

**CHAPTER 153****CENTRALIZED STATE DEBT COLLECTION —  
INFORMATION — DRIVERS LICENSES***S.F. 545*

**AN ACT** relating to the nonrenewal or suspension of motor vehicle licenses for failure to pay indebtedness owed to or being collected by the state in pilot project counties, and providing an effective date.

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

Section 1. Section 321.210B, Code 1997, is amended to read as follows:

**321.210B NONRENEWAL, OR SUSPENSION FOR FAILURE TO PAY INDEBTEDNESS OWED TO THE STATE.**

The department shall suspend or refuse to renew the motor vehicle license of a person who has a delinquent account owed to the state according to records provided by the department of revenue and finance pursuant to section 421.17. A license shall be suspended or shall not be renewed until such time as the department of revenue and finance notifies the state department of transportation that the licensee has made arrangements for payment of the debt with the agency which is owed or is collecting the debt. This section is only applicable to those persons residing in a county which is participating in the driver's license indebtedness clearance pilot project.

**Sec. 2. DRIVER'S LICENSE INDEBTEDNESS CLEARANCE PILOT PROJECT.**

1. As used in this section, unless the context otherwise requires:

- a. "Department" means the state department of transportation.
- b. "Driver's license" means "motor vehicle license" as defined in section 321.1.

2. The department, in consultation with the department of revenue and finance, as well as other applicable state agencies, shall establish a driver's license indebtedness clearance pilot project. The department shall determine which and how many counties to include in the pilot project. However, a county may voluntarily participate in the pilot project and the department shall include such a county in the pilot project.

3. In pilot project counties, the department shall not issue a driver's license, shall not renew a driver's license, and shall suspend a driver's license if the applicant or licensee has a delinquent account, charge, fee, loan, or other indebtedness owed to or being collected by the state, unless the applicant or licensee has made arrangements for the payment of the debt with the agency, which is owed or is collecting the debt, to the satisfaction of the agency. A determination of money owed shall be based upon information provided pursuant to section 421.17. An applicant or licensee may contest this action by requesting a contested case proceeding from the agency that referred the debt for collection pursuant to section 421.17.

4. The department may issue a temporary permit allowing an applicant or licensee to operate a motor vehicle under limited circumstances if an applicant is denied a driver's license, if a driver's license is not renewed, or if a driver's license is suspended pursuant to this section. The department shall give special consideration to an applicant or licensee who is required to operate a motor vehicle for employment purposes.

5. The department shall utilize the records system maintained pursuant to section 321.31, subsection 1, to implement the pilot project. Notwithstanding any provisions of law to the contrary, the department of revenue and finance may exchange information with the department for purposes of the pilot project.

6. The pilot project shall commence on the effective date of this Act. The department shall submit a report to the governor and the general assembly by April 1, 1998, providing a summary of the pilot project, any amounts collected as a result of the pilot project, and any commensurate recommendations. The department shall adopt rules in accordance with

chapter 17A to implement the pilot project in accordance with this section.

Sec. 3. Section 421.17, subsection 34, paragraph i, Code 1997, is amended to read as follows:

i. The director may distribute to credit reporting entities and for publication the names, addresses, and amounts of indebtedness owed to or being collected by the state if the indebtedness is subject to the centralized debt collection procedure established in this subsection. The director shall adopt rules to ~~implement~~ administer this paragraph, and the rules shall provide guidelines by which the director shall determine which names, addresses, and amounts of indebtedness may be distributed for publication. The director may distribute information for publication pursuant to this paragraph, notwithstanding sections 422.20, 422.72, and 423.23, or any other provision of state law to the contrary pertaining to confidentiality of information.

Sec. 4. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 19, 1997

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## CHAPTER 154

### TAX TREATMENT OF SUBCHAPTER S FINANCIAL INSTITUTIONS AND THEIR SHAREHOLDERS

S.F. 553

**AN ACT** relating to the tax treatment of financial institutions and their shareholders which have made an election under subchapter S of the Internal Revenue Code and including a retroactive applicability date provision.

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

Section 1. NEW SECTION. 422.11 FRANCHISE TAX CREDIT.

The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by a franchise tax credit. A taxpayer who is a shareholder in a financial institution, as defined in section 581 of the Internal Revenue Code, which has in effect for the tax year an election under subchapter S of the Internal Revenue Code shall compute the amount of the tax credit by recomputing the amount of tax under this division by reducing the taxable income of the taxpayer by the taxpayer's pro rata share of the items of income and expense of the financial institution and subtracting the credits allowed under section 422.12. This recomputed tax shall be subtracted from the amount of tax computed under this division after the deduction for credits allowed under section 422.12. The resulting amount, which shall not exceed the taxpayer's pro rata share of the franchise tax paid by the financial institution, is the amount of the franchise tax credit allowed.

Sec. 2. Section 422.61, subsection 3, Code 1997, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Where a financial institution as defined in section 581 of the Internal Revenue Code is not subject to income tax and the shareholders of the financial institution are taxed on the financial institution's income under the provisions of the Internal Revenue Code, such tax treatment shall be disregarded and the financial institution shall compute its net income for franchise tax purposes in the same manner under this subsection as a financial institution that is subject to or liable for federal income tax under