be counted.
35 The amount of this credit is equal to the product of six

1 percent of the taxable wages upon which an employer is
2 required to contribute to the state unemployment compensation
3 fund, as defined in section 96.19, subsection 20, times the
4 number of new jobs existing in the tax year that directly
5 result from the project covered by the agreement or new jobs
6 that directly result from those new jobs. The tax year chosen
7 by the industry shall either begin or end during the period
8 beginning with the date of the agreement and ending with the
9 date by which the project is to be completed under the
10 agreement. An individual may claim the new jobs tax credit
11 allowed a partnership, subchapter S corporation, or estate or
12 trust electing to have the income taxed directly to the
13 individual. The amount claimed by the individual shall be
14 based upon the pro rata share of the individual's earnings of
15 the partnership, subchapter S corporation, or estate or trust.
16 Any credit in excess of the tax liability for the tax year may
17 be credited to the tax liability for the following ten tax
18 years or until depleted, whichever is the earlier. For
19 purposes of this section, "agreement", "industry", "new job"
20 and "project" mean the same as defined in section 280B.2 and
21 "base employment level" means the number of full-time jobs an
22 industry employs at the plant site which is covered by an
23 agreement under chapter 280B on the date of that agreement.

24 Sec. 13. Section 422.11C, subsection 1, Code 1991, is
25 amended to read as follows:

26 1. The taxes imposed under this division less the credits
27 allowed under sections ~~422.10~~, 422.11A, 422.11B, 422.12, and
28 422.12B, shall be reduced by a seed capital credit. An
29 individual may claim the seed capital credit allowed a
30 partnership, subchapter S corporation, or estate or trust
31 electing to have the income taxed directly to the individual.
32 The amount claimed by the individual shall be based upon the
33 pro rata share of the individual's earnings of a partnership,
34 subchapter S corporation, or estate or trust.

35 Sec. 14. Section 422.12, subsection 2, unnumbered

1 paragraph 1, Code 1991, is amended to read as follows:

2 For those who do not itemize their ~~deduction~~ deductions, a
3 tuition credit equal to five percent of the first one thousand
4 dollars which the taxpayer has paid to others for each
5 dependent in grades kindergarten through twelve, for tuition
6 and textbooks of each dependent in attending an elementary or
7 secondary school situated in Iowa, which school is accredited
8 or approved under section 256.11, which is not operated for
9 profit, and which adheres to the provisions of the United
10 States federal Civil Rights Act of 1964 and chapter 601A. As
11 used in this subsection, "textbooks" means books and other
12 instructional materials and equipment used in elementary and
13 secondary schools in teaching only those subjects legally and
14 commonly taught in public elementary and secondary schools in
15 this state and does not include instructional books and
16 materials used in the teaching of religious tenets, doctrines,
17 or worship, the purpose of which is to inculcate those tenets,
18 doctrines, or worship, and does not include books or materials
19 for extracurricular activities including sporting events,
20 musical or dramatic events, speech activities, driver's
21 education, or programs of a similar nature. Notwithstanding
22 any other provision, all other credits allowed under ~~section~~
23 ~~422-10-through~~ sections 422.12 and 422.12B shall be deducted
24 before the tuition credit under this subsection. The credit
25 in this subsection does not apply to a taxpayer whose adjusted
26 gross net income, as properly computed for ~~federal~~ state tax
27 purposes, is forty-five thousand dollars or more. In the case
28 where the taxpayer is married, whether filing jointly or
29 separately, the credit does not apply if the combined adjusted
30 gross net income of the taxpayer and spouse is forty-five
31 thousand dollars or more.

32 Sec. 15. Section 422.12B, subsection 1, Code 1991, is
33 amended to read as follows:

34 1. The taxes imposed under this division, less the credits
35 allowed under ~~sections-422-10-through~~ section 422.12, shall be

1 reduced by an earned income credit equal to six and one-half
2 percent of the federal earned income credit received by the
3 taxpayer under section 32(b) of the Internal Revenue Code.
4 Any credit in excess of the tax liability is nonrefundable.

5 Sec. 16. Section 422.12C, subsections 1 and 3, Code 1991,
6 are amended to read as follows:

7 1. The taxes imposed under this division, less the credits
8 allowed under sections ~~422.10 through~~ 422.11A, 422.11B,
9 422.11C, 422.12, and 422.12B shall be reduced by a child and
10 dependent care credit equal to the following percentages of
11 the federal child and dependent care credit provided in
12 section 21 of the Internal Revenue Code:

13 a. For a taxpayer with an-adjusted-gross net income of
14 less than ten thousand dollars, seventy-five percent.

