

Senate Amendment 5593

Amendment Text

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1 1 Amend amendment [S-5580](#), to the House amendment, [S-](#)
1 2 [1](#) 5574, to [Senate File 2449](#), as amended, passed, and
1 3 reprinted by the Senate, as follows:
1 4 #1. By striking page 1, line 1, through page 27,
1 5 line 21, and inserting the following:
1 6 "Amend the House amendment, [S-5574](#), to [Senate File](#)
1 7 [1](#) 2449, as amended, passed, and reprinted by the Senate,
1 8 as follows:
1 9 #1. By striking page 1, line 3, through page 6,
1 10 line 10, and inserting the following:
1 11 "#____. By striking everything after the enacting
1 12 clause and inserting the following:
1 13 "DIVISION I
1 14 INCOME TAX INDEXATION
1 15 Section 1. Section [422.4](#), subsection 1, paragraphs
1 16 a and d, Code 1995, are amended to read as follows:
1 17 a. "Annual inflation factor" means an index,
1 18 expressed as a percentage, determined by the
1 19 department by October 15 of the calendar year
1 20 preceding the calendar year for which the factor is
1 21 determined, which reflects the purchasing power of the
1 22 dollar as a result of inflation during the fiscal year
1 23 ending in the calendar year preceding the calendar
1 24 year for which the factor is determined. In
1 25 determining the annual inflation factor, the
1 26 department shall use the annual percent change, but
1 27 not less than zero percent, in the

- ~~implicit price~~
-
1 28

- ~~deflator for the gross national product~~
- gross domestic
1 29 product price deflator computed for the second quarter
1 30 of the calendar year by the bureau of economic
1 31 analysis of the United States department of commerce
1 32 and shall add

- ~~one half~~
- all of that percent change to
1 33 one hundred percent. The annual inflation factor and
1 34 the cumulative inflation factor shall each be
1 35 expressed as a percentage rounded to the nearest one-
1 36 tenth of one percent. The annual inflation factor
1 37 shall not be less than one hundred percent.
1 38 d. Notwithstanding the computation of the annual
1 39 inflation factor under paragraph "a", the annual
1 40 inflation factor is one hundred percent for any
1 41 calendar year in which the unobligated state general
1 42 fund balance on June 30 as certified by the director
1 43 of the department of management by October 10, is less
1 44 than sixty million dollars. Notwithstanding section
1 45 8.58, in determining the unobligated state general
1 46 fund balance on June 30, unobligated moneys in the
1 47 cash reserve fund and Iowa economic emergency fund on
1 48 June 30 shall be counted as part of the unobligated

1 49 state general fund balance for purposes of this
1 50 paragraph.
2 1 Sec. 2. Section 422.4, subsection 2, paragraph a,
2 2 Code 1995, is amended to read as follows:
2 3 a. "Annual standard deduction factor" means an
2 4 index, expressed as a percentage, determined by the
2 5 department by October 15 of the calendar year
2 6 preceding the calendar year for which the factor is
2 7 determined, which reflects the purchasing power of the
2 8 dollar as a result of inflation during the fiscal year
2 9 ending in the calendar year preceding the calendar
2 10 year for which the factor is determined. In
2 11 determining the annual standard deduction factor, the
2 12 department shall use the annual percent change, but
2 13 not less than zero percent, in the

~~implicit price~~

2 14

~~deflator for the gross national product~~

~~gross domestic~~

2 15 product price deflator computed for the second quarter
2 16 of the calendar year by the bureau of economic
2 17 analysis of the United States department of commerce
2 18 and shall add

~~one half~~

~~all~~ of that percent change to

2 19 one hundred percent. The annual standard deduction
2 20 factor and the cumulative standard deduction factor
2 21 shall each be expressed as a percentage rounded to the
2 22 nearest one-tenth of one percent. The annual standard
2 23 deduction factor shall not be less than one hundred
2 24 percent.

