

# House Amendment 5736

## Amendment Text

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1 1 Amend the House amendment, [S-5574](#), to [Senate File](#)  
1 2 2449, as amended, passed, and reprinted by the Senate,  
1 3 as follows:  
1 4 #1. By striking page 1, line 3, through page 6,  
1 5 line 10, and inserting the following:  
1 6 "#\_\_\_\_. By striking everything after the enacting  
1 7 clause and inserting the following:  
1 8 "DIVISION I  
1 9 INCOME TAX INDEXATION  
1 10 Section 1. Section [422.4](#), subsection 1, paragraph  
1 11 a, Code 1995, is amended to read as follows:  
1 12 a. "Annual inflation factor" means an index,  
1 13 expressed as a percentage, determined by the  
1 14 department by October 15 of the calendar year  
1 15 preceding the calendar year for which the factor is  
1 16 determined, which reflects the purchasing power of the  
1 17 dollar as a result of inflation during the fiscal year  
1 18 ending in the calendar year preceding the calendar  
1 19 year for which the factor is determined. In  
1 20 determining the annual inflation factor, the  
1 21 department shall use the annual percent change, but  
1 22 not less than zero percent, in the

~~implicit price~~

-  
1 23

~~deflator for the gross national product~~

- ~~gross domestic~~

1 24 ~~product price deflator~~ computed for the second quarter  
1 25 of the calendar year by the bureau of economic  
1 26 analysis of the United States department of commerce  
1 27 and shall add

~~one half~~

- ~~all~~ of that percent change to

1 28 one hundred percent. The annual inflation factor and  
1 29 the cumulative inflation factor shall each be  
1 30 expressed as a percentage rounded to the nearest one-  
1 31 tenth of one percent. The annual inflation factor  
1 32 shall not be less than one hundred percent.

1 33 Sec. 2. Section [422.4](#), subsection 2, paragraph a,  
1 34 Code 1995, is amended to read as follows:

1 35 a. "Annual standard deduction factor" means an  
1 36 index, expressed as a percentage, determined by the  
1 37 department by October 15 of the calendar year  
1 38 preceding the calendar year for which the factor is  
1 39 determined, which reflects the purchasing power of the  
1 40 dollar as a result of inflation during the fiscal year  
1 41 ending in the calendar year preceding the calendar  
1 42 year for which the factor is determined. In  
1 43 determining the annual standard deduction factor, the  
1 44 department shall use the annual percent change, but  
1 45 not less than zero percent, in the

~~implicit price~~

-

~~deflator for the gross national product~~

~~gross domestic~~

1 47 product price deflator computed for the second quarter  
1 48 of the calendar year by the bureau of economic  
1 49 analysis of the United States department of commerce  
1 50 and shall add

~~one-half~~

~~all~~ of that percent change to

2 1 one hundred percent. The annual standard deduction  
2 2 factor and the cumulative standard deduction factor  
2 3 shall each be expressed as a percentage rounded to the  
2 4 nearest one-tenth of one percent. The annual standard  
2 5 deduction factor shall not be less than one hundred  
2 6 percent.

2 7 Sec. 3. This division of this Act, being deemed of  
2 8 immediate importance, takes effect upon enactment and  
2 9 applies to the computation of the annual inflation  
2 10 factor and annual standard deduction factor for  
2 11 calendar years beginning on or after January 1, 1996.  
2 12 The department of revenue and finance shall adjust the  
2 13 annual inflation factor and annual standard deduction  
2 14 factor previously computed for the 1996 calendar year  
2 15 to reflect the change made in the computation of those  
2 16 factors in this Act.

DIVISION II

INHERITANCE TAX

2 19 Sec. 4. Section 450.9, subsections 2 and 3, Code  
2 20 1995, are amended to read as follows:

2 21 2. Each son and daughter, including legally  
2 22 adopted sons and daughters, or stepsons and  
2 23 stepdaughters, or biological sons and daughters  
2 24 entitled to inherit under the law of this state,

~~fifty~~

2 25 two hundred thousand dollars.

2 26 3. Father or mother,

~~fifteen~~

~~fifty~~ thousand

2 27 dollars.

2 28 Sec. 5. Section 450.9, Code 1995, is amended by  
2 29 adding the following new subsection after subsection  
2 30 3:

2 31 NEW SUBSECTION. 3A. Each grandchild, fifty  
2 32 thousand dollars.

2 33 Sec. 6. This division of this Act takes effect  
2 34 July 1 following enactment of the division and applies  
2 35 to the estates of decedents dying on or after that  
2 36 date.

DIVISION III

HOMESTEAD, MILITARY, AND LOW-INCOME

TAX CREDIT AND REIMBURSEMENT

2 40 Sec. 7. Section 8.59, Code 1995, is amended to  
2 41 read as follows:

2 42 8.59 APPROPRIATIONS FREEZE.

2 43 Notwithstanding contrary provisions of the Code,  
2 44 the amounts appropriated under the applicable sections  
2 45 of the Code for fiscal years commencing on or after  
2 46 July 1, 1993, are limited to those amounts expended  
2 47 under those sections for the fiscal year commencing  
2 48 July 1, 1992. If an applicable section appropriates  
2 49 moneys to be distributed to different recipients and  
2 50 the operation of this section reduces the total amount

3 1 to be distributed under the applicable section, the  
3 2 moneys shall be prorated among the recipients. As  
3 3 used in this section, "applicable sections" means the  
3 4 following sections: 53.50, 229.35, 230.8, 230.11,  
3 5 405A.8, 411.20,

~~425.1, 425.39, 426A.1,~~

- 663.44, and

3 6 822.5.

3 7 Sec. 8. Section [425.1](#), subsection 1, Code 1995, is  
3 8 amended to read as follows:

3 9 1. A homestead credit fund is created. There is  
3 10 appropriated annually from the general fund of the  
3 11 state to the department of revenue and finance to be  
3 12 credited to the homestead credit fund,

~~an amount~~

-  
3 13

~~sufficient~~

- the sum of one hundred fourteen million

3 14 four hundred thousand dollars to implement this  
3 15 chapter.

3 16 The director of revenue and finance shall issue  
3 17 warrants on the homestead credit fund payable to the  
3 18 county treasurers of the several counties of the state  
3 19 under this chapter.

3 20 Sec. 9. Section [425.17](#), subsection 2, paragraph b,  
3 21 Code 1995, is amended to read as follows:

3 22 b. A person filing a claim for

~~credit or~~

-  
3 23 reimbursement under this division who has attained the  
3 24 age of twenty-three years on or before December 31 of  
3 25 the base year or was a head of household on December  
3 26 31 of the base year, as defined in the Internal  
3 27 Revenue Code, but has not attained the age or  
3 28 disability status described in paragraph "a", and was  
3 29 domiciled in this state during the entire base year,  
3 30 and is domiciled in this state at the time the claim  
3 31 is filed or at the time of the person's death in the  
3 32 case of a claim filed by the executor or administrator  
3 33 of the claimant's estate, and was not claimed as a  
3 34 dependent on any other person's tax return for the  
3 35 base year.

3 36 Sec. 10. Section [425.17](#), subsection 2, unnumbered  
3 37 paragraph 2, Code 1995, is amended to read as follows:

3 38 "Claimant" under paragraph "a"

~~or "b"~~

- includes a

3 39 vendee in possession under a contract for deed and may  
3 40 include one or more joint tenants or tenants in  
3 41 common. In the case of a claim for rent constituting  
3 42 property taxes paid, the claimant shall have rented  
3 43 the property during any part of the base year. If a  
3 44 homestead is occupied by two or more persons, and more  
3 45 than one person is able to qualify as a claimant, the  
3 46 persons may determine among them who will be the  
3 47 claimant. If they are unable to agree, the matter  
3 48 shall be referred to the director of revenue and  
3 49 finance not later than June 1 of each year and the  
3 50 director's decision is final.