15 b. For a taxpayer with an-adjusted-gross net income of ten
16 thousand dollars or more but less than twenty thousand
17 dollars, sixty-five percent.

18 c. For a taxpayer with an-adjusted-gross net income of
19 twenty thousand dollars or more but less than twenty-five
20 thousand dollars, fifty-five percent.

21 d. For a taxpayer with an-adjusted-gross net income of
22 twenty-five thousand dollars or more but less than thirty-five
23 thousand dollars, fifty percent.

24 e. For a taxpayer with an-adjusted-gross net income of
25 thirty-five thousand dollars or more but less than forty
26 thousand dollars, forty percent.

27 f. For a taxpayer with an-adjusted-gross net income of
28 forty thousand dollars or more but less than forty-five
29 thousand dollars, thirty percent.

30 g. For a taxpayer with an-adjusted-gross net income of
31 forty-five thousand dollars or more but less than fifty
32 thousand dollars, twenty percent.

33 h. For a taxpayer with an-adjusted-gross net income of
34 fifty thousand dollars or more, ten percent.

35 3. Married taxpayers who have filed joint federal returns

1 electing to file separate returns or to file separately on a
2 combined return form must determine the child and dependent
3 care credit under subsection 1 based upon their combined
4 adjusted-gross net income and allocate the total credit amount
5 to each spouse in the proportion that each spouse's respective
6 adjusted-gross net income bears to the total combined adjusted
7 gross net income. Nonresidents or part-year residents of Iowa
8 must determine their Iowa child and dependent care credit in
9 the ratio of their Iowa source net income to their all source
10 net income. Nonresidents or part-year residents who are
11 married and elect to file separate returns or to file
12 separately on a combined return form must allocate the Iowa
13 child and dependent care credit between the spouses in the
14 ratio of each spouse's Iowa source net income to the combined
15 Iowa source net income of the taxpayers.

16 Sec. 17. Section 422.20, subsection 3, unnumbered
17 paragraph 1, Code 1991, is amended to read as follows:

18 Unless otherwise expressly permitted by section 421.17,
19 subsections 21, 22, 23, 25, and 29, and 32, sections 252B.9,
20 324.63, 421.19, 421.28, and 422.72, and this section, a tax
21 return, return information, or investigative or audit
22 information shall not be divulged to any person or entity,
23 other than the taxpayer, the department, or internal revenue
24 service for use in a matter unrelated to tax administration.

25 Sec. 18. Section 422.21, unnumbered paragraph 1, Code
26 1991, is amended to read as follows:

27 Returns shall be in the form the director prescribes, and
28 shall be filed with the department on or before the last day
29 of the fourth month after the expiration of the tax year
30 except-that. However, co-operative associations as defined in
31 section 6072(d) of the Internal Revenue Code shall file their
32 returns on or before the fifteenth day of the ninth month
33 following the close of the taxable year and nonprofit
34 corporations subject to the unrelated business income tax
35 imposed by section 422.33, subsection 1A, shall file their

1 returns on or before the fifteenth day of the fifth month
2 following the close of the taxable year. If, under the
3 Internal Revenue Code, a corporation is required to file a
4 return covering a tax period of less than twelve months, the
5 state return shall be for the same period and is due forty-
6 five days after the due date of the federal tax return,
7 excluding any extension of time to file. In case of sickness,
8 absence, or other disability, or if good cause exists, the
9 director may allow further time for filing returns. The
10 director shall cause to be prepared blank forms for the
11 returns and shall cause them to be distributed throughout the
12 state and to be furnished upon application, but failure to
13 receive or secure the form does not relieve the taxpayer from
14 the obligation of making a return that is required. The
15 department may as far as consistent with the Code draft income
16 tax forms to conform to the income tax forms of the internal
17 revenue department of the United States government. Each
18 return by a taxpayer upon whom a tax is imposed by section
19 422.5 shall show the county of the residence of the taxpayer.

20 Sec. 19. Section 422.72, subsection 3, unnumbered
21 paragraph 1, Code 1991, is amended to read as follows:

22 Unless otherwise expressly permitted by section 421.17,
23 subsections 21, 22, 23, 25, and 29, and 32, sections 252B.9,
24 324.63, 421.19, 421.28, and 422.20, and this section, a tax
25 return, return information, or investigative or audit
26 information shall not be divulged to any person or entity,
27 other than the taxpayer, the department, or internal revenue
28 service for use in a matter unrelated to tax administration.

29 Sec. 20. NEW SECTION. 423.27 PENALTY FOR WILLFUL FAILURE
30 TO PAY TAX.

31 A person who willfully makes a false statement in regard to
32 the purchase price of a vehicle subject to taxation under sec-
33 tion 423.7 with the intent to evade the payment of tax shall
34 be assessed a penalty of seventy-five percent of the amount of
35 tax unpaid and required to be paid on the actual purchase

1 price less trade-in allowance.

