

REPRINTED

FILED FEB 9 1996

SENATE FILE 2168
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 2024)

Passed Senate, ^(p.434) Date 2/22/96 Passed House, ^(p.1614) Date 4/15/96
 Vote: Ayes 45 Nays 0 Vote: Ayes 89 Nays 0
 Approved 4/24/96

A BILL FOR

1 An Act updating the Iowa Code references to the Internal Revenue
 2 Code and providing a retroactive applicability date and an
 3 effective date.

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

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SF 2168

REPRINTED

1 Section 1. Section 15A.9, subsection 8, unnumbered
2 paragraph 2, Code Supplement 1995, is amended to read as
3 follows:

4 For the purposes of this section, "qualifying expenditures
5 for increasing research activities" means the qualifying
6 expenditures as defined for the federal credit for increasing
7 research activities which would be allowable under section 41
8 of the Internal Revenue Code in effect on January 1, 1995
9 1996. The credit authorized in this subsection is in lieu of
10 the credit authorized in section 422.33, subsection 5.

11 Sec. 2. Section 422.3, subsection 4, Code Supplement 1995,
12 is amended to read as follows:

13 4. "Internal Revenue Code" means the Internal Revenue Code
14 of 1954, prior to the date of its redesignation as the
15 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
16 or means the Internal Revenue Code of 1986 as amended to and
17 including ~~April 15, 1995~~ January 1, 1996, whichever is
18 applicable.

19 Sec. 3. Section 422.10, unnumbered paragraph 1, Code
20 Supplement 1995, is amended to read as follows:

21 The taxes imposed under this division shall be reduced by a
22 state tax credit for increasing research activities in this
23 state. For individuals, the credit equals six and one-half
24 percent of the state's apportioned share of the qualifying
25 expenditures for increasing research activities. The state's
26 apportioned share of the qualifying expenditures for
27 increasing research activities is a percent equal to the ratio
28 of qualified research expenditures in this state to total
29 qualified research expenditures. For purposes of this
30 section, an individual may claim a research credit for
31 qualifying research expenditures incurred by a partnership,
32 subchapter S corporation, estate, or trust electing to have
33 the income taxed directly to the individual. The amount
34 claimed by the individual shall be based upon the pro rata
35 share of the individual's earnings of a partnership,

1 subchapter S corporation, estate, or trust. For purposes of
2 this section, "qualifying expenditures for increasing research
3 activities" means the qualifying expenditures as defined for
4 the federal credit for increasing research activities which
5 would be allowable under section 41 of the Internal Revenue
6 Code in effect on January 1, ~~1995~~ 1996.

7 Sec. 4. Section 422.33, subsection 5, unnumbered paragraph
8 1, Code Supplement 1995, is amended to read as follows:

9 The taxes imposed under this division shall be reduced by a
10 state tax credit for increasing research activities in this
11 state equal to six and one-half percent of the state's
12 apportioned share of the qualifying expenditures for
13 increasing research activities. The state's apportioned share
14 of the qualifying expenditures for increasing research
15 activities is a percent equal to the ratio of qualified
16 research expenditures in this state to the total qualified
17 research expenditures. For purposes of this subsection,
18 "qualifying expenditures for increasing research activities"
19 means the qualifying expenditures as defined for the federal
20 credit for increasing research activities which would be
21 allowable under section 41 of the Internal Revenue Code in
22 effect on January 1, ~~1995~~ 1996.

23 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
24 retroactively to January 1, 1995, for tax years beginning on
25 or after that date.

26 Sec. 6. EFFECTIVE DATE. This Act, being deemed of
27 immediate importance, takes effect upon enactment.

28 EXPLANATION

29 This bill updates the references to the Internal Revenue
30 Code to make the federal income tax changes enacted by
31 Congress in the remainder of the 1995 calendar year after
32 April 15, 1995, applicable for Iowa income tax purposes. The
33 bill updates the Iowa Code references for the state research
34 credits for individuals and corporations to include changes in
35 the federal research activities credits.

1 The bill takes effect immediately upon enactment and
2 applies retroactively to tax years beginning on or after
3 January 1, 1995.

