

3/23/93 W.A. Means

1993
P. 8421 3/25/93

SENATE FILE 400
BY MURPHY

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the taxation of interest income from
2 securities issued by a political subdivision of this state and
3 providing effective and applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SF 400

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1 Section 1. Section 422.7, subsection 2, Code 1993, is
2 amended to read as follows:

3 2. Add interest and dividends from foreign securities and
4 from securities of state and other political subdivisions,
5 except from securities of political subdivisions of this
6 state, exempt from federal income tax under the Internal
7 Revenue Code.

8 Sec. 2. Section 422.35, subsection 2, Code 1993, is
9 amended to read as follows;

10 2. Add interest and dividends from foreign securities,
11 from securities of state and other political subdivisions,
12 except from securities of political subdivisions of this
13 state, and from regulated investment companies exempt from
14 federal income tax under the Internal Revenue Code.

15 Sec. 3. This Act takes effect July 1, 1993, and applies to
16 interest income received from securities of political
17 subdivisions of this state on or after July 1, 1993.

18 EXPLANATION

19 The bill exempts from state individual and corporate income
20 tax interest from securities of political subdivisions of this
21 state which are received on or after July 1, 1993.

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SENATE FILE 400
FISCAL NOTE

A fiscal note for Senate File 400 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.

Senate File 400 exempts from State individual and corporate income tax, interest from securities of political subdivisions of this State which are received on or after July, 1993.

ASSUMPTIONS:

The Legislative Tax Model does not take into account any changes in individual or corporate investment strategies that the legislation may encourage. As a result, the impact does not account for the natural assumption that a larger share of the investment pool would be dedicated to government bonds.

FISCAL IMPACT:

The total fiscal effect of SF 400 due to the deduction from individual income taxes would be a decrease to the General Fund of approximately \$10 million to \$15 million in FY 1994 and subsequent years. Approximately 39% of the gains will go to filers with Adjusted Gross Incomes (AGI) in excess of \$200,000, 58% to filers with AGI in excess of \$100,000, and 83% to filers with AGI in excess of \$50,000.

This estimate does not include a reduction to the General Fund due to the change in the tax burden of corporate filers. The Department of Revenue and Finance (DRF) has indicated that this effect could be quite substantial. At this time, it is not possible to estimate this effect.

SOURCES:

DRF
Legislative Tax Model

(LSB 2146ss, PDD)

FILED APRIL 30, 1993

BY DENNIS PROUTY, FISCAL DIRECTOR