2 Sec. 21. Section 442.15, unnumbered paragraph 2, Code
3 1991, is amended to read as follows:

4 The school district income surtax is imposed on the state
5 individual income tax for the calendar year during which the
6 school's budget year begins, or for a taxpayer's fiscal year
7 ending during the second half of that calendar year or the
8 first half of the succeeding calendar year, and is imposed on
9 all individuals residing in the school district on the last
10 day of the applicable tax year. As used in this section,
11 "state individual income tax" means the ~~tax~~ taxes computed
12 under section 422.5, less the ~~deductions~~ credits allowed in
13 sections ~~422.10 and~~ 422.11A, 422.11B, 422.11C, 422.12, and
14 422.12B.

15 Sec. 22. Section 450.9, subsection 1, Code 1991, is
16 amended to read as follows:

17 1. Surviving spouse, one-hundred-twenty-thousand-dollars
18 the entire amount of property, interest in property, and
19 income.

20 Sec. 23. Section 450.9, unnumbered paragraph 2, Code 1991,
21 is amended by striking the unnumbered paragraph.

22 Sec. 24. Section 450.10, subsection 1, unnumbered
23 paragraph 1, Code 1991, is amended to read as follows:

24 When such the property, interest, or income passes to the
25 ~~wife or the husband of the deceased, grantor, donor, or~~
26 ~~vendor, or to the~~ father or mother, or to any a child or
27 lineal descendant of ~~such the~~ the decedent, grantor, donor, or
28 vendor, including a legally adopted child or illegitimate
29 child entitled to inherit under the laws of this state, the
30 tax imposed shall be on the individual share so passing in
31 excess of the exemptions ~~herein~~ allowed ~~and shall be~~ as
32 follows:

33 Sec. 25. Section 450.10, subsection 3, unnumbered
34 paragraph 1, Code 1991, is amended to read as follows:

35 When the property or any interest therein in property or

1 income therefrom from property, taxable under the provisions
2 of this chapter, passes to any a person not included in
3 subsections 1, and 2, hereof and 7, the rate of tax imposed on
4 the individual share so passing shall be as follows:

5 Sec. 26. Section 450.10, subsection 7, Code 1991, is
6 amended by striking the subsection and inserting in lieu
7 thereof the following:

8 7. Property, interest in property, or income passing to
9 the surviving spouse is not taxable under this section.

10 Sec. 27. Section 450.94, subsection 3, Code 1991, is
11 amended to read as follows:

12 3. If the amount paid is greater than the correct tax,
13 penalty, and interest due, the department shall refund the
14 excess, with interest ~~after-sixty-days-from-the-date-of~~
15 payment. Interest shall be computed at the rate in effect
16 under section 42i.7, under the rules prescribed by the
17 director counting each fraction of a month as an entire month
18 and the interest shall begin to accrue on the first day of the
19 second calendar month following the date of payment or on the
20 date the return was due to be filed or was filed, whichever is
21 the latest. However, the director shall not allow a claim for
22 refund or credit that has not been filed with the department
23 within three years after the tax payment upon which a refund
24 or credit is claimed became due, or one year after the tax
25 payment was made, whichever time is later. A determination by
26 the department of the amount of tax, penalty, and interest
27 due, or the amount of refund for excess tax paid, is final
28 unless the person aggrieved by the determination appeals to
29 the director for a revision of the determination within thirty
30 days from the postmark date of the notice of determination of
31 tax, penalty, and interest due or refund owing. The director
32 shall grant a hearing, and upon the hearing the director shall
33 determine the correct tax, penalty and interest or refund due,
34 and notify the appellant of the decision by mail. The
35 decision of the director is final unless the appellant seeks

1 judicial review of the director's decision under section
2 450.59 within sixty days after the postmark date of the notice
3 of the director's decision.

4 Sec. 28. Section 455G.3, Code 1991, is amended by adding
5 the following new subsection:

6 NEW SUBSECTION. 5. For purposes of payment of refunds of
7 the environmental protection charge under section 424.15 by
8 the department of revenue and finance, the treasurer of state
9 shall allocate to the department of revenue and finance the
10 total amount budgeted by the fund's board for environmental
11 protection charge refunds. Any unused funds shall be remitted
12 to the treasurer of state.

13 Sec. 29. Sections 2 and 21 of this Act are retroactive to
14 January 1, 1990, for tax years beginning on or after that
15 date.

16 Sec. 30. Sections 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, and
17 18 of this Act are retroactive to January 1, 1991, for tax
18 years beginning on or after that date.