4 1 Sec. 11. Section [425.23](#), subsection 1, paragraph  
4 2 b, Code 1995, is amended by striking the paragraph and

4 3 inserting in lieu thereof the following:

4 4 b. The reimbursement for a claimant described in  
4 5 section 425.17, subsection 2, paragraph "b", shall be  
4 6 determined as follows:

| 4 7     | 4 8 If the household | 4 9 income is: | Percent of rent constituting<br>property taxes paid allowed<br>as a reimbursement: |
|---------|----------------------|----------------|--|
| 4 10 \$ | 0 - 9,999.99         | .....          | 50   |
| 4 11    | 10,000 - 13,999.99   | .....          | 42   |
| 4 12    | 14,000 - 17,999.99   | .....          | 35   |
| 4 13    | 18,000 - 20,999.99   | .....          | 25   |
| 4 14    | 21,000 - 23,999.99   | .....          | 17   |
| 4 15    | 24,000 - 26,999.99   | .....          | 12   |

4 16 Sec. 12. Section [425.23](#), subsection 3, paragraph  
4 17 a, Code 1995, is amended to read as follows:

4 18 a. A person who is eligible to file a claim for  
4 19 credit for property taxes due and who has a household  
4 20 income of six thousand dollars or less and who has an  
4 21 unpaid special assessment levied against the homestead  
4 22 may file a claim with the county treasurer that the  
4 23 claimant had a household income of six thousand  
4 24 dollars or less and that an unpaid special assessment  
4 25 is presently levied against the homestead. The  
4 26 department shall provide to the respective treasurers  
4 27 the forms necessary for the administration of this  
4 28 subsection. The claim shall be filed not later than  
4 29 September 30 of each year. Upon the filing of the  
4 30 claim, interest for late payment shall not accrue  
4 31 against the amount of the unpaid special assessment  
4 32 due and payable. The claim filed by the claimant  
4 33 constitutes a claim for credit of an amount equal to  
4 34 the actual amount due upon the unpaid special  
4 35 assessment, plus interest, payable during the fiscal  
4 36 year for which the claim is filed against the  
4 37 homestead of the claimant.

~~4 38 However, where the~~

~~4 39~~

~~4 40 claimant is an individual described in section 425.17,~~

~~4 41~~

~~4 42 subsection 2, paragraph "b", and the tentative credit~~

~~4 43~~

~~4 44 is determined according to the schedule in section~~

~~4 45~~

~~4 46 425.23, subsection 1, paragraph "b", subparagraph (2),~~

~~4 47~~

~~4 48 the claim filed constitutes a claim for credit of an~~

~~4 49~~

~~4 50 amount equal to one half of the actual amount due and~~

~~4 51~~

~~4 52 payable during the fiscal year.~~

~~4 53 The department of~~

4 54 revenue and finance shall, upon the filing of the

4 46 claim with the department by the treasurer, pay that  
4 47 amount of the unpaid special assessment during the  
4 48 current fiscal year to the treasurer. The treasurer  
4 49 shall submit the claims to the director of revenue and  
4 50 finance not later than October 15 of each year. The  
5 1 director of revenue and finance shall certify the  
5 2 amount of reimbursement due each county for unpaid  
5 3 special assessment credits allowed under this  
5 4 subsection. The amount of reimbursement due each  
5 5 county shall be paid by the director of revenue and  
5 6 finance on October 20 of each year, drawn upon  
5 7 warrants payable to the respective treasurer. There  
5 8 is appropriated annually from the general fund of the  
5 9 state to the department of revenue and finance an  
5 10 amount sufficient to carry out the provisions of this  
5 11 subsection. The treasurer shall credit any moneys  
5 12 received from the department against the amount of the  
5 13 unpaid special assessment due and payable on the  
5 14 homestead of the claimant.

5 15 Sec. 13. Section [425.24](#), Code 1995, is amended to  
5 16 read as follows:

5 17 425.24 MAXIMUM PROPERTY TAX FOR PURPOSE OF CREDIT  
5 18 OR REIMBURSEMENT.

5 19 In any case in which property taxes due or rent  
5 20 constituting property taxes paid for any household  
5 21 exceeds one thousand dollars or six hundred dollars in  
5 22 the case of a claimant described in section 425.17,  
5 23 subsection 2, paragraph "b", the amount of property  
5 24 taxes due or rent constituting property taxes paid  
5 25 shall be deemed to have been one thousand dollars or  
5 26 six hundred dollars in the case of a claimant  
5 27 described in section 425.17, subsection 2, paragraph  
5 28 "b", for purposes of this division.

5 29 Sec. 14. Section [425.39](#), Code 1995, is amended to  
5 30 read as follows:

5 31 1. The extraordinary property tax credit and  
5 32 reimbursement fund is created. There is appropriated  
5 33 annually from the general fund of the state to the  
5 34 department of revenue and finance to be credited to  
5 35 the extraordinary property tax credit and  
5 36 reimbursement fund, from funds not otherwise  
5 37 appropriated,

~~an amount sufficient~~  
~~the sum of twelve~~

5 38 million five hundred thousand dollars to implement  
5 39 this division.

5 40 2. If the amount appropriated under subsection 1

5 41

~~as limited by section 8.59,~~  
~~plus any supplemental~~

5 42 appropriation made for purposes of this section for a  
5 43 fiscal year is insufficient to pay all claims in full,  
5 44 the director shall pay, in full, all claims to be paid  
5 45 during the fiscal year for reimbursement of rent  
5 46 constituting property taxes paid or if moneys are  
5 47 insufficient to pay all such claims on a pro rata  
5 48 basis. If the amount of claims for credit for  
5 49 property taxes due to be paid during the fiscal year  
5 50 exceed the amount remaining after payment to renters,  
6 1 the director of revenue and finance shall prorate the  
6 2 payments to the counties for the property tax credit.  
6 3 In order for the director to carry out the

6 4 requirements of this subsection, notwithstanding any  
6 5 provision to the contrary in this division, claims for  
6 6 reimbursement for rent constituting property taxes  
6 7 paid filed before May 1 of the fiscal year shall be  
6 8 eligible to be paid in full during the fiscal year and  
6 9 those claims filed on or after May 1 of the fiscal  
6 10 year shall be eligible to be paid during the following  
6 11 fiscal year and the director is not required to make  
6 12 payments to counties for the property tax credit  
6 13 before June 15 of the fiscal year.

6 14 Sec. 15. Section [425.40](#), Code 1995, is amended to  
6 15 read as follows:

6 16 425.40 LOW-INCOME FUND CREATED.

6 17 1. A low-income

~~tax credit and~~  
- ~~rent reimbursement~~  
6 18 fund is created. There is appropriated annually from  
6 19 the general fund of the state to the low-income rent  
6 20 reimbursement fund the sum of thirteen million five  
6 21 hundred thousand dollars to fund rent reimbursements  
6 22 under this division.

6 23 2. If the amount appropriated under subsection 1  
6 24 plus any supplemental appropriation made for purposes  
6 25 of this section for a fiscal year is insufficient to  
6 26 pay all claims in full, the director shall pay

~~, in~~

6 27

~~full, all claims to be paid during the fiscal year for~~

6 28

~~reimbursement of rent constituting property taxes paid~~

6 29

~~or if moneys are insufficient to pay~~

- all such claims

6 30 on a pro rata basis.

~~If the amount of claims for~~

6 31

~~credit for property taxes due to be paid during the~~

6 32

~~fiscal year exceed the amount remaining after payment~~

6 33

~~to renters, the director of revenue and finance shall~~

6 34

~~prorate the payments to the counties for the property~~

6 35

~~tax credit.~~

- In order for the director to carry out

6 36 the requirements of this subsection, notwithstanding

6 37 any provision to the contrary in this division, claims

6 38 for reimbursement for rent constituting property taxes  
6 39 paid filed before May 1 of the fiscal year shall be  
6 40 eligible to be paid

~~in full~~

- during the fiscal year and  
6 41 those claims filed on or after May 1 of the fiscal  
6 42 year shall be eligible to be paid during the following  
6 43 fiscal year

~~and the director is not required to make~~

-  
6 44

~~payments to counties for the property tax credit~~

-  
6 45

~~before June 15 of the fiscal year~~

-  
6 46 Sec. 16. Section [426A.1](#), Code 1995, is amended to  
6 47 read as follows:  
6 48 426A.1 APPROPRIATION.  
6 49 There is appropriated from the general fund of the  
6 50 state the

~~amounts necessary~~

- sum of two million eight

7 1 hundred thousand dollars to fund the credits provided  
7 2 under this chapter.

7 3 Sec. 17. This division of this Act takes effect  
7 4 July 1, 1996, and applies to homestead, military  
7 5 service, and low-income tax credit and rent  
7 6 reimbursement claims payable in fiscal years beginning  
7 7 on or after July 1, 1996.

7 8 DIVISION IV  
7 9 SUBCHAPTER S CORPORATIONS

7 10 Sec. 18. Section [422.4](#), Code 1995, is amended by  
7 11 adding the following new subsection:

7 12 NEW SUBSECTION. 15A. "Subchapter S corporation"  
7 13 or "S corporation" means a corporation for which a  
7 14 valid election under section 1362(a) of the Internal  
7 15 Revenue Code is in effect.