2 25 Sec. 3. This division of this Act, being deemed of
2 26 immediate importance, takes effect upon enactment and
2 27 applies to the computation of the annual inflation
2 28 factor and annual standard deduction factor for
2 29 calendar years beginning on or after January 1, 1996.
2 30 The department of revenue and finance shall adjust the
2 31 annual inflation factor and annual standard deduction
2 32 factor previously computed for the 1996 calendar year
2 33 to reflect the change made in the computation of those
2 34 factors in this Act.

DIVISION II

INHERITANCE TAX

2 37 Sec. 4. Section 450.9, subsections 2 and 3, Code
2 38 1995, are amended to read as follows:

2 39 2. Each son and daughter, including legally
2 40 adopted sons and daughters, or stepsons and
2 41 stepdaughters, or biological sons and daughters
2 42 entitled to inherit under the law of this state,

~~fifty~~

2 43 two hundred thousand dollars.

2 44 3. Father or mother,

~~fifteen~~

~~fifty~~ thousand

2 45 dollars.

2 46 Sec. 5. Section 450.9, Code 1995, is amended by
2 47 adding the following new subsection after subsection
2 48 3:

2 49 NEW SUBSECTION. 3A. Each grandchild, fifty
2 50 thousand dollars.

3 1 Sec. 6. This division of this Act takes effect
3 2 July 1 following enactment of the division and applies
3 3 to the estates of decedents dying on or after that
3 4 date.

3 5 DIVISION III
3 6 HOMESTEAD, MILITARY, AND LOW-INCOME
3 7 TAX CREDIT AND REIMBURSEMENT

3 8 Sec. 7. Section [8.59](#), Code 1995, is amended to
3 9 read as follows:

3 10 8.59 APPROPRIATIONS FREEZE.

3 11 Notwithstanding contrary provisions of the Code,
3 12 the amounts appropriated under the applicable sections
3 13 of the Code for fiscal years commencing on or after
3 14 July 1, 1993, are limited to those amounts expended
3 15 under those sections for the fiscal year commencing
3 16 July 1, 1992. If an applicable section appropriates
3 17 moneys to be distributed to different recipients and
3 18 the operation of this section reduces the total amount
3 19 to be distributed under the applicable section, the
3 20 moneys shall be prorated among the recipients. As
3 21 used in this section, "applicable sections" means the
3 22 following sections: 53.50, 229.35, 230.8, 230.11,
3 23 405A.8, 411.20,

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

~~- 663.44, and~~

3 24 822.5.

3 25 Sec. 8. Section [425.1](#), subsection 1, Code 1995, is
3 26 amended to read as follows:

3 27 1. A homestead credit fund is created. There is
3 28 appropriated annually from the general fund of the
3 29 state to the department of revenue and finance to be
3 30 credited to the homestead credit fund,

~~an amount~~

3 31

~~sufficient~~

~~- the sum of one hundred fourteen million~~

3 32 four hundred thousand dollars to implement this
3 33 chapter.

3 34 The director of revenue and finance shall issue
3 35 warrants on the homestead credit fund payable to the
3 36 county treasurers of the several counties of the state
3 37 under this chapter.

3 38 Sec. 9. Section [425.17](#), subsection 2, paragraph b,
3 39 Code 1995, is amended to read as follows:

3 40 b. A person filing a claim for

~~credit or~~

3 41 reimbursement under this division who has attained the
3 42 age of twenty-three years on or before December 31 of
3 43 the base year or was a head of household on December
3 44 31 of the base year, as defined in the Internal
3 45 Revenue Code, but has not attained the age or
3 46 disability status described in paragraph "a", and was
3 47 domiciled in this state during the entire base year,
3 48 and is domiciled in this state at the time the claim
3 49 is filed or at the time of the person's death in the
3 50 case of a claim filed by the executor or administrator
4 1 of the claimant's estate, and was not claimed as a
4 2 dependent on any other person's tax return for the
4 3 base year.