19 Sec. 31. Section 7 of this Act is effective July 1, 1991,
20 for tax payments due on or after that date.

21 Sec. 32. Section 8 of this Act is retroactive to January
22 1, 1989, for tax years beginning on or after that date.

23 Sec. 33. Section 27 of this Act is effective July 1, 1991,
24 for estates of decedents dying on or after that date.

25 Sec. 34. Sections 22, 23, 24, 25, and 26 of this Act are
26 retroactive to January 1, 1988, for estates of decedents dying
27 on or after that date.

28 EXPLANATION

29 Section 1 amends the requirement that a voter registration
30 form be placed in the individual income tax booklet every year
31 to require only that a voter registration form be placed in
32 the individual income tax return booklet that will be filed in
33 a general election year.

34 Sections 2, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 21
35 pertain to individual income tax. These sections revise the

1 statutes for the school district income surtaxes so that the
2 same nonrefundable income tax credits and same carryover
3 income tax credits are applied to the income tax liabilities
4 prior to imposition of the two income surtaxes; specify that
5 certain government pensions which are exempt in computing net
6 income are considered for purposes of determining whether
7 taxpayers are totally exempt from tax; provide that it is a
8 taxpayer's net income instead of federal adjusted gross income
9 which determines a taxpayer's income qualification for the
10 deduction for tuition and textbooks or the tax credit for
11 tuition and textbooks and for computing the child and
12 dependent care credit; and make technical changes in the
13 statutes for the various income tax credits so that there is
14 uniformity in the priority of the tax credits and so that
15 nonrefundable credits are applied against tax prior to the
16 application of carryover tax credits and refundable tax
17 credits.

18 Section 3 eliminates special treatment of delinquent pay-
19 ment penalties related to fuel taxes resulting from payment by
20 a check not honored because of insufficient funds in the
21 account upon which the check was drawn. Penalties from
22 delinquencies of payment of fuel taxes occurring from
23 insufficient funds checks will be treated the same as any
24 other delinquent payment penalty.

25 Sections 4, 17, and 19 require the director of revenue and
26 finance to ensure that persons employed under contract and who
27 are not officers or employees of the state, but have access to
28 the confidential tax information as a result of the contracts,
29 are subject to the requirements and penalties of the tax
30 confidentiality laws of the state to the same extent as
31 officers and employees of the state.

32 Section 5 provides that the penalty for willful failure to
33 file a return or deposit form with the intent to evade tax or
34 willfully filing a false return or deposit form with the
35 intent to evade tax is not subject to waiver. This is a

1 technical correction to 1990 Iowa Acts, chapter 1172 (SF
2 2304).

3 Section 6 provides a 10 percent penalty for failure to
4 remit at least 90 percent of the tax due when an extension of
5 time to file a return or deposit form is made.

6 Section 7 imposes a penalty of five percent for failure to
7 remit payment of taxes by the method set forth in rules of the
8 director of revenue and finance. In case of large payments,
9 this method is by electronic funds transfers. Prior to the
10 imposition of the penalty, the department will notify the
11 taxpayer of the electronic funds transfer requirement and
12 assist the taxpayer in meeting those requirements. The
13 penalty will be assessed if the taxpayer fails to comply after
14 notification.

15 Section 18 makes Iowa law consistent with federal law con-
16 cerning the due date for filing income tax returns for
17 nonprofit corporations subject to the unrelated business
18 income tax.

19 Section 20 imposes a penalty of 75 percent of the unpaid
20 use tax when the purchaser of a vehicle subject to use tax
21 willfully makes a false statement regarding the purchase
22 price.

23 Current law provides a complete exemption from inheritance
24 taxation for the share of property passing to the surviving
25 spouse. Sections 22 through 26 remove the language which
26 provides for the phase-in of the exemption.

27 Section 27 changes, in some instances, the date upon which
28 the department of revenue and finance begins to pay interest
29 to taxpayers owed refunds for overpayment of inheritance tax.
30 Currently, interest begins to accrue 60 days after the date of
31 payment of the tax. Under this section, interest would begin
32 to accrue on one of the following three dates, whichever is
33 the latest: the first day of the second calendar month
34 following the date of payment, the date the return was due to
35 be filed, or the date the return was filed. The bill further

1 states that, for the purposes of measuring the date from which
2 interest is to be computed, any fraction of a month will count
3 as an entire month.

4 Section 28 provides that certain funds in the Iowa compre-
5 hensive petroleum underground storage tank fund be allocated
6 to the department of revenue and finance for refunds of the
7 environmental protection charge.

8 Sections 29, 30, 32, and 34 provide for retroactive
9 effective dates for sections 2, 5, 6, 8 through 16, 18, and 21
10 through 26.