7 16 Sec. 19. Section [422.5](#), subsection 1, paragraph j,  
7 17 Code 1995, is amended to read as follows:

7 18 j. (1) The tax imposed upon the taxable income of  
7 19 a nonresident shall be computed by reducing the amount  
7 20 determined pursuant to paragraphs "a" through "i" by  
7 21 the amounts of nonrefundable credits under this  
7 22 division and by multiplying this resulting amount by a  
7 23 fraction of which the nonresident's net income  
7 24 allocated to Iowa, as determined in section 422.8,  
7 25 subsection 2, paragraph "a", is the numerator and the  
7 26 nonresident's total net income computed under section  
7 27 422.7 is the denominator. This provision also applies  
7 28 to individuals who are residents of Iowa for less than  
7 29 the entire tax year.

7 30 (2) The tax imposed upon the taxable income of a  
7 31 resident shareholder in a subchapter S corporation  
7 32 which makes an election pursuant to section 422.36,  
7 33 subsection 5, paragraph "b", to be taxed as a regular  
7 34 corporation, shall be computed by reducing the amount  
7 35 determined pursuant to paragraphs "a" through "i" by  
7 36 the amounts of nonrefundable credits under this  
7 37 division and by multiplying this resulting amount by a  
7 38 fraction of which the resident's net income allocated  
7 39 to Iowa, as determined in section 422.8, subsection 2,

7 40 paragraph "b", is the numerator and the resident's  
7 41 total net income as computed under section 422.7 is  
7 42 the denominator. This provision also applies to  
7 43 individuals who are residents of Iowa for less than  
7 44 the entire tax year.

7 45 (a) In the case of a resident or part-year  
7 46 resident shareholder in a subchapter S corporation  
7 47 which makes an election under section 422.36,  
7 48 subsection 5, paragraph "b", to be taxed as a regular  
7 49 corporation, a taxpayer must completely fill out the  
7 50 return, determine the taxpayer's income tax as if the  
8 1 taxpayer is not a resident shareholder in a  
8 2 corporation which makes an election pursuant to  
8 3 section 422.36, subsection 5, paragraph "b", and pay  
8 4 the amount of tax which is owed. The taxpayer shall  
8 5 then recompute the taxpayer's income tax liability  
8 6 pursuant to this subparagraph on a special return.  
8 7 This special return shall be filed with the regular  
8 8 return and constitutes a claim for refund of the  
8 9 difference between the amount of tax the taxpayer paid  
8 10 on the regular return and the amount of tax determined  
8 11 on the special return. However, if the amount of tax  
8 12 determined on the special return exceeds the amount of  
8 13 tax paid on the regular return, the taxpayer shall pay  
8 14 the additional amount of tax which is owed on the  
8 15 special return.

8 16 (b) For any tax year, the aggregate amount of  
8 17 refund claims that shall be paid pursuant to this  
8 18 subparagraph in excess of revenue gains shall not  
8 19 exceed three million five hundred thousand dollars.  
8 20 If, for a tax year, the aggregate amount of refund  
8 21 claims filed pursuant to this subparagraph in excess  
8 22 of revenue gains exceeds three million five hundred  
8 23 thousand dollars, each claim for refund shall be paid  
8 24 on a pro rata basis so that the aggregate amount of  
8 25 refund claims in excess of revenue gains does not  
8 26 exceed three million five hundred thousand dollars.  
8 27 For purposes of the calculation of the three million  
8 28 five hundred thousand dollar limitation provided by  
8 29 this subparagraph subdivision, the department shall  
8 30 take into account all revenue gains as well as revenue  
8 31 losses resulting from the application of the following  
8 32 provisions, including, without limitation, revenue  
8 33 gains arising when the tax calculated under this  
8 34 subparagraph is greater, revenue gains resulting from  
8 35 the denial of tax credits under section 422.8,  
8 36 subsection 6, revenue gains resulting from the  
8 37 taxation of additional income under section 422.7,  
8 38 subsection 35, and revenue gains resulting from the  
8 39 imposition of corporate income taxes on corporations  
8 40 making the election specified in section 422.36,  
8 41 subsection 5, paragraph "b". In the case where refund  
8 42 claims are not allowed in full, the amount of the  
8 43 refund to which the taxpayer is entitled under this  
8 44 subparagraph is the pro rata amount that was paid and  
8 45 the taxpayer is not entitled to a refund of the unpaid  
8 46 portion and is not entitled to carry that amount  
8 47 forward or backward to another tax year. Taxpayers  
8 48 shall not use refunds as estimated payments for the  
8 49 succeeding tax year. The department shall determine  
8 50 by July 1 of the tax year following the tax year for  
9 1 which the refund claim is filed if the aggregate  
9 2 amount of refund claims in excess of revenue gains  
9 3 exceeds three million five hundred thousand dollars  
9 4 for the tax year. Notwithstanding any provision,  
9 5 interest shall not be due on any refund claims that  
9 6 are paid by September 1 of the tax year following the



9 7 tax year for which the refund claim is filed. For  
9 8 taxpayers that are fiscal year filers, the amount of  
9 9 the refund claim allowed shall be in the same ratio as  
9 10 the refund claims allowed for the tax year in which  
9 11 the taxpayer's fiscal year began.

9 12 Sec. 20. Section [422.5](#), subsection 1, paragraph k,  
9 13 subparagraph (3), unnumbered paragraph 3, Code 1995,  
9 14 is amended to read as follows:

9 15 In the case of a resident, including a resident  
9 16 estate or trust, the state's apportioned share of the  
9 17 state alternative minimum tax is one hundred percent  
9 18 of the state alternative minimum tax computed in this  
9 19 subsection. In the case of a resident or part-year  
9 20 resident shareholder in a subchapter S corporation  
9 21 which makes an election under section 422.36,  
9 22 subsection 5, paragraph "b" to be taxed as a regular  
9 23 corporation and a nonresident, including a nonresident  
9 24 estate or trust, or an individual, estate, or trust  
9 25 that is domiciled in the state for less than the  
9 26 entire tax year, the state's apportioned share of the  
9 27 state alternative minimum tax is the amount of tax  
9 28 computed under this subsection, reduced by the  
9 29 applicable credits in sections 422.10 through 422.12  
9 30 and this result multiplied by a fraction with a  
9 31 numerator of the sum of state net income allocated to  
9 32 Iowa as determined in section 422.8, subsection 2,  
9 33 paragraph "a" or "b", as applicable, plus tax  
9 34 preference items, adjustments, and losses under  
9 35 subparagraph (1) attributable to Iowa and with a  
9 36 denominator of the sum of total net income computed  
9 37 under section 422.7 plus all tax preference items,  
9 38 adjustments, and losses under subparagraph (1). In  
9 39 computing this fraction, those items excludable under  
9 40 subparagraph (1) shall not be used in computing the  
9 41 tax preference items. Married taxpayers electing to  
9 42 file separate returns or separately on a combined  
9 43 return must allocate the minimum tax computed in this  
9 44 subsection in the proportion that each spouse's  
9 45 respective preference items, adjustments, and losses  
9 46 under subparagraph (1) bear to the combined preference  
9 47 items, adjustments, and losses under subparagraph (1)  
9 48 of both spouses.

9 49 Sec. 21. Section [422.7](#), Code Supplement 1995, is  
9 50 amended by adding the following new subsection:

10 1 NEW SUBSECTION. 35. In determining gain or loss  
10 2 from the sale or other disposition of stock of a  
10 3 subchapter S corporation which makes an election  
10 4 pursuant to section 422.36, subsection 5, paragraph  
10 5 "b" to be taxed as a regular corporation, the basis of  
10 6 a taxpayer in that stock shall be adjusted for Iowa  
10 7 income tax purposes under rules of the director to  
10 8 reflect any adjustment in Iowa income taxes paid by  
10 9 the taxpayer pursuant to section 422.5, subsection 1,  
10 10 paragraph "j", subparagraph (2).

