

FILED MAR 15 1993

SENATE FILE 300  
BY MURPHY

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to making the state individual income tax a  
2 percent of federal income tax liability and providing  
3 effective date and applicability provisions.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

SF 300

1 Section 1. Section 56.2, subsection 17, Code 1993, is  
2 amended to read as follows:

3 17. "State income tax liability" means the state  
4 individual income tax imposed under section 422.5 ~~reduced by~~  
5 ~~the sum of the deductions from the computed tax as provided~~  
6 ~~under section 422.12.~~

7 Sec. 2. Section 96.3, subsection 4, Code 1993, is amended  
8 to read as follows:

9 4. DETERMINATION OF BENEFITS. With respect to benefit  
10 years beginning on or after July 1, 1983, an eligible  
11 individual's weekly benefit amount for a week of total  
12 unemployment shall be an amount equal to the following  
13 fractions of the individual's total wages in insured work paid  
14 during that quarter of the individual's base period in which  
15 such total wages were highest; the commissioner shall  
16 determine annually a maximum weekly benefit amount equal to  
17 the following percentages, to vary with the number of  
18 dependents, of the statewide average weekly wage paid to  
19 employees in insured work which shall be effective the first  
20 day of the first full week in July:

21 If the number	The weekly benefit	Subject to the
22 of dependents	amount shall equal	following maxi-
23 is:	the following frac-	imum percentage
24	tion of high quar-	of the statewide
25	ter wages:	average weekly
26		wage:
27 0	1/23	53%
28 1	1/22	55%
29 2	1/21	57%
30 3	1/20	60%
31 4 or more	1/19	65%

32 The maximum weekly benefit amount, if not a multiple of one  
33 dollar, shall be rounded to the lower multiple of one dollar.  
34 However, until such time as sixty-five percent of the  
35 statewide average weekly wage exceeds one hundred ninety

1 dollars, the maximum weekly benefit amounts shall be  
2 determined using the statewide average weekly wage computed on  
3 the basis of wages reported for calendar year 1981. As used  
4 in this section "dependent" means dependent as defined in  
5 ~~section-422-12,-subsection-1,-paragraph-"e"~~ for state  
6 individual income tax purposes, as if the individual claimant  
7 was a taxpayer, except that an individual claimant's  
8 nonworking spouse shall be deemed to be a dependent under this  
9 section. "Nonworking spouse" means a spouse who does not earn  
10 more than one hundred twenty dollars in gross wages in one  
11 week.

12 Sec. 3. Section 216B.3, subsection 14, Code 1993, is  
13 amended to read as follows:

14 14. Develop a plan to provide telephone yellow pages  
15 information without charge to persons declared to be blind  
16 ~~under-the-standards-in-section-422-12,-subsection-1,-paragraph~~  
17 ~~"e"~~. The department may apply for federal funds to support  
18 the service. The program shall be limited in scope by the  
19 availability of funds. For the purposes of this subsection,  
20 an individual is blind only if the individual's central visual  
21 acuity does not exceed twenty-two hundredths in the better eye  
22 with correcting lenses, or if the individual's visual acuity  
23 is greater than twenty-two hundredths but is accompanied by a  
24 limitation in the fields of vision such that the widest  
25 diameter of the visual field subtends an angle no greater than  
26 twenty degrees.

27 Sec. 4. Section 257.21, unnumbered paragraph 2, Code 1993,  
28 is amended to read as follows:

29 The instructional support income surtax shall be imposed on  
30 the state individual income tax for the calendar year during  
31 which the school's budget year begins, or for a taxpayer's  
32 fiscal year ending during the second half of that calendar  
33 year and after the date the board adopts a resolution to  
34 participate in the program or the first half of the succeeding  
35 calendar year, and shall be imposed on all individuals

1 residing in the school district on the last day of the  
2 applicable tax year. As used in this section, "state  
3 individual income tax" means the taxes computed under section  
4 ~~422.57-less-the-credits-allowed-in-sections-422.11A7-422.11B7~~  
5 ~~422.11C7-422.127-and-422.12B.~~

6 Sec. 5. Section 421.17, subsection 21, paragraph b,  
7 subparagraph (6), Code 1993, is amended to read as follows:

8 (6) Upon the request of a debtor or a debtor's spouse to  
9 the child support recovery unit, the foster care recovery  
10 unit, or the investigations division of the department of  
11 inspections and appeals, filed within fifteen days from the  
12 mailing of the notice of entitlement to a refund or rebate,  
13 and upon receipt of the full name and social security number  
14 of the debtor's spouse, the unit or division shall notify the  
15 department of revenue and finance of the request to divide a  
16 joint income tax refund or rebate. The department of revenue  
17 and finance shall upon receipt of the notice divide a joint  
18 income tax refund or rebate between the debtor and the  
19 debtor's spouse in proportion to each spouse's net income as  
20 ~~determined-under-section-422-7~~ defined in section 422.4.