4 4 Sec. 10. Section [425.17](#), subsection 2, unnumbered
4 5 paragraph 2, Code 1995, is amended to read as follows:

4 6 "Claimant" under paragraph "a"

~~or "b"~~

- includes a

4 7 vendee in possession under a contract for deed and may
4 8 include one or more joint tenants or tenants in
4 9 common. In the case of a claim for rent constituting
4 10 property taxes paid, the claimant shall have rented
4 11 the property during any part of the base year. If a
4 12 homestead is occupied by two or more persons, and more
4 13 than one person is able to qualify as a claimant, the
4 14 persons may determine among them who will be the
4 15 claimant. If they are unable to agree, the matter
4 16 shall be referred to the director of revenue and
4 17 finance not later than June 1 of each year and the
4 18 director's decision is final.

4 19 Sec. 11. Section [425.23](#), subsection 1, paragraph
4 20 b, Code 1995, is amended by striking the paragraph and
4 21 inserting in lieu thereof the following:

4 22 b. The reimbursement for a claimant described in
4 23 section 425.17, subsection 2, paragraph "b", shall be
4 24 determined as follows:

4 25	4 26	4 27	4 28	4 29	4 30	4 31	4 32	4 33	4 34
	If the household								Percent of rent constituting
	income is:								property taxes paid allowed
									as a reimbursement:
4 28	\$ 0 - 9,999.99	.....	50						
4 29	10,000 - 13,999.99	.....	42						
4 30	14,000 - 17,999.99	.....	35						
4 31	18,000 - 20,999.99	.....	25						
4 32	21,000 - 23,999.99	.....	17						
4 33	24,000 - 26,999.99	.....	12						

4 34 Sec. 12. Section [425.23](#), subsection 3, paragraph
4 35 a, Code 1995, is amended to read as follows:

4 36 a. A person who is eligible to file a claim for
4 37 credit for property taxes due and who has a household
4 38 income of six thousand dollars or less and who has an
4 39 unpaid special assessment levied against the homestead
4 40 may file a claim with the county treasurer that the
4 41 claimant had a household income of six thousand
4 42 dollars or less and that an unpaid special assessment
4 43 is presently levied against the homestead. The
4 44 department shall provide to the respective treasurers
4 45 the forms necessary for the administration of this
4 46 subsection. The claim shall be filed not later than
4 47 September 30 of each year. Upon the filing of the
4 48 claim, interest for late payment shall not accrue
4 49 against the amount of the unpaid special assessment
4 50 due and payable. The claim filed by the claimant
5 1 constitutes a claim for credit of an amount equal to
5 2 the actual amount due upon the unpaid special
5 3 assessment, plus interest, payable during the fiscal
5 4 year for which the claim is filed against the
5 5 homestead of the claimant.

~~However, where the~~

~~5 6~~

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

~~5 7~~

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

~~5 8~~

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

5 9

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

5 10

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

5 11

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

5 12

~~payable during the fiscal year.~~

- The department of

5 13 revenue and finance shall, upon the filing of the
5 14 claim with the department by the treasurer, pay that
5 15 amount of the unpaid special assessment during the
5 16 current fiscal year to the treasurer. The treasurer
5 17 shall submit the claims to the director of revenue and
5 18 finance not later than October 15 of each year. The
5 19 director of revenue and finance shall certify the
5 20 amount of reimbursement due each county for unpaid
5 21 special assessment credits allowed under this
5 22 subsection. The amount of reimbursement due each
5 23 county shall be paid by the director of revenue and
5 24 finance on October 20 of each year, drawn upon
5 25 warrants payable to the respective treasurer. There
5 26 is appropriated annually from the general fund of the
5 27 state to the department of revenue and finance an
5 28 amount sufficient to carry out the provisions of this
5 29 subsection. The treasurer shall credit any moneys
5 30 received from the department against the amount of the
5 31 unpaid special assessment due and payable on the
5 32 homestead of the claimant.

5 33 Sec. 13. Section [425.24](#), Code 1995, is amended to
5 34 read as follows:

5 35 425.24 MAXIMUM PROPERTY TAX FOR PURPOSE OF CREDIT
5 36 OR REIMBURSEMENT.