10 11 Sec. 22. Section [422.8](#), subsection 2, Code 1995,  
10 12 is amended to read as follows:

10 13 2. a. Nonresident's net income allocated to Iowa  
10 14 is the net income, or portion

~~thereof~~

~~of the net~~

10 15 income, which is derived from a business, trade,  
10 16 profession, or occupation carried on within this state  
10 17 or income from any property, trust, estate, or other  
10 18 source within Iowa. However, income derived from a  
10 19 business, trade, profession, or occupation carried on  
10 20 within this state and income from any property, trust,

10 21 estate, or other source within Iowa shall not include  
10 22 distributions from pensions, including defined benefit  
10 23 or defined contribution plans, annuities, individual  
10 24 retirement accounts, and deferred compensation plans  
10 25 or any earnings attributable thereto so long as the  
10 26 distribution is directly related to an individual's  
10 27 documented retirement and received while the  
10 28 individual is a nonresident of this state. If a  
10 29 business, trade, profession, or occupation is carried  
10 30 on partly within and partly without the state, only  
10 31 the portion of the net income which is fairly and  
10 32 equitably attributable to that part of the business,  
10 33 trade, profession, or occupation carried on within the  
10 34 state is allocated to Iowa for purposes of section  
10 35 422.5, subsection 1, paragraph "j", and section 422.13  
10 36 and income from any property, trust, estate, or other  
10 37 source partly within and partly without the state is  
10 38 allocated to Iowa in the same manner, except that  
10 39 annuities, interest on bank deposits and interest-  
10 40 bearing obligations, and dividends are allocated to  
10 41 Iowa only to the extent to which they are derived from  
10 42 a business, trade, profession, or occupation carried  
10 43 on within the state.

10 44 b. A resident's income allocated to Iowa is the  
10 45 income determined under section 422.7 reduced by items  
10 46 of income, loss, and expenses from a subchapter S  
10 47 corporation which makes an election pursuant to  
10 48 section 422.36, subsection 5, paragraph "b", to be  
10 49 taxed as a regular corporation, which passes directly  
10 50 to the shareholders under provisions of the Internal  
11 1 Revenue Code, with the following adjustments:

11 2 (1) Add cash or value of property distributions  
11 3 made to the extent paid from income upon which Iowa  
11 4 income tax has not been paid as determined under rules  
11 5 of the director.

11 6 (2) Subtract the amounts of distributions made in  
11 7 subparagraph (1) that were, under rules of the  
11 8 director, distributed to the shareholder to enable the  
11 9 shareholder to pay federal income tax on items of  
11 10 income, loss, and expenses from a subchapter S  
11 11 corporation which makes an election pursuant to  
11 12 section 422.36, subsection 5, paragraph "b", to be  
11 13 taxed as a regular corporation, which pass directly to  
11 14 the shareholders under provisions of the Internal  
11 15 Revenue Code.

11 16 Sec. 23. Section 422.8, Code 1995, is amended by  
11 17 adding the following new subsection:

11 18 NEW SUBSECTION. 6. If the resident or part-year  
11 19 resident is a shareholder of a subchapter S  
11 20 corporation which makes an election pursuant to  
11 21 section 422.36, subsection 5, paragraph "b", to be  
11 22 taxed as a regular corporation, subsections 1 and 3 do  
11 23 not apply to any income taxes paid to another state or  
11 24 foreign country on the income from the subchapter S  
11 25 corporation.

11 26 Sec. 24. Section 422.32, subsection 4, Code  
11 27 Supplement 1995, is amended to read as follows:

11 28 4. "Corporation" includes joint stock companies,  
11 29 and associations organized for pecuniary profit, and  
11 30 publicly traded partnerships and limited liability  
11 31 companies taxed as corporations under the Internal  
11 32 Revenue Code and any subchapter S corporation which  
11 33 has in effect an election under section 422.36,  
11 34 subsection 5, paragraph "b", to be taxed as a regular  
11 35 corporation.

11 36 Sec. 25. Section 422.32, Code Supplement 1995, is  
11 37 amended by adding the following new subsection:

11 38 NEW SUBSECTION. 11. The term "value-added  
11 39 corporation" means a corporation that purchases,  
11 40 receives, or holds personal property of any  
11 41 description and which adds to its value by a process  
11 42 of manufacturing, construction, processing, or  
11 43 combining of different materials, and shall  
11 44 specifically include the economic activity identified  
11 45 in divisions C and D of the standard industrial  
11 46 classification codes appearing in 13 C.F.R. ch. 1(1-1-  
11 47 94 edition), with a view to selling the finished  
11 48 product for gain or profit. A corporation engaged in  
11 49 more than one business activity is a value-added  
11 50 corporation if more than fifty percent of its gross  
12 1 receipts, figured on a three-year annual average, or  
12 2 such shorter period as the corporation shall have been  
12 3 in existence, are from the processes previously  
12 4 identified.

12 5 Sec. 26. Section 422.35, unnumbered paragraph 1,  
12 6 Code Supplement 1995, is amended to read as follows:

12 7 The term "net income" means the taxable income  
12 8 before the net operating loss deduction, as properly  
12 9 computed for federal income tax purposes under the  
12 10 Internal Revenue Code, or in the case of subchapter S  
12 11 corporations that make an election pursuant to section  
12 12 422.36, subsection 5, paragraph "b", "net income"  
12 13 means the sum of all items of distributive shares of  
12 14 income, loss, and expenses of the corporation as  
12 15 determined under rules of the director, with the  
12 16 following adjustments:

12 17 Sec. 27. Section 422.36, subsection 5, Code 1995,  
12 18 is amended to read as follows:

12 19 5. a.

~~—where~~

~~- Unless an election is made under~~  
12 20 paragraph "b" to be taxed under this division, where a  
12 21 corporation is not subject to income tax and the  
12 22 stockholders of

~~—such~~

~~- the~~ corporation are taxed on the  
12 23 corporation's income under

~~—the provisions of~~

~~- the~~  
12 24 Internal Revenue Code, the same tax treatment

~~—shall~~

~~-~~  
12 25

~~—apply to such~~

~~- applies to the~~ corporation and

~~—such~~

~~- the~~  
12 26 stockholders for Iowa income tax purposes.

12 27 b. A subchapter S corporation which is a value-  
12 28 added corporation which does business both within and  
12 29 without the state may elect to be taxed as a regular  
12 30 corporation under this division. The election shall  
12 31 be made not later than the due date for filing its  
12 32 return for the first taxable year for which the  
12 33 election is to be effective, including any extensions  
12 34 beyond that date, on a form provided by the director  
12 35 and signed by the shareholders holding more than one-  
12 36 half of the shares of stock of the corporation on the

12 37 last day of the first taxable year for which the  
12 38 election is to be effective. The election shall be  
12 39 effective for that taxable year and for subsequent  
12 40 taxable years until revoked.  
12 41 c. The corporation may revoke its election under  
12 42 paragraph "b" by a revocation made not later than the  
12 43 due date for filing its return for the taxable year  
12 44 for which the revocation is to be effective, including  
12 45 any extensions beyond that date, on a form provided by  
12 46 the director and signed by shareholders holding more  
12 47 than one-half of the shares of stock of the  
12 48 corporation on the last day of the first taxable year  
12 49 for which the revocation is to be effective. However,  
12 50 a corporation that has made an election under  
13 1 paragraph "b" shall not be eligible to make an  
13 2 election under this paragraph for revocation of the  
13 3 election under paragraph "b" for any taxable year  
13 4 before its fourth taxable year following the first  
13 5 taxable year for which the election under paragraph  
13 6 "b" was effective, unless the director consents to the  
13 7 revocation.

13 8 Sec. 28. This division of this Act, being deemed  
13 9 of immediate importance, takes effect upon enactment  
13 10 and applies retroactively to January 1, 1996, for tax  
13 11 years of individuals beginning on or after that date  
13 12 and for tax years of corporations ending on or after  
13 13 that date.

#### 13 14 DIVISION V

#### 13 15 QUALIFIED VENTURE CAPITAL COMPANY

13 16 Sec. 29. NEW SECTION. 15E.175 DEFINITIONS.

13 17 As used in this section and sections 15E.176 and  
13 18 15E.177:

13 19 1. "Iowa business" means a business or industry,  
13 20 incorporated or unincorporated, which meets all the  
13 21 following criteria:

13 22 a. Has or will have, within thirty days after a  
13 23 loan or investment is made by a qualified venture  
13 24 capital company, at least fifty percent of its  
13 25 employees or assets located in Iowa and agrees to  
13 26 maintain at least fifty percent of its employees or  
13 27 assets in Iowa following investment in the business by  
13 28 a qualified venture capital company.

13 29 b. A business which is unable to raise equity  
13 30 capital or obtain financing from conventional sources  
13 31 in order to remain viable or to commence or expand its  
13 32 ability to provide goods or services.