21 Sec. 6. Section 421.17, subsection 23, paragraph f, Code  
22 1993, is amended to read as follows:

23 f. Upon the timely request of a defaulter or a defaulter's  
24 spouse to the college student aid commission and upon receipt  
25 of the full name and social security number of the defaulter's  
26 spouse, the commission shall notify the department of revenue  
27 and finance of the request to divide a joint income tax refund  
28 or rebate. The department of revenue and finance shall upon  
29 receipt of the notice divide a joint income tax refund or  
30 rebate between the defaulter and the defaulter's spouse in  
31 proportion to each spouse's net income as ~~determined-under~~  
32 ~~section-422-7~~ defined in section 422.4.

33 Sec. 7. Section 421.17, subsection 25, paragraph f, Code  
34 1993, is amended to read as follows:

35 f. Upon the request of a debtor or a debtor's spouse to

1 the county attorney, filed within fifteen days from the  
2 mailing of the notice of entitlement to a refund or rebate,  
3 and upon receipt of the full name and social security number  
4 of the debtor's spouse, the county attorney shall notify the  
5 department of the request to divide a joint income tax refund  
6 or rebate. The department shall upon receipt of the notice  
7 divide a joint income tax refund or rebate between the debtor  
8 and the debtor's spouse in proportion to each spouse's net  
9 income as ~~determined under section 422.7~~ defined in section  
10 422.4.

11 Sec. 8. Section 422.4, subsection 1, Code 1993, is amended  
12 by striking the subsection and inserting in lieu thereof the  
13 following:

14 1. "Adjusted federal income tax liability" means the  
15 amount of federal income tax liability, as determined under  
16 the Internal Revenue Code, subtitle A, chapter I, subchapter  
17 A, parts I (regular tax) and VI (alternative minimum tax) and  
18 subchapter D, part I (lump sum distribution tax), for which  
19 the taxpayer would have been liable, reduced by any federal  
20 income tax credits that may apply, if the taxpayer had paid  
21 federal income tax based on federal taxable income adjusted as  
22 provided in section 422.7, subsections 1 and 2.

23 Sec. 9. Section 422.4, subsection 2, Code 1993, is amended  
24 by striking the subsection.

25 Sec. 10. Section 422.4, Code 1993, is amended by adding  
26 the following new subsection:

27 NEW SUBSECTION. 9A. "Net income" means the federal  
28 taxable income as properly computed for federal income tax  
29 purposes under the Internal Revenue Code with the adjustments  
30 made in section 422.7, subsections 1 and 2.

31 Sec. 11. Section 422.4, subsection 15, Code 1993, is  
32 amended by striking the subsection.

33 Sec. 12. Section 422.5, subsection 1, Code 1993, is  
34 amended by striking the subsection and inserting in lieu  
35 thereof the following:

1 1. a. A tax is imposed upon every resident and  
2 nonresident individual or estate and trust, which tax is  
3 levied and shall be collected and paid annually upon and with  
4 respect to the net income at the rate of thirty-four percent  
5 of the taxpayer's adjusted federal income tax liability.

6 b. However, the tax imposed upon the income of a  
7 nonresident shall be computed by multiplying the amount of tax  
8 determined under subsection 1 by a fraction of which the  
9 nonresident's net income allocated to Iowa, as determined in  
10 section 422.8, subsection 2, is the numerator and the  
11 nonresident's total net income is the denominator. This  
12 provision also applies to individuals who are residents of  
13 Iowa for less than the entire tax year.