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SENATE FILE 2168

-5103

1 Amend Senate File 2168 as follows:

2 1. Page 1, by inserting after line 18 the
3 following:

4 "Sec. 100. Section 422.5, Code 1995, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 12. If a taxpayer repays in the
7 current tax year certain amounts of income that were
8 subject to tax under this division in a prior year and
9 a tax benefit would be allowed under similar
10 circumstances under section 1341 of the Internal
11 Revenue Code, a tax benefit shall be allowed on the
12 Iowa return. The tax benefit shall be the reduced tax
13 for the current tax year due to the deduction for the
14 repaid income or the reduction in tax for the prior
15 year or years due to exclusion of the repaid income.
16 The reduction in tax shall qualify as a refundable tax
17 credit on the return for the current year pursuant to
18 rules prescribed by the director."

19 2. Page 2, line 23, by striking the word "This"
20 and inserting the following: "Section 100 of this
21 Act, amending section 422.5, applies retroactively to
22 January 1, 1992, for tax years beginning on or after
23 that date. The remainder of this".

24 3. By renumbering and correcting internal
25 references as necessary.

By JIM LIND

S-5103 FILED FEBRUARY 22, 1996
ADOPTED

(p. 434)

Substitute 1 for HF 2305
4/15/96 (P.1613)

H. 2/26/96 *Parsons*

SENATE FILE **2168**
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 2024)
(AS AMENDED AND PASSED BY THE SENATE FEBRUARY 22, 1996)

_____ - New Language by the Senate

Passed Senate, ^(P.1419) Date 4/17/96 Passed House, ^(P.1614) Date 4/15/96
Vote: Ayes 50 Nays 0 Vote: Ayes 89 Nays 0
Approved 4/24/96

A BILL FOR

1 An Act updating the Iowa Code references to the Internal Revenue
2 Code and providing a retroactive applicability date and an
3 effective date.

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

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HOUSE AMENDMENT TO
SENATE FILE 2168

S-5769

- 1 Amend Senate File 2168, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 1, line 17, by striking the word and
- 4 figure "January 1" and inserting the following:
- 5 "March 20".
- 6 2. By striking page 1, line 32, through page 2,
- 7 line 35.
- 8 3. By renumbering, relettering, or redesignating
- 9 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

Senate Concurred

S-5769 FILED APRIL 15, 1996

S.F. 2168

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1 Section 1. Section 15A.9, subsection 8, unnumbered
2 paragraph 2, Code Supplement 1995, is amended to read as
3 follows:

4 For the purposes of this section, "qualifying expenditures
5 for increasing research activities" means the qualifying
6 expenditures as defined for the federal credit for increasing
7 research activities which would be allowable under section 41
8 of the Internal Revenue Code in effect on January 1, ~~1995~~
9 1996. The credit authorized in this subsection is in lieu of
10 the credit authorized in section 422.33, subsection 5.

11 Sec. 2. Section 422.3, subsection 4, Code Supplement 1995,
12 is amended to read as follows:

13 4. "Internal Revenue Code" means the Internal Revenue Code
14 of 1954, prior to the date of its redesignation as the
15 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
16 or means the Internal Revenue Code of 1986 as amended to and
17 including ~~April 15, 1995~~ January 1, 1996, whichever is
18 applicable.

19 Sec. 3. Section 422.5, Code 1995, is amended by adding the
20 following new subsection:

21 NEW SUBSECTION. 12. If a taxpayer repays in the current
22 tax year certain amounts of income that were subject to tax
23 under this division in a prior year and a tax benefit would be
24 allowed under similar circumstances under section 1341 of the
25 Internal Revenue Code, a tax benefit shall be allowed on the
26 Iowa return. The tax benefit shall be the reduced tax for the
27 current tax year due to the deduction for the repaid income or
28 the reduction in tax for the prior year or years due to
29 exclusion of the repaid income. The reduction in tax shall
30 qualify as a refundable tax credit on the return for the
31 current year pursuant to rules prescribed by the director.

32 Sec. 4. Section 422.10, unnumbered paragraph 1, Code
33 Supplement 1995, is amended to read as follows:

34 The taxes imposed under this division shall be reduced by a
35 state tax credit for increasing research activities in this

1 state. For individuals, the credit equals six and one-half
2 percent of the state's apportioned share of the qualifying
3 expenditures for increasing research activities. The state's
4 apportioned share of the qualifying expenditures for
5 increasing research activities is a percent equal to the ratio
6 of qualified research expenditures in this state to total
7 qualified research expenditures. For purposes of this
8 section, an individual may claim a research credit for
9 qualifying research expenditures incurred by a partnership,
10 subchapter S corporation, estate, or trust electing to have
11 the income taxed directly to the individual. The amount
12 claimed by the individual shall be based upon the pro rata
13 share of the individual's earnings of a partnership,
14 subchapter S corporation, estate, or trust. For purposes of
15 this section, "qualifying expenditures for increasing research
16 activities" means the qualifying expenditures as defined for
17 the federal credit for increasing research activities which
18 would be allowable under section 41 of the Internal Revenue
19 Code in effect on January 1, ~~1995~~ 1996.