13 33 2. "Qualified venture capital company" means a  
13 34 corporation, limited liability company, or a general  
13 35 or limited partnership with its principal place of  
13 36 business located within this state, which meets all of  
13 37 the following requirements:

13 38 a. Has an initial private capitalization of not  
13 39 less than twenty million dollars.

13 40 b. Is organized by the Iowa business investment  
13 41 corporation, organized under division XV of this  
13 42 chapter, to directly or indirectly through its  
13 43 subsidiaries or affiliates invest in debt and equity  
13 44 securities of Iowa businesses.

13 45 c. Seeks approval from the federal small business  
13 46 administration to establish a small business  
13 47 investment company that is incorporated in Iowa and  
13 48 maintains its principal place of business in this  
13 49 state the purpose of which includes increasing the  
13 50 availability of funds for investment in and loans to  
14 1 Iowa businesses.

14 2 d. Will provide or arrange for managerial and  
14 3 other advice, assistance, and support for Iowa

14 4 businesses.

14 5 e. Does not invest funds under this division for  
14 6 the expansion of operations of an Iowa business in  
14 7 another state.

14 8 3. "Taxpayer" means an entity subject to tax under  
14 9 chapter 422, division III, chapter 422, division V, or  
14 10 chapter 432.

14 11 4. "Tax year" means for entities subject to the  
14 12 state corporate income tax or the state franchise tax  
14 13 under chapter 422, division III or V, respectively,  
14 14 the tax year as defined for those divisions or means  
14 15 for insurance companies subject to the gross premiums  
14 16 tax under chapter 432, the calendar year for which the  
14 17 premiums are taxed.

14 18 Sec. 30. NEW SECTION. 15E.176 TAX CREDITS.

14 19 1. For tax years beginning on or after January 1,  
14 20 1997, there is allowed a credit against that tax  
14 21 imposed under the corporate income tax in chapter 422,  
14 22 division III, the franchise tax in chapter 422,  
14 23 division V, or the gross premiums tax in chapter 432,  
14 24 for investments made by the taxpayer in a qualified  
14 25 venture capital company whose purpose includes  
14 26 establishing or expanding Iowa business.

14 27 2. The amount of credit allowed under subsection  
14 28 1, subject to subsection 4, is computed as follows:

14 29 a. The amount of the qualified venture capital  
14 30 company's investment in Iowa businesses is divided by  
14 31 the amount of new cash invested in the qualified  
14 32 venture capital company.

14 33 b. The resulting percentage, which shall not  
14 34 exceed fifty percent, is multiplied by the amount of  
14 35 the taxpayer's investment in the qualified venture  
14 36 capital company.

14 37 c. The amount of the credit is equal to ten  
14 38 percent of the product determined in paragraph "b".

14 39 d. The qualified venture capital company shall  
14 40 compute as of the end of the qualified venture capital  
14 41 company's tax year the amounts under paragraph "c" for  
14 42 each tax year the qualified venture capital company is  
14 43 entitled to the credit.

14 44 3. The qualified venture capital company is  
14 45 allowed the credit as computed each year in subsection  
14 46 2 for up to ten consecutive years beginning with the  
14 47 first year for which the credit is taken.

14 48 If the amount of the credit exceeds the qualified  
14 49 venture capital company's tax liability for the tax  
14 50 year, the excess may be credited to the tax liability  
15 1 for the following five tax years or until depleted,  
15 2 whichever is the earlier, and is in addition to any  
15 3 other credit allowed under this section.

15 4 4. Notwithstanding the amount of credit computed  
15 5 in subsection 2, the total amount of credits for all  
15 6 qualified venture capital companies that shall be  
15 7 allowed under subsection 1 for any fiscal year of the  
15 8 qualified venture capital company shall not exceed one  
15 9 million two hundred fifty thousand dollars and for all  
15 10 fiscal years of the qualified venture capital company  
15 11 shall not exceed twelve million five hundred thousand  
15 12 dollars. In determining if the credit allowed has  
15 13 exceeded the fiscal year limit, credits carried over  
15 14 from a previous tax year are not counted.

15 15 5. The credit provided for in subsection 2, to the  
15 16 extent not previously utilized, shall be freely  
15 17 transferable to and by subsequent transferees for a  
15 18 period of ten years from the date the credit is first  
15 19 available to the qualified venture capital company.

15 20 Sec. 31. NEW SECTION. 15E.177 COORDINATION OF

15 21 RESOURCES.

15 22 If a qualified venture capital company is organized  
15 23 by the Iowa business investment corporation on or  
15 24 before December 31, 1997, within ninety days following  
15 25 its organization, the qualified venture capital  
15 26 company shall develop and submit a written proposal to  
15 27 the shareholders of each business development finance  
15 28 corporation organized pursuant to division XIII of  
15 29 this chapter, calling for the investment of all the  
15 30 assets of each business development finance  
15 31 corporation in securities of the qualified venture  
15 32 capital company. A notice of a special meeting of the  
15 33 shareholders of the business development finance  
15 34 corporation and the written proposal made to the  
15 35 business development finance corporation by the  
15 36 qualified venture capital company shall be delivered  
15 37 to the shareholders of each business development  
15 38 finance corporation entitled to vote at the special  
15 39 shareholders meeting not less than ten nor more than  
15 40 sixty days before the meeting date given by the  
15 41 qualified venture capital company. Action on the  
15 42 written proposal by the board of directors of the  
15 43 business development finance corporation or any other  
15 44 person shall not be required to call the special  
15 45 meeting or authorize voting on the written proposal by  
15 46 the shareholders of the business development finance  
15 47 corporation. If at the special meeting of  
15 48 shareholders of the business development finance  
15 49 corporation or any recesses thereof, a majority of the  
15 50 shareholders present or represented at the special  
16 1 meeting approve the investment proposed by the  
16 2 qualified venture capital company, the business  
16 3 development finance corporation shall immediately make  
16 4 such an investment of all of its assets. The  
16 5 investment by a business development finance  
16 6 corporation of all of its assets in the qualified  
16 7 venture capital corporation shall not be considered a  
16 8 sale of assets other than in the usual and regular  
16 9 course of business and division XIII of the Iowa  
16 10 business development finance Act shall not apply to  
16 11 the transaction. The qualified venture capital  
16 12 company may make additional proposals as often as it  
16 13 desires to the shareholders of each business  
16 14 development finance corporation that did not approve  
16 15 the initial investment proposal. Except for the  
16 16 requirement that a written proposal be presented to  
16 17 the shareholders within ninety days of the  
16 18 organization of the qualified venture capital company,  
16 19 the provisions of this section shall apply to all  
16 20 additional proposals.

16 21 Sec. 32. Section [422.33](#), Code Supplement 1995, is  
16 22 amended by adding the following new subsection:

16 23 NEW SUBSECTION. 9. There is allowed as a credit  
16 24 against the tax determined in subsection 1 for a tax  
16 25 year an amount equal to the qualified venture capital  
16 26 credit as provided in section 15E.176.

16 27 Notwithstanding any other provision, the credit  
16 28 allowed for in this subsection shall be applied prior  
16 29 to all other credits allowed the taxpayer. The  
16 30 taxpayer shall not receive for the same investment a  
16 31 credit under subsection 8 and this subsection.

16 32 Sec. 33. Section [422.60](#), Code Supplement 1995, is  
16 33 amended by adding the following new subsection:

16 34 NEW SUBSECTION. 4. There is allowed as a credit  
16 35 against the tax determined in this division for a tax  
16 36 year an amount equal to the qualified venture capital  
16 37 credit as provided in section 15E.176.

16 38 Notwithstanding any other provision, the credit  
16 39 allowed for in this subsection shall be applied prior  
16 40 to all other credits allowed the taxpayer. The  
16 41 allocation of revenues to a city or county under  
16 42 section 422.65 shall be determined as if the credit  
16 43 under this subsection had not been taken.

16 44 Sec. 34. Section 432.1, Code 1995, is amended by  
16 45 adding the following new subsection:

16 46 NEW SUBSECTION. 5. There is allowed as a credit  
16 47 against the tax determined in subsection 1 or 2 for a  
16 48 tax year an amount equal to the qualified venture  
16 49 capital credit as provided in section 15E.176.

16 50 Notwithstanding any other provision, the credit  
17 1 allowed for in this subsection shall be applied prior  
17 2 to all other credits allowed the taxpayer.