14 Sec. 13. Section 422.5, subsection 2, unnumbered paragraph  
15 1, Code 1993, is amended to read as follows:

16 However, the tax shall not be imposed on a resident or  
17 nonresident whose net income~~, as defined in section 422.7,~~ is  
18 thirteen thousand five hundred dollars or less in the case of  
19 married persons filing jointly ~~or filing separately on a~~  
20 ~~combined return,~~ unmarried heads of household, and surviving  
21 spouses or nine thousand dollars or less in the case of all  
22 other persons~~; but in the event that.~~ If the payment of tax  
23 under this division would reduce the net income of a resident  
24 or nonresident to less than thirteen thousand five hundred  
25 dollars or nine thousand dollars as applicable, then the tax  
26 shall be reduced to that amount which would result in allowing  
27 the taxpayer to retain a net income of thirteen thousand five  
28 hundred dollars or nine thousand dollars as applicable. The  
29 preceding ~~sentence does~~ sentences do not apply to estates or  
30 trusts. For the purpose of this subsection, the entire net  
31 income, including any part of the net income not allocated to  
32 Iowa, shall be taken into account. For purposes of this  
33 subsection, ~~net income~~ "net income" includes all amounts of  
34 pensions or other retirement income received from any source  
35 which is not taxable under this division as a result of the

1 ~~government-pension-exclusions-in-section-422-77~~-or any other  
2 state law. If the combined net income of a husband and wife  
3 exceeds thirteen thousand five hundred dollars, neither of  
4 them shall receive the benefit of this subsection, and it is  
5 immaterial whether they file a joint return or separate  
6 returns. However, if a husband and wife file separate returns  
7 and have a combined net income of thirteen thousand five  
8 hundred dollars or less, neither spouse shall receive the  
9 benefit of this paragraph, if one spouse has a net operating  
10 loss and elects to carry back or carry forward the loss as  
11 provided in ~~section-422-97-subsection-3~~ the Internal Revenue  
12 Code. A person who is claimed as a dependent, as defined in  
13 the Internal Revenue Code, by another person ~~as-defined-in~~  
14 ~~section-422-12~~ shall not receive the benefit of this  
15 subsection if the person claiming the dependent has net income  
16 exceeding thirteen thousand five hundred dollars or nine  
17 thousand dollars as applicable or the person claiming the  
18 dependent and the person's spouse have combined net income  
19 exceeding thirteen thousand five hundred dollars or nine  
20 thousand dollars as applicable.

21 Sec. 14. Section 422.5, subsection 2, unnumbered paragraph  
22 2, Code 1993, is amended by striking the unnumbered paragraph.

23 Sec. 15. Section 422.5, subsections 3 through 11, Code  
24 1993, are amended by striking the subsections.

25 Sec. 16. Section 422.6, Code 1993, is amended by striking  
26 the section and inserting in lieu thereof the following:

27 422.6 INCOME FROM ESTATES OR TRUSTS.

28 The tax imposed by section 422.5 applies to and is a charge  
29 against estates and trusts with respect to their net income,  
30 and the rate is the same as that applicable to individuals.  
31 The fiduciary shall make the return of income for the estate  
32 or trust for which the fiduciary acts, whether the income is  
33 taxable to the estate or trust or to the beneficiaries.

34 Sec. 17. Section 422.7, Code 1993, is amended by striking  
35 the section and inserting in lieu thereof the following:

1 422.7 ADJUSTMENTS TO FEDERAL TAXABLE INCOME.

2 In determining the taxpayer's adjusted federal income tax  
3 liability, the taxpayer's federal taxable income shall be  
4 computed based on the adjustments made in subsections 1 and 2.

5 1. Federal taxable income is increased by the following:

6 a. Interest and dividends from foreign securities and from  
7 securities of states and other political subdivisions exempt  
8 from federal income tax under the Internal Revenue Code to the  
9 extent not otherwise exempted by this state.

10 b. Interest and dividends from regulated investment  
11 companies exempt from federal income tax under the Internal  
12 Revenue Code.

13 2. Federal taxable income is decreased by the following:

14 a. Interest and dividends from federal securities. The  
15 amount decreased shall be reduced by any interest on  
16 indebtedness incurred to carry the federal securities and by  
17 any expenses incurred in the production of interest and  
18 dividends from the federal securities to the extent deductible  
19 in determining federal taxable income.