20 Sec. 5. Section 422.33, subsection 5, unnumbered paragraph
21 1, Code Supplement 1995, is amended to read as follows:

22 The taxes imposed under this division shall be reduced by a
23 state tax credit for increasing research activities in this
24 state equal to six and one-half percent of the state's
25 apportioned share of the qualifying expenditures for
26 increasing research activities. The state's apportioned share
27 of the qualifying expenditures for increasing research
28 activities is a percent equal to the ratio of qualified
29 research expenditures in this state to the total qualified
30 research expenditures. For purposes of this subsection,
31 "qualifying expenditures for increasing research activities"
32 means the qualifying expenditures as defined for the federal
33 credit for increasing research activities which would be
34 allowable under section 41 of the Internal Revenue Code in
35 effect on January 1, ~~1995~~ 1996.

1 Sec. 6. RETROACTIVE APPLICABILITY. Section 3 of this Act,
2 amending section 422.5, applies retroactively to January 1,
3 1992, for tax years beginning on or after that date. The
4 remainder of this Act applies retroactively to January 1,
5 1995, for tax years beginning on or after that date.

6 Sec. 7. EFFECTIVE DATE. This Act, being deemed of
7 immediate importance, takes effect upon enactment.

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11 SENATE FILE 2168

12 H-5807

- 13 1 Amend Senate File 2168, as amended, passed, and
14 2 reprinted by the Senate, as follows:
15 3 1. By striking page 1, line 32, through page 2,
16 4 line 35.
17 5 2. By renumbering as necessary.

By LAMBERTI of Polk

16 H-5807 FILED APRIL 2, 1996
17 *adopted 4/15/96 (p.1613)*

22 SENATE FILE 2168

23 H-5853

- 24 1 Amend Senate File 2168, as amended, passed, and
25 2 reprinted by the Senate, as follows:
26 3 1. Page 1, line 17, by striking the word and
27 4 figure "January 1" and inserting the following:
28 5 "March 20".

By LAMBERTI of Polk

27 H-5853 FILED APRIL 3, 1996
28 *adopted 4/15/96 (P. 1613)*

*Delaney
Pinder
Hedge*

*SSB 2024
Ways & Means*

Succeeded By

SENATE/HOUSE FILE SC/HF 2168

BY (PROPOSED DEPARTMENT OF
REVENUE AND FINANCE BILL)

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act updating the Iowa Code references to the Internal Revenue
2 Code and providing a retroactive applicability date and an
3 effective date.

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

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1 Section 1. Section 15A.9, subsection 8, unnumbered
2 paragraph 2, Code Supplement 1995, is amended to read as
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5 for increasing research activities" means the qualifying
6 expenditures as defined for the federal credit for increasing
7 research activities which would be allowable under section 41
8 of the Internal Revenue Code in effect on January 1, 1995
9 1996. The credit authorized in this subsection is in lieu of
10 the credit authorized in section 422.33, subsection 5.

11 Sec. 2. Section 422.3, subsection 4, Code Supplement 1995,
12 is amended to read as follows:

13 4. "Internal Revenue Code" means the Internal Revenue Code
14 of 1954, prior to the date of its redesignation as the
15 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
16 or means the Internal Revenue Code of 1986 as amended to and
17 including ~~April 15, 1995~~ January 1, 1996, whichever is
18 applicable.

19 Sec. 3. Section 422.10, unnumbered paragraph 1, Code
20 Supplement 1995, is amended to read as follows:

21 The taxes imposed under this division shall be reduced by a
22 state tax credit for increasing research activities in this
23 state. For individuals, the credit equals six and one-half
24 percent of the state's apportioned share of the qualifying
25 expenditures for increasing research activities. The state's
26 apportioned share of the qualifying expenditures for
27 increasing research activities is a percent equal to the ratio
28 of qualified research expenditures in this state to total
29 qualified research expenditures. For purposes of this
30 section, an individual may claim a research credit for
31 qualifying research expenditures incurred by a partnership,
32 subchapter S corporation, estate, or trust electing to have
33 the income taxed directly to the individual. The amount
34 claimed by the individual shall be based upon the pro rata
35 share of the individual's earnings of a partnership,

1 subchapter S corporation, estate, or trust. For purposes of
2 this section, "qualifying expenditures for increasing research
3 activities" means the qualifying expenditures as defined for
4 the federal credit for increasing research activities which
5 would be allowable under section 41 of the Internal Revenue
6 Code in effect on January 1, ~~1995~~ 1996.