17 3 Sec. 35. 1992 Iowa Acts, chapter 1244, section 1,  
17 4 subsection 2, paragraph e, unnumbered paragraph 1, as  
17 5 amended by 1993 Iowa Acts, chapter 180, section 46, as  
17 6 amended by 1994 Iowa Acts, chapter 1201, section 29,  
17 7 is amended to read as follows:

17 8 For transfer to the treasurer of state for the  
17 9 purpose of facilitating the organization and private  
17 10 capitalization of the small business investment  
17 11 company or other entity under sections 15E.169 through  
17 12 15E.171. If the small business investment company or  
17 13 another entity for which the funds are to be used is  
17 14 not organized

~~within thirty six months of the~~

17 15

~~effective date of this Act~~

~~-, unused funds shall revert~~  
17 16 to the general fund of the state, however, if such an  
17 17 entity is organized, the unused funds shall be  
17 18 transferred irrevocably to the qualified venture  
17 19 capital company or other entity for which the funds  
17 20 are to be used:

17 21 ..... \$ 200,000

17 22 Sec. 36. APPLICABILITY. This division of this Act  
17 23 applies for tax years of entities subject to the state  
17 24 corporate income tax or franchise tax which begin on  
17 25 or after January 1, 1997. This division of this Act  
17 26 applies for calendar years beginning on or after  
17 27 January 1, 1997, for entities subject to the gross  
17 28 premiums tax under chapter 432.

17 29 DIVISION VI

17 30 FAMILY FARM FEEDING OPERATIONS

17 31 Sec. 37. NEW SECTION. 175A.1 SHORT TITLE.  
17 32 This chapter shall be known and may be cited as the  
17 33 "Iowa Family Farm Animal Feeding Operations  
17 34 Preservation Act".

17 35 Sec. 38. NEW SECTION. 175A.2 PURPOSE.  
17 36 The purpose of this chapter is to address a grave  
17 37 threat to traditional farmers who produce animals in  
17 38 this state and who face capitalization barriers and  
17 39 the consolidation of animal agriculture, which results  
17 40 in fewer individuals engaged in farming. These  
17 41 conditions result in a loss in population,  
17 42 unemployment and a movement of persons from rural  
17 43 communities to urban areas accompanied by added costs  
17 44 to communities for the creation of new public  
17 45 facilities and services. It is therefore necessary to  
17 46 assist small and medium sized family farm animal  
17 47 feeding operations in order to expand such operations  
17 48 and preserve a way of life which has traditionally

17 49 supported Iowa's economy and communities.  
17 50 Sec. 39. NEW SECTION. 175A.3 DEFINITIONS.  
18 1 1. "Animal feeding operation" means the same as  
18 2 defined in section 455B.161.  
18 3 2. "Animal feeding operation structure" means the  
18 4 same as defined in section 455B.161.  
18 5 3. "Animal weight capacity" means the same as  
18 6 defined in section 455B.161.  
18 7 4. "Authority" means the agricultural development  
18 8 authority established pursuant to section 175.3.  
18 9 5. "Family farm animal feeding operation" or  
18 10 "operation" means an animal feeding operation located  
18 11 on the land where the owner of the operation also  
18 12 engages in farming activities other than animal  
18 13 feeding operation activities, if all of the following  
18 14 criteria are satisfied:  
18 15 a. The total animal weight capacity of all animals  
18 16 other than bovine animals owned by the person is two  
18 17 hundred thousand pounds or less, and the total animal  
18 18 weight capacity of bovine animals owned by the person  
18 19 is four hundred thousand pounds or less.  
18 20 b. A person holding an interest in the animal  
18 21 feeding operation owns all animals confined and fed in  
18 22 the animal feeding operation.  
18 23 c. The person who owns the animal feeding  
18 24 operation raises and harvests crops in the same or an  
18 25 adjoining county where the animal feeding operation is  
18 26 located.  
18 27 d. The person who owns the animal feeding  
18 28 operation is one of the following:  
18 29 (1) A natural person.  
18 30 (2) A general partnership composed exclusively of  
18 31 natural persons.  
18 32 e. Each person who holds an interest in the animal  
18 33 feeding operation resides in this state.  
18 34 f. The animal feeding operation is located  
18 35 entirely within the state.  
18 36 6. "Farming" means the same as defined in section  
18 37 175.2.  
18 38 7. "Lending institution" means a bank, trust  
18 39 company, mortgage company, national banking  
18 40 association, savings and loan association, life  
18 41 insurance company, any state or federal governmental  
18 42 agency or instrumentality, including without  
18 43 limitation the federal land bank or any of its local  
18 44 associations, or any other financial institution or  
18 45 entity authorized to make farm operating loans in this  
18 46 state.  
18 47 8. "Low or moderate net worth" means:  
18 48 a. For an individual, an aggregate net worth of  
18 49 the individual and the individual's spouse and minor  
18 50 children of less than two hundred thousand dollars.  
19 1 b. For any general partnership, an aggregate net  
19 2 worth of all partners, including each partner's net  
19 3 capital in the partnership, and of each partner's  
19 4 spouse and minor children of less than three hundred  
19 5 thousand dollars. However, the aggregate net worth of  
19 6 each partner and that partner's spouse and minor  
19 7 children shall not exceed two hundred thousand  
19 8 dollars.  
19 9 9. "Net worth" means a person's total assets minus  
19 10 total liabilities as determined in accordance with  
19 11 generally accepted accounting principles with  
19 12 appropriate exceptions and exemptions reasonably  
19 13 related to an equitable determination of a person's  
19 14 net worth. Assets shall be valued at fair market  
19 15 value.



19 16 10. "Note" means a bond anticipation note or other  
19 17 obligation or evidence of indebtedness issued by the  
19 18 authority pursuant to this chapter.

19 19 11. "Secured loan" means a financial obligation  
19 20 secured by a chattel mortgage, security agreement, or  
19 21 other instrument creating a lien on an interest in  
19 22 depreciable agricultural property.

19 23 Sec. 40. NEW SECTION. 175A.4 ASSISTANCE  
19 24 PROGRAMS.

19 25 1. The authority shall administer programs under  
19 26 this section to assist family farm animal feeding  
19 27 operations. The department of revenue and finance  
19 28 shall assist the authority in administering this  
19 29 section.

19 30 2. In order to assist a family farm animal feeding  
19 31 operation in financing the operation, including by  
19 32 assisting in whole or in part the acquisition of  
19 33 animals, or the purchase of agricultural land, the  
19 34 purchase of agricultural improvements or depreciable  
19 35 agricultural property, the construction of buildings,  
19 36 facilities, or animal feeding operation structures,  
19 37 related to the operation, the authority shall do all  
19 38 of the following:

19 39 a. Cooperate with any other state agency or the  
19 40 federal government, including supplementing assistance  
19 41 provided by another state agency and the federal  
19 42 government.

19 43 b. Administer other programs provided under  
19 44 chapter 175, including supplementing assistance  
19 45 provided by other programs.

19 46 c. Provide certification necessary to allow owners  
19 47 of operations to claim an income tax credit as  
19 48 provided in section 175A.5, and a property tax  
19 49 exemption pursuant to section 427.1.

19 50 d. Administer the following programs:

20 1 (1) A loan guarantee program to provide for  
20 2 guaranteeing of all or part of a loan made to the  
20 3 operation.

20 4 (2) An interest buy-down program, in which the  
20 5 authority contracts with a participating lending  
20 6 institution to reduce the interest rate charged on a  
20 7 loan to the operation. The authority shall determine  
20 8 the amount that the rate is reduced by considering the  
20 9 lending institution's customary loan rate for the type  
20 10 of loan sought as certified to the authority by the  
20 11 lending institution. As part of the contract, in  
20 12 order to reimburse the lending institution for the  
20 13 reduction of the interest rate on the loan, the  
20 14 authority may agree to grant the lending institution  
20 15 any amount foregone by reducing the interest rate on  
20 16 that portion of the loan which is three hundred  
20 17 thousand dollars or less. However, the amount  
20 18 reimbursed shall not be more than fifty percent of the  
20 19 amount of interest foregone by the lending institution  
20 20 on the loan.

20 21 3. The amount of assistance awarded to a family  
20 22 farm animal feeding operation shall be based on the  
20 23 extent to which the following apply:

20 24 a. The operation has a low or moderate net worth.

20 25 b. The owner of the family farm animal feeding  
20 26 operation utilizes a computer or recordkeeping system  
20 27 designed to monitor herd performance, as approved by  
20 28 Iowa state university.

20 29 c. The person managing the operation is actively  
20 30 engaged in improving the management of the operation,  
20 31 which may include participating in the livestock  
20 32 producers assistance program provided pursuant to

20 33 section 266.39D, or employing a person qualified by  
20 34 the American registry of professional animal science,  
20 35 who is actively engaged in the profession of  
20 36 consulting with livestock producers for the purpose of  
20 37 increasing production or enhancing performance of  
20 38 livestock.