20 b. The loss on the sale or exchange of a share of a  
21 regulated investment company held for six months or less to  
22 the extent the loss was disallowed under section 852(b)(4)(B)  
23 of the Internal Revenue Code.

24 Sec. 18. Section 422.8, subsections 2, 3, and 4, Code  
25 1993, are amended to read as follows:

26 2. Nonresident's net income allocated to Iowa is the net  
27 income, or portion thereof, which is derived from a business,  
28 trade, profession, or occupation carried on within this state  
29 or income from any property, trust, estate, or other source  
30 within Iowa. If a business, trade, profession, or occupation  
31 is carried on partly within and partly without the state, only  
32 the portion of the net income which is fairly and equitably  
33 attributable to that part of the business, trade, profession,  
34 or occupation carried on within the state is allocated to Iowa  
35 for purposes of section 422.5, subsection 1, paragraph "g" "a"

1 and section 422.13 and income from any property, trust,  
2 estate, or other source partly within and partly without the  
3 state is allocated to Iowa in the same manner, except that  
4 annuities, interest on bank deposits and interest-bearing  
5 obligations, and dividends are allocated to Iowa only to the  
6 extent to which they are derived from a business, trade,  
7 profession, or occupation carried on within the state.

8 3. Taxable Net income of resident and nonresident estates  
9 and trusts shall be allocated in the same manner as  
10 individuals.

11 4. The amount of minimum tax paid to another state or  
12 foreign country by a resident taxpayer of this state from  
13 preference items derived from sources outside of Iowa shall be  
14 allowed as a credit against the tax computed under this  
15 division except that the credit shall not exceed what the  
16 product of the state tax rate times the amount of state  
17 federal alternative minimum tax would-have-been on the same  
18 preference items which were taxed by the other state or  
19 foreign country. The limitation on this credit shall be  
20 computed according to the following formula: The total of  
21 preference items earned outside of Iowa and taxed by another  
22 state or foreign country shall be divided by the total of  
23 preference items of the resident taxpayer of Iowa. In  
24 ~~computing this quotient, those items excludable under section~~  
25 ~~422.5, subsection 1, paragraph "k", subparagraph (1) shall not~~  
26 ~~be used in computing the preference items.~~ This quotient  
27 multiplied times the net-state federal alternative minimum tax  
28 ~~as determined in section 422.5, subsection 1, paragraph "k"~~ on  
29 the total of preference items as if entirely earned in Iowa  
30 multiplied by the state tax rate shall be the maximum tax  
31 ~~credit against the Iowa alternative minimum tax.~~ However, the  
32 maximum tax credit will not be allowed to the extent that the  
33 minimum tax imposed by the other state or foreign country is  
34 less than the maximum tax credit otherwise computed above.

35 Sec. 19. Section 422.14, subsection 1, Code 1993, is

1 amended to read as follows:

2 1. A fiduciary subject to taxation under this division, as  
3 provided in section 422.6, shall make a return, signed in  
4 accordance with forms and rules prescribed by the director,  
5 for the individual, estate, or trust for whom or for which the  
6 fiduciary acts, if the taxable net income thereof amounts to  
7 six hundred dollars or more. A nonresident fiduciary shall  
8 file a copy of the federal income tax return for the current  
9 tax year with the return required by this section.

10 Sec. 20. Section 422.16, subsection 1, unnumbered  
11 paragraph 1, Code 1993, is amended to read as follows:

12 Every withholding agent and every employer as defined in  
13 this chapter and further defined in the Internal Revenue Code,  
14 with respect to income tax collected at source, making payment  
15 of wages to a nonresident employee working in Iowa, or to a  
16 resident employee, shall deduct and withhold from the wages an  
17 amount which will approximate the employee's annual tax  
18 liability on a calendar year basis, calculated on the basis of  
19 tables to be prepared by the department and schedules or  
20 percentage rates, based on the wages, to be prescribed by the  
21 department. Every employee or other person shall declare to  
22 the employer or withholding agent the number of the employee's  
23 or other person's personal exemptions and dependency  
24 exemptions or credits to be used in applying the tables and  
25 schedules or percentage rates. However, no greater number of  
26 personal or dependency exemptions or credits may be declared  
27 by the employee or other person than the number to which the  
28 employee or other person is entitled except as allowed under  
29 section 3402(m)(1) of the Internal Revenue Code ~~and as allowed~~  
30 ~~for the child and dependent care credit provided in section~~  
31 ~~422.12E~~. The claiming of exemptions or credits in excess of  
32 entitlement is a serious misdemeanor.