7 Sec. 4. Section 422.33, subsection 5, unnumbered paragraph
8 1, Code Supplement 1995, is amended to read as follows:

9 The taxes imposed under this division shall be reduced by a
10 state tax credit for increasing research activities in this
11 state equal to six and one-half percent of the state's
12 apportioned share of the qualifying expenditures for
13 increasing research activities. The state's apportioned share
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15 activities is a percent equal to the ratio of qualified
16 research expenditures in this state to the total qualified
17 research expenditures. For purposes of this subsection,
18 "qualifying expenditures for increasing research activities"
19 means the qualifying expenditures as defined for the federal
20 credit for increasing research activities which would be
21 allowable under section 41 of the Internal Revenue Code in
22 effect on January 1, ~~1995~~ 1996.

23 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
24 retroactively to January 1, 1995, for tax years beginning on
25 or after that date.

26 Sec. 6. EFFECTIVE DATE. This Act, being deemed of
27 immediate importance, takes effect upon enactment.

28 EXPLANATION

29 This bill updates the references to the Internal Revenue
30 Code to make the federal income tax changes enacted by
31 Congress in the remainder of the 1995 calendar year after
32 April 15, 1995, applicable for Iowa income tax purposes. The
33 bill updates the Iowa Code references for the state research
34 credits for individuals and corporations to include changes in
35 the federal research activities credits.

1 The bill takes effect immediately upon enactment and
2 applies retroactively to tax years beginning on or after
3 January 1, 1995.

4 BACKGROUND STATEMENT

5 SUBMITTED BY THE AGENCY

6 Section 1 amends Iowa Code section 15A.9 to update the
7 reference to the Internal Revenue Code as it applies to
8 qualified research activities credits for corporations in
9 quality jobs enterprise zones.

10 Section 2 amends subsection 4 of Iowa Code section 422.3 to
11 include the changes made in the Internal Revenue Code in the
12 1995 calendar year, after April 15, 1995, so that references
13 to the Internal Revenue Code in the Iowa Code are deemed to
14 include the federal income tax changes made by Congress in
15 calendar year 1995 after April 15, 1995.

16 Section 3 amends the research activities credit for
17 individuals in Iowa Code section 422.10 to include changes in
18 the federal research activities credit.

19 Section 4 amends the research activities credit for
20 corporations in subsection 5 of Iowa Code section 422.33 to
21 include changes in the federal research activities credit.

22 Section 5 provides that the bill is retroactively
23 applicable to January 1, 1995, for tax years beginning on or
24 after that date.

25 Section 6 makes the bill effective immediately upon
26 enactment.

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SENATE FILE 2168

AN ACT

UPDATING THE IOWA CODE REFERENCES TO THE INTERNAL REVENUE CODE AND PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN EFFECTIVE DATE.

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

Section 1. Section 15A.9, subsection 8, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, ~~1995~~ 1996. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5.

Sec. 2. Section 422.3, subsection 4, Code Supplement 1995, is amended to read as follows:

4. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including ~~April 15, 1995~~ March 20, 1996, whichever is applicable.

Sec. 3. Section 422.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 12. If a taxpayer repays in the current tax year certain amounts of income that were subject to tax under this division in a prior year and a tax benefit would be allowed under similar circumstances under section 1341 of the Internal Revenue Code, a tax benefit shall be allowed on the Iowa return. The tax benefit shall be the reduced tax for the current tax year due to the deduction for the repaid income or

the reduction in tax for the prior year or years due to exclusion of the repaid income. The reduction in tax shall qualify as a refundable tax credit on the return for the current year pursuant to rules prescribed by the director.

Sec. 4. RETROACTIVE APPLICABILITY. Section 3 of this Act, amending section 422.5, applies retroactively to January 1, 1992, for tax years beginning on or after that date. The remainder of this Act applies retroactively to January 1, 1995, for tax years beginning on or after that date.

Sec. 5. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

LEONARD L. BOSWELL
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2168, Seventy-sixth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved 4/24, 1996

TERRY E. BRANSTAD
Governor

SF 2168