11 Sections 31 and 33 provide for prospective effective dates
12 for sections 7 and 27.

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SENATE FILE 356

AN ACT

RELATING TO THE PROCEDURES, CONFIDENTIALITY, PENALTIES, RE-
FUNDS, AND NONSUBSTANTIVE CHANGES FOR TAXES ADMINISTERED
BY THE DEPARTMENT OF REVENUE AND FINANCE, RELATING TO RE-
FUNDS OF THE ENVIRONMENTAL PROTECTION CHARGE, AND PROVIDING
EFFECTIVE DATES.

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

Section 1. Section 257.21, unnumbered paragraph 2, Code 1991, is amended to read as follows:

The instructional support income surtax shall be imposed on the state individual income tax for the calendar year during which the school's budget year begins, or for a taxpayer's fiscal year ending during the second half of that calendar year and after the date the board adopts a resolution to participate in the program or the first half of the succeeding calendar year, and shall be imposed on all individuals residing in the school district on the last day of the applicable tax year. As used in this section, "state individual income tax" means the tax ~~taxes~~ computed under section 422.5, less the ~~deductions~~ credits allowed in sections ~~422.10 through 422.11A, 422.11B, 422.11C, 422.12, and 422.12B.~~

Sec. 2. Section 324.65, unnumbered paragraph 2, Code 1991, is amended to read as follows:

~~The appropriate state agency shall not remit any part of a penalty for delinquent payment if the delinquency results from the fact that a check given in payment is not honored because of insufficient funds in the account upon which the check was drawn.~~ A report required of licensees or persons operating under division III, upon which no tax is due, is subject to a penalty of ten dollars if the report is not timely filed with the state department of transportation.

Sec. 3. Section 421.17, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 32. To ensure that persons employed under contract, other than officers or employees of the state, who provide assistance in administration of tax laws and who are directly under contract or who are involved in any way with work under the contract and who have access to confidential information are subject to applicable requirements and penalties of tax information confidentiality laws of the state regarding all tax return, return information, or investigative or audit information that may be required to be divulged in order to carry out the duties specified under the contract.

Sec. 4. Section 421.27, subsection 4, unnumbered paragraph 2, Code 1991, is amended to read as follows:

The penalties imposed under this section subsection are not subject to waiver.

Sec. 5. Section 421.27, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 5. If a person fails to remit at least ninety percent of the tax required to be shown due by the time an extension for further time to file a return is made, there shall be added to the tax shown due or required to be shown due a penalty of ten percent of the tax due.

Sec. 6. Section 421.27, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 6. If a person fails to remit payment of taxes in the form required by the rules of the director, there shall be added to the amount of the tax a penalty of five

percent of the amount of tax shown due or required to be shown due. The penalty imposed by this subsection shall be waived if the taxpayer did not receive notification of the requirement to remit tax payments electronically or if the electronic transmission of the payment was not in a format or by means specified by the director and the payment was made before the taxpayer was notified of the requirement to remit tax payments electronically.

Sec. 7. Section 422.5, subsection 2, unnumbered paragraph 1, Code 1991, is amended to read as follows:

However, the tax shall not be imposed on a resident or nonresident whose net income, as defined in section 422.7, is seven thousand five hundred dollars or less in the case of married persons filing jointly or filing separately on a combined return, unmarried heads of household, and surviving spouses or five thousand dollars or less in the case of all other persons; but in the event that the payment of tax under this division would reduce the net income to less than seven thousand five hundred dollars or five thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of seven thousand five hundred dollars or five thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of this subsection, the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. For purposes of this subsection, net income includes all amounts of pensions or other retirement income received from any source which is not taxable under this division as a result of the government pension exclusions in section 422.7, or any other state law. If the combined net income of a husband and wife exceeds seven thousand five hundred dollars, neither of them shall receive the benefit of this subsection, and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of seven thousand five hundred

dollars or less, neither spouse shall receive the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided in section 422.9, subsection 3. A person who is claimed as a dependent by another person as defined in section 422.12 shall not receive the benefit of this subsection if the person claiming the dependent has net income exceeding seven thousand five hundred dollars or five thousand dollars as applicable or the person claiming the dependent and the person's spouse have combined net income exceeding seven thousand five hundred dollars or five thousand dollars as applicable.

Sec. 8. Section 422.6, unnumbered paragraph 1, Code 1991, is amended to read as follows:

The tax imposed by section 422.5 less the credit credits allowed under sections 422.10, 422.11A, 422.11B, and 422.11C, and the personal exemption credit allowed under section 422.12 apply to and are a charge against estates and trusts with respect to their taxable income, and the rates are the same as those applicable to individuals. The fiduciary shall make the return of income for the estate or trust for which the fiduciary acts, whether the income is taxable to the estate or trust or to the beneficiaries.