20 39 4. In order to participate in a program  
20 40 administered under this section, all of the following  
20 41 must apply:

20 42 a. The family farm animal feeding operation or any  
20 43 person holding an interest in the operation is not  
20 44 classified as a habitual violator as provided in  
20 45 section 455B.191.

20 46 b. The assistance provided by the authority under  
20 47 this section is not used to construct, repair, or  
20 48 expand an anaerobic lagoon or earthen manure storage  
20 49 basin as defined in section 455B.161.

20 50 5. a. The authority shall adopt rules to  
21 1 administer this section, including the enforcement of  
21 2 terms of a contract to which the authority is a party.  
21 3 The authority may require a lending institution or a  
21 4 family farm animal feeding operation to submit  
21 5 evidence satisfactory to the authority that the  
21 6 lending institution or operation has complied with the  
21 7 authority's requirements.

21 8 b. The authority may inspect any records of a  
21 9 lending institution or a family farm animal feeding  
21 10 operation which are pertinent to the administration of  
21 11 a program. In order to assure compliance with this  
21 12 section and rules adopted pursuant to this section,  
21 13 the authority may establish by rule appropriate  
21 14 enforcement provisions, including but not limited to,  
21 15 the payment of civil penalties by a lending  
21 16 institution or operation. The authority may also  
21 17 enforce the provisions of this section or terms of the  
21 18 contract by bringing an action in any court of  
21 19 competent jurisdiction to recover damages.

21 20 6. A lending institution and the borrower  
21 21 participating in a program under this section shall  
21 22 each pay to the authority one-half of an origination  
21 23 fee which shall not exceed one percent of the loan.  
21 24 In addition, the lending institution shall pay a fee  
21 25 equal to twenty-five basis points on the loan to the  
21 26 authority on an annual basis.

21 27 7. The fact that the family farm animal feeding  
21 28 operation or the person who owns the operation has  
21 29 received assistance, monetary or otherwise, from the  
21 30 authority shall not prevent the operation from being  
21 31 eligible for assistance under programs available under  
21 32 this section.

21 33 Sec. 41. NEW SECTION. 175A.5 INCOME TAX CREDIT.

21 34 1. A family farm animal feeding operation which  
21 35 receives at least ten thousand dollars in assistance  
21 36 under section 175A.4 as certified by the authority  
21 37 under section 175A.4 shall be entitled to receive a  
21 38 tax credit equal to ten percent of all new investments  
21 39 made in the operation not later than the tax year  
21 40 following the tax year in which the operation receives  
21 41 assistance under section 175A.4.

21 42 2. For purposes of this section, "new investment"  
21 43 means the capitalized cost of all real and personal  
21 44 property related to the family farm animal feeding  
21 45 operation, including animals; buildings and animal  
21 46 feeding operation structures qualifying under this  
21 47 section; equipment; and other improvements to the  
21 48 operation, purchased or otherwise acquired or  
21 49 relocated to the operation. "New investment" does not

21 50 include intangible property, or furniture and  
22 1 furnishings. For the purposes of this section,  
22 2 capitalized cost of property shall be determined in  
22 3 accordance with accounting methods used by the  
22 4 taxpayer in determining the taxpayer's income for  
22 5 state tax purposes.

22 6 3. Any credit in excess of the tax liability for  
22 7 the tax year may be applied to the tax liability for  
22 8 the following ten years or until depleted, whichever  
22 9 occurs first.

22 10 4. The department of revenue and finance shall  
22 11 adopt any rules necessary to administer this section.

22 12 Sec. 42. NEW SECTION. 175A.6 FAMILY FARM ANIMAL  
22 13 FEEDING OPERATION FUND.

22 14 1. A family farm animal feeding operation fund is  
22 15 created within the state treasury under the control of  
22 16 the authority. The fund shall consist of any moneys  
22 17 appropriated by the general assembly, fees paid to the  
22 18 authority, and any other moneys available to and  
22 19 obtained or accepted by the authority from the federal  
22 20 government or private sources for placement in the  
22 21 fund. Moneys shall be deposited in the fund as  
22 22 provided in section 175A.7. Not more than one hundred  
22 23 fifty thousand dollars shall be available annually  
22 24 from the fund for administration of section 175A.4.  
22 25 The assets of the fund shall be used by the authority  
22 26 only for carrying out the purposes of section 175A.1  
22 27 and section 427.1, subsection 28.

22 28 2. In administering the fund the authority may do  
22 29 all of the following:

22 30 a. Contract, sue and be sued, and adopt  
22 31 administrative rules necessary to administer this  
22 32 section. However, the authority shall not in any  
22 33 manner directly or indirectly pledge the credit of the  
22 34 state.

22 35 b. Authorize payment from the fund for costs,  
22 36 commissions, attorney fees, and other reasonable  
22 37 expenses, including expenses related to carrying out  
22 38 duties necessary for administering programs provided  
22 39 for under section 175A.4, including for guaranteeing  
22 40 loans, and for the recovery of loan moneys guaranteed  
22 41 or the management of property acquired in connection  
22 42 with such loans.

22 43 3. Payments of interest, recaptures of awards, or  
22 44 repayments of moneys provided in assistance under  
22 45 section 175A.4 shall be deposited into the fund.  
22 46 Section 8.33 does not apply to any moneys in the fund  
22 47 until June 30, 2001. Notwithstanding section 12C.7,  
22 48 interest or earnings on investments or time deposits  
22 49 of the moneys in the fund shall be credited to the  
22 50 fund.

23 1 4. The fund is subject to an annual audit as  
23 2 provided by the authority. Moneys in the fund, which  
23 3 may be subject to warrants written by the director of  
23 4 revenue and finance, shall be drawn upon the written  
23 5 requisition of the authority's executive director.

23 6 Sec. 43. NEW SECTION. 175A.7 STANDING  
23 7 APPROPRIATION.

23 8 For each fiscal year of the fiscal period beginning  
23 9 July 1, 1996, and ending June 30, 2002, there is  
23 10 appropriated twelve million dollars from the general  
23 11 fund of the state to the family farm animal feeding  
23 12 operation fund created in section 175A.6.

23 13 Sec. 44. Section [427.1](#), Code Supplement 1995, is  
23 14 amended by adding the following new subsection:

23 15 NEW SUBSECTION. 28. The property of a family farm  
23 16 animal feeding operation as defined in section 175A.3,

23 17 which receives at least ten thousand dollars in  
23 18 assistance awarded and certified by the agricultural  
23 19 development authority under section 175A.4 shall be  
23 20 exempt from taxation for a period of five years, to  
23 21 the extent provided in this subsection.

23 22 a. The exemption shall apply as follows:

23 23 (1) It begins on January 1 of the year following  
23 24 the year in which the family farm animal feeding  
23 25 operation receives assistance under section 175A.4.

23 26 (2) It is limited to the market value, as defined  
23 27 in section 441.21, of the property of the family farm  
23 28 animal feeding operation. If the property of the  
23 29 family farm animal feeding operation is assessed with  
23 30 other property as a unit, the exemption shall be  
23 31 limited to the net market value of the property of the  
23 32 family farm animal feeding operation determined as of  
23 33 the assessment date.

23 34 b. In order to receive the exemption, the owner of  
23 35 the operation must file for the exemption with the  
23 36 assessing authority not later than the first of  
23 37 February of the first year for which the exemption  
23 38 applies, on forms provided by the agricultural  
23 39 development authority. The application shall provide  
23 40 a description of the family farm animal feeding  
23 41 operation subject to the exemption. The application  
23 42 shall be accompanied by a certificate of assistance  
23 43 provided by the agricultural development authority.

23 44 c. The assessing authority shall retain a  
23 45 permanent file of current exemptions filed in the  
23 46 assessing authority's office. Not later than July 6  
23 47 of each year, the assessing authority shall remit a  
23 48 statement certifying the total amount of exemptions  
23 49 allowed under this subsection. After receiving the  
23 50 certification, the agricultural development authority  
24 1 shall draw warrants on the family farm animal feeding  
24 2 operation fund created in section 175A.6 which shall  
24 3 be payable to the county treasurer in the amount  
24 4 certified by the assessing authority, and shall mail  
24 5 the warrants to the county treasurers on August 15 of  
24 6 each year. However, if the family farm animal feeding  
24 7 operation fund does not have sufficient moneys  
24 8 available to pay in full the total of the amounts  
24 9 certified to the agricultural development authority,  
24 10 the authority shall prorate unobligated and  
24 11 unencumbered moneys in the fund to the county  
24 12 treasurers.

