

CHAPTER 132
INCOME AND FRANCHISE TAXES
H. F. 868

AN ACT relating to the state income and franchise taxes by allowing indexing to occur for subsequent tax years, updating references to the Internal Revenue Code, and making certain provisions of the Act retroactive.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 422.4, subsection 18, paragraphs a, b, and d, Code 1981, are amended to read as follows:

a. "Annual inflation factor" means an index, expressed as a percentage, determined by the department each year to reflect the purchasing power of the dollar as a result of inflation during the preceding calendar year. For the 1981 and subsequent calendar year years, "annual inflation factor" means an index, expressed as a percentage, determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined to reflect the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual inflation factor, the department shall use the annual percent change, but not less than zero percent, in the implicit price deflator for the gross national product computed for the whole calendar year or for the second quarter of the calendar year, in the case of the annual inflation factor for the 1981 and subsequent calendar year years, by the bureau of economic analysis of the United States department of commerce and shall add two-fourths for the 1980 and 1981 subsequent calendar years of that percent change to one hundred percent. The annual inflation factor for the 1979 calendar year is one hundred two point three percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual inflation factor shall not be less than one hundred percent.

b. "Cumulative inflation factor" means the product of the annual inflation factor for the 1978 calendar year and all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined. ~~For--calendar-years-beginning-on-or-after-January-1-1982,-the-cumulative-inflation-factor-shall-be-one-hundred-percent.~~

d. Notwithstanding the computation of the annual inflation factor under paragraph "a" of this subsection, the annual inflation factor is one hundred percent for any calendar year in which the unobligated state general fund balance on June 30 as certified by the state comptroller by September 10 of the fiscal year beginning in that calendar year is less than sixty million

dollars. However, for the 1981 and subsequent calendar ~~year~~ years, the annual inflation factor is one hundred percent for any calendar year if the unobligated state general fund balance on June 30 of the calendar year preceding the calendar year for which the factor is determined, as certified by the state comptroller by October 10, is less than sixty million dollars.

Sec. 2. Section 422.4, subsection 17, Code 1981, is amended to read as follows:

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1980~~ 1981.

Sec. 3. Income of an individual which is excluded from gross income under the Internal Revenue Code of 1954 as a result of the provisions of the Hostage Relief Act of 1980, 94 stat. 1967, shall not be included as income in computing the tax imposed by section 422.5.

Sec. 4. Section 422.7, Code 1981, is amended by inserting after subsection 8 the following new subsection:

NEW SUBSECTION. The combined exclusion of interest and dividend income provided by section 116(a) of the Internal Revenue Code of 1954, as amended up to and including January 1, 1981, is not applicable in computing Iowa net income for tax years beginning before January 1, 1982. Instead, each individual may exclude not more than one hundred dollars of income received as dividends from domestic corporations as provided by section 116(a) of the Internal Revenue Code of 1954, as amended up to and including January 1, 1980.

Sec. 5. Section 422.7, Code 1981, is amended by inserting after subsection 8 the following new subsection:

NEW SUBSECTION. Married taxpayers who file a joint federal return and who elect to file separate returns or separate filing on a combined return for Iowa income tax purposes may avail themselves of the exclusion for interest and dividend income pursuant to section 116(a) of the Internal Revenue Code of 1954 and shall compute the exclusion subject to the limitations for joint federal income tax return filers provided by section 116(b)(1) of the Internal Revenue Code of 1954.

Sec. 6. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Subtract the amount of the alcohol fuel credit allowable for the tax year under section 44E of the Internal Revenue Code of 1954 to the extent that the credit increased federal adjusted gross income.

Sec. 7. Section 422.32, subsection 4, Code 1981, is amended to read as follows:

4. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1980~~ 1981.

Sec. 8. Section 422.35, Code 1981, is amended by inserting after subsection 6 the following new subsection:

NEW SUBSECTION. Subtract the amount of the alcohol fuel credit allowable for the tax year under section 44E of the Internal Revenue Code of 1954 to the extent that the credit increased federal taxable income.

Sec. 9. Sections 2, 6, 7 and 8 are retroactive to January 1, 1980, for tax years beginning on or after January 1, 1980.

Sec. 10. Section 4 is retroactive to January 1, 1981, for tax years beginning on or after January 1, 1981 but before January 1, 1982.

Sec. 11. Section 5 takes effect January 1, 1982 for tax years beginning on or after January 1, 1982.

Approved June 20, 1981

CHAPTER 133
INTEREST ON OVERPAID TAXES
H. F. 350

AN ACT relating to the computation of interest on overpayments made under the individual income, corporate income and franchise taxes and providing for its effect upon publication for overpayments resulting from returns due on or after April 30, 1981.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 422.16, subsection 9, Code 1981, is amended to read as follows:

9. The amount of any overpayment of the individual income tax liability of the employee taxpayer, nonresident, or other person which may result from the withholding and payment of withheld tax by the employer or withholding agent to the department under subsections 1 and 12 hereof, as compared to the individual income tax liability of the employee taxpayer, nonresident, or other person properly and correctly determined under the provisions of section 422.4, to and including section 422.25, may be credited against any income tax or installment thereof then due the state of Iowa and any balance of one dollar or more shall be refunded to the employee taxpayer, nonresident or other person with interest at the rate of three-fourths of one percent per month or fraction of a month, such interest to begin to accrue ~~thirty--days after~~ on the first day of the second calendar month following the date the return was due to be filed or was filed, whichever is the later date. Amounts less than one dollar shall be refunded to the taxpayer, nonresident, or other person only upon written application, in accordance with section 422.73, only if such application is filed within twelve months after the due date of the return. Refunds in the amount of one dollar or more provided for by this subsection shall be paid by the treasurer of state by means of warrants drawn by the comptroller at the direction of the director, or an authorized employee of the department, and the taxpayer's return of income shall constitute a claim for refund for this purpose, except in respect to amounts of less than one dollar. There is hereby appropriated, out of any funds in the state treasury not otherwise appropriated, a sum sufficient to carry out the provisions of this subsection.