Sec. 9. Section 422.9, subsection 2, paragraph f, unnumbered paragraph 1, Code 1991, is amended to read as follows:

Add the amount the taxpayer has paid to others, not to exceed one thousand dollars for each dependent in grades kindergarten through twelve, for tuition and textbooks of each dependent in attending an elementary or secondary school situated in Iowa, which school is accredited or approved under section 256.11, which is not operated for profit, and which adheres to the provisions of the United-States federal Civil Rights Act of 1964 and chapter 601A. As used in this lettered paragraph, "textbooks" means books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly

taught in public elementary and secondary schools in this state and does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship, and does not include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or programs of a similar nature. The deduction in this paragraph does not apply to a taxpayer whose adjusted gross net income, as properly computed for federal state tax purposes, is forty-five thousand dollars or more. In the case where the taxpayer is married, whether filing jointly or separately, the deduction does not apply if the combined adjusted-gross net income of the taxpayer and spouse is forty-five thousand dollars or more.

Sec. 10. Section 422.10, unnumbered paragraph 2, Code 1991, is amended to read as follows:

Any credit in excess of the tax liability imposed by section 422.5 less personal-exemption-and-child-care the credits provided-in-section allowed under sections 422.11A, 422.11C, 422.12, and 422.12B 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. 11. Section 422.11A, Code 1991, is amended to read as follows:

422.11A NEW JOBS TAX CREDIT.

The taxes imposed under this division, less the credits allowed under sections 422.10 and 422.12 and 422.12B, shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 280B and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax

credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. An individual may claim the new jobs tax credit allowed a partnership, subchapter S corporation, or 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 the partnership, subchapter S corporation, or estate or trust. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted, whichever is the earlier. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. 12. Section 422.11C, subsection 1, Code 1991, is amended to read as follows:

1. The taxes imposed under this division less the credits allowed under sections 422.10, 422.11A, 422.11B, 422.12, and 422.12B, shall be reduced by a seed capital credit. An individual may claim the seed capital credit allowed a partnership, subchapter S corporation, or 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.

Sec. 13. Section 422.12, subsection 2, unnumbered paragraph 1, Code 1991, is amended to read as follows:

For those who do not itemize their ~~deduction~~ deductions, a tuition credit equal to five percent of the first one thousand dollars which the taxpayer has paid to others for each dependent in grades kindergarten through twelve, for tuition and textbooks of each dependent in attending an elementary or secondary school situated in Iowa, which school is accredited or approved under section 256.11, which is not operated for profit, and which adheres to the provisions of the United States federal Civil Rights Act of 1964 and chapter 601A. As used in this subsection, "textbooks" means books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state and does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship, and does not include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or programs of a similar nature. Notwithstanding any other provision, all other credits allowed under ~~section 422.10 through sections~~ sections 422.12 and 422.12B shall be deducted before the tuition credit under this subsection. The credit in this subsection does not apply to a taxpayer whose adjusted gross net income, as properly computed for federal state tax purposes, is forty-five thousand dollars or more. In the case where the taxpayer is married, whether filing jointly or separately, the credit does not apply if the combined adjusted gross net income of the taxpayer and spouse is forty-five thousand dollars or more.

Sec. 14. Section 422.12B, subsection 1, Code 1991, is amended to read as follows:

1. The taxes imposed under this division, less the credits allowed under ~~sections 422.10 through section~~ section 422.12, shall be reduced by an earned income credit equal to six and one-half percent of the federal earned income credit received by the taxpayer under section 32(b) of the Internal Revenue Code. Any credit in excess of the tax liability is nonrefundable.

Sec. 15. Section 422.12C, subsections 1 and 3, Code 1991, are amended to read as follows:

1. The taxes imposed under this division, less the credits allowed under ~~sections 422.10 through 422.11A, 422.11B, 422.11C, 422.12, and 422.12B~~ shall be reduced by a child and dependent care credit equal to the following percentages of the federal child and dependent care credit provided in section 21 of the Internal Revenue Code:

a. For a taxpayer with an adjusted-gross net income of less than ten thousand dollars, seventy-five percent.

b. For a taxpayer with an adjusted-gross net income of ten thousand dollars or more but less than twenty thousand dollars, sixty-five percent.

c. For a taxpayer with an adjusted-gross net income of twenty thousand dollars or more but less than twenty-five thousand dollars, fifty-five percent.

d. For a taxpayer with an adjusted-gross net income of twenty-five thousand dollars or more but less than thirty-five thousand dollars, fifty percent.

e. For a taxpayer with an adjusted-gross net income of thirty-five thousand dollars or more but less than forty thousand dollars, forty percent.

f. For a taxpayer with an adjusted-gross net income of forty thousand dollars or more but less than forty-five thousand dollars, thirty percent.

g. For a taxpayer with an adjusted-gross net income of forty-five thousand dollars or more but less than fifty thousand dollars, twenty percent.

h. For a taxpayer with an adjusted-gross net income of fifty thousand dollars or more, ten percent.

