

CHAPTER 215**INCOME TAX WITHHOLDING, CREDITS, AND OTHER PROVISIONS***S.F. 83*

AN ACT relating to the updating of the references to the federal Internal Revenue Code, adopting revisions in the research activities credit and the earned income credit, and providing applicability and effective dates.

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

Section 1. Section 422.3, subsection 5, Code 1991, is amended to read as follows:

5. "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 January 1, ~~1990~~ 1991, whichever is applicable.

Sec. 2. Section 422.10, unnumbered paragraph 1, Code 1991, is amended to read as follows:

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state. For individuals, the credit equals six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership, subchapter S corporation, 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, estate, or trust. For 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, ~~1990~~ 1991.

Sec. 3. Section 422.12B, subsection 1, Code 1991, is amended to read as follows:

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

Sec. 4. Section 422.16, subsection 1, Code 1991, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For the purposes of this subsection, state income tax shall be withheld from pensions, annuities, other similar periodic payments, and other income payments of those persons whose primary residence is in Iowa in those circumstances in which those persons have federal income tax withheld from pensions, annuities, other similar periodic payments, and other income payments under sections 3402(o), 3402(p), 3402(s), 3405(a), and 3405(b) of the Internal Revenue Code at a rate to be specified by the department.

Sec. 5. Section 422.33, subsection 5, unnumbered paragraph 1, Code 1991, is amended to read as follows:

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures. For purposes of this subsection, "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, ~~1990~~ 1991.

Sec. 6. Sections 1, 2, and 5 of this Act are retroactive to January 1, 1990, for tax years beginning on or after that date.

Sec. 7. Section 3 of this Act is retroactive to January 1, 1991, for tax years beginning on or after that date.

Sec. 8. Section 4 of this Act takes effect January 1, 1992, for tax years beginning on or after that date.

Sec. 9. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 29, 1991

CHAPTER 216

FINANCIAL TRANSACTIONS — ELECTRONIC TRANSFERS — CREDIT CARD ISSUERS *S.F. 311*

AN ACT relating to the machines and access devices utilized to perform electronic transfer of funds, requiring registration of persons located outside of this state who issue credit cards, providing an examination fee, and providing a penalty.

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

Section 1. Section 527.2, Code 1991, is amended by adding the following new subsections:
NEW SUBSECTION. 18. "Electronic personal identifier" means a personal and confidential code or other security mechanism which has been designated by a financial institution issuing an access device to a customer to serve as a supplemental means of access to a customer's account that may be used by the customer in conjunction with an access device for the purpose of initiating a transaction by means of a satellite terminal.

NEW SUBSECTION. 19. "Limited-function terminal" means an on-line point-of-sale terminal or an off-line point-of-sale terminal which satisfies the requirements of section 527.4, subsection 3, paragraph "d", or a multiple use terminal, which is not operated in a manner to accept an electronic personal identifier, and which is not operated to distinguish between transactions which affect a customer asset account and transactions which do not affect a customer asset account. Except as otherwise provided, a limited-function terminal shall not be subject to the requirements imposed upon other satellite terminals pursuant to sections 527.4 and 527.5, subsections 1, 2, 3, 7, and 9.

NEW SUBSECTION. 20. "Customer asset account" or "account" means a demand deposit, share, checking, savings, or other customer account, other than an occasional or incidental credit balance in a credit plan, which represents a liability of the financial institution which maintains such account at a business location or office located in this state, either directly or indirectly for the benefit of a customer.

Sec. 2. Section 527.2, subsections 5, 10, and 14, Code 1991, are amended to read as follows:

5. "Financial institution" means and includes any bank incorporated under the provisions of ~~chapter 524~~ any state or federal law, any savings and loan association incorporated under the provisions of ~~chapter 534~~ any state or federal law, any credit union organized under the provisions of ~~chapter 533~~ any state or federal law, any corporation licensed as an industrial loan company under ~~chapter 536A~~, and any affiliate of a bank, savings and loan association,