33 Sec. 21. Section 422.21, unnumbered paragraphs 5 and 6,  
34 Code 1993, are amended by striking the unnumbered paragraphs.

35 Sec. 22. Section 422.32, unnumbered paragraph 2, Code

1 1993, is amended to read as follows:

2 The words, terms, and phrases defined in division II,  
3 section 422.4, subsections 4 to 6, 8, 9, 12, ~~and 14 to 14,~~ and  
4 16, when used in this division, shall have the meanings  
5 ascribed to them in said section except where the context  
6 clearly indicates a different meaning.

7 Sec. 23. Section 422D.2, Code 1993, is amended to read as  
8 follows:

9 422D.2 LOCAL INCOME SURTAX.

10 A county may impose by ordinance a local income surtax as  
11 provided in section 422D.1 at the rate set by the board of  
12 supervisors, of up to one percent, on the state individual  
13 income tax of each individual residing in the county at the  
14 end of the individual's applicable tax year. However, the  
15 cumulative total of the percents of income surtax imposed on  
16 any taxpayer in the county shall not exceed twenty percent.  
17 The reason for imposing the surtax and the amount needed shall  
18 be set out in the ordinance. The surtax rate shall be set to  
19 raise only the amount needed. For purposes of this section,  
20 "state individual income tax" means the tax computed under  
21 section 422.5, ~~less the credits allowed in sections 422.11A,~~  
22 ~~422.11B, 422.11C, 422.12, and 422.12B.~~

23 Sec. 24. Section 476.6, subsection 1, unnumbered paragraph  
24 2, Code 1993, is amended to read as follows:

25 A subscriber of a telephone exchange or service, who is  
26 declared to be legally blind ~~under section 422.12, subsection~~  
27 ~~1, paragraph "e",~~ is exempt from any charges for telephone  
28 directory assistance that may be approved by the board. For  
29 the purposes of this paragraph, an individual is blind only if  
30 the individual's central visual acuity does not exceed twenty-  
31 two hundredths in the better eye with correcting lenses, or if  
32 the individual's visual acuity is greater than twenty-two  
33 hundredths but is accompanied by a limitation in the fields of  
34 vision such that the widest diameter of the visual field  
35 subtends an angle no greater than twenty degrees.

1 Sec. 25. Section 502.207B, Code 1993, is amended to read  
2 as follows:

3 502.207B LEGISLATIVE REVIEW AND OVERSIGHT.

4 The director of revenue and finance and the administrator  
5 of the securities bureau of the insurance division shall each  
6 report on an annual basis to the senate's and house of  
7 representatives' committees on ways and means concerning  
8 issuers using the seed capital tax credit, as authorized for  
9 ~~personal-taxpayers-by-section-422-11C~~ and for corporate  
10 taxpayers by section 422.33, subsection 8, and the expedited  
11 filing by registration system provided by section 502.207A.

12 Sec. 26. Sections 422.9, 422.10, 422.11A, 422.11B,  
13 422.11C, 422.12, 422.12B, and 422.12C, Code 1993, are  
14 repealed.

15 Sec. 27. Sections 8 through 21, and 26 of this Act take  
16 effect January 1, 1994, for tax years beginning on or after  
17 that date.

18 Sec. 28. Sections 1 through 7, 22, 23, 24, and 25 of this  
19 Act are effective January 1, 1994.

20 EXPLANATION

21 Sections 8 through 21, and 26 of this bill make the state  
22 individual income tax equal to 34 percent of the taxpayer's  
23 adjusted federal income tax liability less federal credits  
24 allowed and repeal all the individual Iowa income tax credits  
25 and deductions including federal tax deductibility. The  
26 federal income tax liability is adjusted by determining what  
27 the federal liability would be if interest and dividends from  
28 federal securities were not taxed and interest and dividends  
29 from state and foreign securities were taxed.

30 Sections 1 through 7, 22, 23, 24, and 25 of this bill are  
31 coordinating amendments as a result of the change in the state  
32 individual income tax.

33 The bill takes effect January 1, 1994, and the tax  
34 provisions apply to tax years beginning on or after that date.

35