3. Married taxpayers who have filed joint federal returns electing to file separate returns or to file separately on a combined return form must determine the child and dependent care credit under subsection 1 based upon their combined adjusted-gross net income and allocate the total credit amount to each spouse in the proportion that each spouse's respective adjusted-gross net income bears to the total combined adjusted-gross net income. Nonresidents or part-year residents of Iowa must determine their Iowa child and dependent care credit in the ratio of their Iowa source net income to their all source net income. Nonresidents or part-year residents who are married and elect to file separate returns or to file separately on a combined return form must allocate the Iowa child and dependent care credit between the spouses in the ratio of each spouse's Iowa source net income to the combined Iowa source net income of the taxpayers.

Sec. 16. Section 422.20, subsection 3, unnumbered paragraph 1, Code 1991, is amended to read as follows:

Unless otherwise expressly permitted by section 421.17, subsections 21, 22, 23, 25, and 29, and 32, sections 252B.9, 324.63, 421.19, 421.28, and 422.72, and this section, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

Sec. 17. Section 422.21, unnumbered paragraph 1, Code 1991, is amended to read as follows:

Returns shall be in the form the director prescribes, and shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year ~~except that~~. However, co-operative associations as defined in section 6072(d) of the Internal Revenue Code shall file their returns on or before the fifteenth day of the ninth month following the close of the taxable year and nonprofit

corporations subject to the unrelated business income tax imposed by section 422.33, subsection 1A, shall file their returns on or before the fifteenth day of the fifth month following the close of the taxable year. If, under the Internal Revenue Code, a corporation is required to file a return covering a tax period of less than twelve months, the state return shall be for the same period and is due forty-five days after the due date of the federal tax return, excluding any extension of time to file. In case of sickness, absence, or other disability, or if good cause exists, the director may allow further time for filing returns. The director shall cause to be prepared blank forms for the returns and shall cause them to be distributed throughout the state and to be furnished upon application, but failure to receive or secure the form does not relieve the taxpayer from the obligation of making a return that is required. The department may as far as consistent with the Code draft income tax forms to conform to the income tax forms of the internal revenue department of the United States government. Each return by a taxpayer upon whom a tax is imposed by section 422.5 shall show the county of the residence of the taxpayer.

Sec. 18. Section 422.43, subsection 11, unnumbered paragraph 1, Code 1991, is amended to read as follows:

The following enumerated services are subject to the tax imposed on gross taxable services: Alteration and garment repair; armored car; automobile repair; battery, tire and allied; investment counseling; service charges of all financial institutions; barber and beauty; boat repair; car wash and wax; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; rental of tangible personal property, except mobile homes which are tangible personal property; excavating and grading; farm implement repair of all kinds; flying service; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial

recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed executive search agencies; private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans or animals; termite, bug, roach, and pest eradicators; tin and sheet metal repair; turkish baths, massage, and reducing salons; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl and vegetables; wrecking service; wrecker and towing; pay television; campgrounds; carpet and upholstery cleaning; gun and camera repair; janitorial and building maintenance or cleaning; lawn care, landscaping and tree trimming and removal; pet grooming; reflexology; security and detective services; tanning beds or salons; and water conditioning and softening.

Sec. 19. Section 422.45, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 46. The gross receipts from the sale of property which the seller transfers to a carrier for shipment to a point outside of Iowa, places in the United States mail or parcel post directed to a point outside of Iowa, or transports to a point outside of Iowa by means of the seller's own vehicles, and which is not thereafter returned to a point within Iowa, except solely in the course of interstate commerce or transportation. This exemption shall not apply if the purchaser, consumer, or their agent, other than a carrier, takes physical possession of the property in Iowa.

Sec. 20. Section 422.72, subsection 3, unnumbered paragraph 1, Code 1991, is amended to read as follows:

Unless otherwise expressly permitted by section 421.17, subsections 21, 22, 23, 25, and 29, and 32, sections 252B.9, 324.63, 421.19, 421.28, and 422.20, and this section, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

Sec. 21. NEW SECTION. 423.27 PENALTY FOR WILLFUL FAILURE TO PAY TAX.