24 13 d. If the county treasurer has received a  
24 14 percentage amount of the amount certified to the  
24 15 agricultural development authority, the county  
24 16 treasurer shall for the following fiscal year grant  
24 17 each exemption from the previous fiscal year an  
24 18 exemption equal to the percentage amount which the  
24 19 county treasurer was reimbursed for that exemption  
24 20 unless the reimbursement for that exemption is fully  
24 21 funded by February 1 preceding the next fiscal year.

24 22 Sec. 45. FUTURE REPEAL.

24 23 1. Sections 175A.5 and 175A.7 are repealed.

24 24 2. Section 427.1, subsection 28, is amended by  
24 25 striking the subsection.

24 26 3. This section takes effect on July 1, 2002.

24 27 4. Notwithstanding this section, an income tax  
24 28 credit granted pursuant to section 175A.5, or a  
24 29 property tax exemption provided under section 427.1,  
24 30 subsection 28, shall continue in effect and shall be  
24 31 administered and enforced until its expiration as  
24 32 provided in this division of this Act.

24 33

DIVISION VII

24 34 FAMILY FARM AND AGRICULTURAL LAND TAX CREDITS  
24 35 Sec. 46. Section [425A.1](#), Code 1995, is amended to  
24 36 read as follows:  
24 37 425A.1 FAMILY FARM TAX CREDIT FUND.  
24 38 The family farm tax credit fund is created in the  
24 39 office of the treasurer of state. There shall be  
24 40

~~transferred~~  
- appropriated annually to the fund the  
24 41

~~first ten million dollars of the amount annually~~  
-  
24 42

~~appropriated to the agricultural land credit fund,~~  
-  
24 43

~~provided in section 426.1~~  
- sum of thirty-five million  
24 44 dollars. Any balance in the fund on June 30 shall  
24 45 revert to the general fund.

24 46 Sec. 47. Section [425A.2](#), subsection 4, Code 1995,  
24 47 is amended to read as follows:  
24 48 4. "Designated person" means one of the following:  
24 49 a. If the owner is an individual, the designated  
24 50 person includes the owner of the tract

~~or a person~~  
-  
25 1

~~related to the owner as~~  
- the owner's spouse,

~~parent,~~  
-  
25 2

~~grandparent,~~  
- the owner's child

~~, grandchild,~~  
- or

25 3 stepchild, and their spouses, or the owner's relative  
25 4 within the third degree of consanguinity, and the  
25 5 relative's spouse.

25 6 b. If the owner is a partnership, a partner, or  
25 7 the partner's spouse.

25 8 c. If the owner is a family farm corporation, a  
25 9 family member who is a shareholder of the family farm  
25 10 corporation or the shareholder's spouse.

25 11 d. If the owner is an authorized farm corporation,  
25 12 a shareholder who owns at least fifty-one percent of  
25 13 the stock of the authorized farm corporation or the  
25 14 shareholder's spouse.

25 15 e. If the owner is an individual who leases the  
25 16 tract to a family farm corporation, a shareholder of  
25 17 the corporation if the combined stock of the family  
25 18 farm corporation owned by the owner of the tract and  
25 19 persons related to the owner as enumerated in  
25 20 paragraph "a" is equal to at least fifty-one percent  
25 21 of the stock of the family farm corporation.

25 22 f. If the owner is an individual who leases the  
25 23 tract to a partnership, a partner if the combined

25 24 partnership interest owned by the owner of the tract  
25 25 and persons related to the owner as enumerated in  
25 26 paragraph "a" is equal to at least fifty-one percent  
25 27 of the ownership interest of the partnership.

25 28 Sec. 48. Section 426.1, Code 1995, is amended to  
25 29 read as follows:

25 30 426.1 AGRICULTURAL LAND CREDIT FUND.

25 31 There is created as a permanent fund in the office  
25 32 of the treasurer of state a fund to be known as the  
25 33 agricultural land credit fund, and for the purpose of  
25 34 establishing and maintaining this fund for each fiscal  
25 35 year there is appropriated

~~there to~~

~~to the fund~~ from

25 36 funds in the general fund not otherwise appropriated  
25 37 the sum of

~~thirty nine~~

~~twenty-nine~~ million one hundred

25 38 thousand dollars

~~of which the first ten million~~

~~25 39~~

~~dollars shall be transferred to and deposited into the~~

~~25 40~~

~~family farm tax credit fund created in section 425A.1~~

25 41 Any balance in said fund on June 30 shall revert to  
25 42 the general fund.

25 43 Sec. 49. This division of this Act, being deemed  
25 44 of immediate importance, takes effect upon enactment  
25 45 and applies to family farm tax credits and  
25 46 agricultural land credits allowed for property taxes  
25 47 due and payable in fiscal years beginning on or after  
25 48 July 1, 1996.

25 49 DIVISION VIII  
25 50 SCHOOL FUNDING

26 1 Sec. 50. Section 257.1, subsection 2, unnumbered  
26 2 paragraph 2, Code Supplement 1995, is amended to read  
26 3 as follows:

26 4 For the budget year commencing July 1,

~~1991~~

~~1996,~~

26 5 and for each succeeding budget year the regular  
26 6 program foundation base per pupil is eighty-three  
26 7 percent of the regular program state cost per pupil

~~26 8~~

~~26 8~~

~~except that the regular program foundation base per~~

~~26 9~~

~~pupil for the portion of weighted enrollment that is~~

~~26 10~~

~~additional enrollment because of special education is~~

26 11

~~seventy nine percent of the regular program state cost~~

26 12

~~per pupil~~

-. For the budget year commencing July 1,

26 13

~~1991~~

- 1996, and for each succeeding budget year the

26 14 special education support services foundation base is

26 15

~~seventy nine~~

- eighty-three percent of the special

26 16 education support services state cost per pupil. The

26 17 combined foundation base is the sum of the regular

26 18 program foundation base and the special education

26 19 support services foundation base.

26 20 Sec. 51. EFFECTIVE DATE. This division of this

26 21 Act, being deemed of immediate importance, takes

26 22 effect upon enactment for calculating state foundation

26 23 aid for school budget years commencing on or after

26 24 July 1, 1996.

26 25

DIVISION IX

26 26

PROPERTY TAX STUDY

26 27 Sec. 52. The legislative council shall direct the

26 28 establishment of a legislative committee to study the

26 29 system of local government property taxation. The

26 30 committee shall conduct a comprehensive review of the

26 31 property tax system in Iowa, including identifying the

26 32 various classes of property taxpayers, the portion of

26 33 property taxes collected from each class of taxpayer,

26 34 the distribution of those taxes to local governments,

26 35 and the value of local government services received by

26 36 a class of taxpayers in relation to the amount of

26 37 property taxes paid by that class. The committee

26 38 shall also examine the current system of property tax

26 39 credits and exemptions allowed to taxpayers, tax

26 40 increment financing and tax abatement programs,

26 41 property tax credits and exemptions, the effect of tax

26 42 abatement programs, and tax increment financing on the

26 43 tax rates applied to the other classes of property,

26 44 and the general authority of local officials to abate

26 45 property taxes.

26 46 As an integral part of the collection of taxes by

26 47 local governments, the committee shall also review the

26 48 budgeting procedures and practices of local

26 49 governments, including the process of estimating and

26 50 spending ending fund balances; the authorization to

27 1 use, or the practice of using, unexpended funds or

27 2 ending fund balances for capital improvements or other

27 3 nonrecurring expenditures; and the impact on property

27 4 tax rates of actions of the school budget review

27 5 committee, the state appeal board, the application of

27 6 the property tax rollback, and the application of

27 7 equalization orders issued by the department of

27 8 revenue and finance.

27 9 The committee shall also review the use of property

27 10 taxes as the sole or major source of funding for

27 11 school, city, and county services and the use of

27 12 alternate sources of revenues to pay for such

27 13 services, the repayment of bonds or other debt

27 14 obligations by local governments, the use of alternate

27 15 sources of revenue to repay bonds or other debt

27 16 obligations, and the current statutory requirements  
27 17 for the issuance of bonds or other debt obligations by  
27 18 local governments."  
27 19 #\_\_\_\_. Title page , line 12, by inserting after the  
27 20 word "credits;" the following: "increasing the school  
27 21 foundation base level for special education;".  
27 22 [SF 2449S](#)  
[27](#) 23 sc/cc/26