A person who willfully makes a false statement in regard to the purchase price of a vehicle subject to taxation under section 423.7 with the intent to evade the payment of tax shall be assessed a penalty of seventy-five percent of the amount of tax unpaid and required to be paid on the actual purchase price less trade-in allowance.

Sec. 22. Section 442.15, unnumbered paragraph 2, Code 1991, is amended to read as follows:

The school district income surtax is imposed on the state individual income tax for the calendar year during which the school's budget year begins, or for a taxpayer's fiscal year ending during the second half of that calendar year or the first half of the succeeding calendar year, and is imposed on all individuals residing in the school district on the last day of the applicable tax year. As used in this section, "state individual income tax" means the tax taxes computed under section 422.5, less the deductions credits allowed in sections 422.10 and 422.11A, 422.11B, 422.11C, 422.12, and 422.12B.

Sec. 23. Section 450.9, subsection 1, Code 1991, is amended to read as follows:

1. Surviving spouse, one-hundred-twenty-thousand-dollars the entire amount of property, interest in property, and income.

Sec. 24. Section 450.9, unnumbered paragraph 2, Code 1991, is amended by striking the unnumbered paragraph.

Sec. 25. Section 450.10, subsection 1, unnumbered paragraph 1, Code 1991, is amended to read as follows:

When such ~~the~~ property, interest, or income passes to the ~~wife-or-the-husband-of-the-deceased, grantor, donor, or vendor, or to the father or mother, or to any a child or~~ lineal descendant of such ~~the~~ decedent, grantor, donor, or vendor, including a legally adopted child or illegitimate child entitled to inherit under the laws of this state, the tax imposed shall be on the individual share so passing in excess of the exemptions herein allowed ~~and shall be~~ as follows:

Sec. 26. Section 450.10, subsection 3, unnumbered paragraph 1, Code 1991, is amended to read as follows:

When the property or any interest therein ~~in property~~ or income therefrom ~~from property~~, taxable under the provisions of this chapter, passes to any a person not included in subsections 1, and 2, hereof ~~and 7~~, the rate of tax imposed on the individual share so passing shall be as follows:

Sec. 27. Section 450.10, subsection 7, Code 1991, is amended by striking the subsection and inserting in lieu thereof the following:

7. Property, interest in property, or income passing to the surviving spouse is not taxable under this section.

Sec. 28. Section 450.94, subsection 3, Code 1991, is amended to read as follows:

3. If the amount paid is greater than the correct tax, penalty, and interest due, the department shall refund the excess, with interest ~~after sixty days from the date of payment~~. Interest shall be computed at the rate in effect under section 421.7, under the rules prescribed by the director counting each fraction of a month as an entire month and the interest shall begin to accrue on the first day of the second calendar month following the date of payment or on the date the return was due to be filed or was filed, whichever is

the latest. However, the director shall not allow a claim for refund or credit that has not been filed with the department within three years after the tax payment upon which a refund or credit is claimed became due, or one year after the tax payment was made, whichever time is later. A determination by the department of the amount of tax, penalty, and interest due, or the amount of refund for excess tax paid, is final unless the person aggrieved by the determination appeals to the director for a revision of the determination within thirty days from the postmark date of the notice of determination of tax, penalty, and interest due or refund owing. The director shall grant a hearing, and upon the hearing the director shall determine the correct tax, penalty and interest or refund due, and notify the appellant of the decision by mail. The decision of the director is final unless the appellant seeks judicial review of the director's decision under section 450.59 within sixty days after the postmark date of the notice of the director's decision.

Sec. 29. Section 455G.3, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 5. For purposes of payment of refunds of the environmental protection charge under section 424.15 by the department of revenue and finance, the treasurer of state shall allocate to the department of revenue and finance the total amount budgeted by the fund's board for environmental protection charge refunds. Any unused funds shall be remitted to the treasurer of state.

Sec. 30. Sections 1 and 22 of this Act are retroactive to January 1, 1990, for tax years beginning on or after that date.

Sec. 31. Sections 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, and 17 of this Act are retroactive to January 1, 1991, for tax years beginning on or after that date.

Sec. 32. Section 6 of this Act is effective July 1, 1991, for tax payments due on or after that date.

Sec. 33. Section 7 of this Act is retroactive to January 1, 1989, for tax years beginning on or after that date.

Sec. 34. Section 28 of this Act is effective July 1, 1991, for estates of decedents dying on or after that date.

Sec. 35. Sections 23, 24, 25, 26, and 27 of this Act are retroactive to January 1, 1988, for estates of decedents dying on or after that date.

JOE J. WELSH
President of the Senate

ROBERT C. ARNOULD
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 356, Seventy-fourth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 10, 1991

TERRY E. BRANSTAD
Governor