5 37 In any case in which property taxes due or rent
5 38 constituting property taxes paid for any household
5 39 exceeds one thousand dollars or six hundred dollars in
5 40 the case of a claimant described in section 425.17,
5 41 subsection 2, paragraph "b", the amount of property
5 42 taxes due or rent constituting property taxes paid
5 43 shall be deemed to have been one thousand dollars or
5 44 six hundred dollars in the case of a claimant
5 45 described in section 425.17, subsection 2, paragraph
5 46 "b", for purposes of this division.

5 47 Sec. 14. Section [425.39](#), Code 1995, is amended to
5 48 read as follows:

5 49 1. The extraordinary property tax credit and
5 50 reimbursement fund is created. There is appropriated
6 1 annually from the general fund of the state to the
6 2 department of revenue and finance to be credited to
6 3 the extraordinary property tax credit and
6 4 reimbursement fund, from funds not otherwise
6 5 appropriated,

~~an amount sufficient~~

~~the sum of twelve~~

6 6 million five hundred thousand dollars to implement
6 7 this division.

6 8 2. If the amount appropriated under subsection 1

~~as limited by section 8.59,~~

~~plus any supplemental~~

6 10 appropriation made for purposes of this section for a
6 11 fiscal year is insufficient to pay all claims in full,
6 12 the director shall pay, in full, all claims to be paid
6 13 during the fiscal year for reimbursement of rent
6 14 constituting property taxes paid or if moneys are
6 15 insufficient to pay all such claims on a pro rata
6 16 basis. If the amount of claims for credit for
6 17 property taxes due to be paid during the fiscal year
6 18 exceed the amount remaining after payment to renters,
6 19 the director of revenue and finance shall prorate the
6 20 payments to the counties for the property tax credit.
6 21 In order for the director to carry out the
6 22 requirements of this subsection, notwithstanding any
6 23 provision to the contrary in this division, claims for
6 24 reimbursement for rent constituting property taxes
6 25 paid filed before May 1 of the fiscal year shall be
6 26 eligible to be paid in full during the fiscal year and
6 27 those claims filed on or after May 1 of the fiscal
6 28 year shall be eligible to be paid during the following
6 29 fiscal year and the director is not required to make
6 30 payments to counties for the property tax credit
6 31 before June 15 of the fiscal year.

6 32 Sec. 15. Section [425.40](#), Code 1995, is amended to
6 33 read as follows:

6 34 425.40 LOW-INCOME FUND CREATED.

6 35 1. A low-income

~~tax credit and~~

~~rent reimbursement~~

6 36 fund is created. There is appropriated annually from
6 37 the general fund of the state to the low-income rent
6 38 reimbursement fund the sum of thirteen million five
6 39 hundred thousand dollars to fund rent reimbursements
6 40 under this division.

6 41 2. If the amount appropriated under subsection 1
6 42 plus any supplemental appropriation made for purposes
6 43 of this section for a fiscal year is insufficient to
6 44 pay all claims in full, the director shall pay

~~, in~~

6 45

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

6 46

~~reimbursement of rent constituting property taxes paid~~

6 47

~~or if moneys are insufficient to pay~~

~~all such claims~~

6 48 on a pro rata basis.

~~If the amount of claims for~~

6 49

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

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

7 1

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

7 2

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

7 3

~~tax credit.~~

- In order for the director to carry out
7 4 the requirements of this subsection, notwithstanding
7 5 any provision to the contrary in this division, claims
7 6 for reimbursement for rent constituting property taxes
7 7 paid filed before May 1 of the fiscal year shall be
7 8 eligible to be paid

~~in full~~

- during the fiscal year and
7 9 those claims filed on or after May 1 of the fiscal
7 10 year shall be eligible to be paid during the following
7 11 fiscal year

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

7 12

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

7 13

~~before June 15 of the fiscal year~~

7 14 Sec. 16. Section [426A.1](#), Code 1995, is amended to
7 15 read as follows:
7 16 426A.1 APPROPRIATION.
7 17 There is appropriated from the general fund of the
7 18 state the

~~amounts necessary~~

- sum of two million eight
7 19 hundred thousand dollars to fund the credits provided
7 20 under this chapter.

7 21 Sec. 17. This division of this Act takes effect
7 22 July 1, 1996, and applies to homestead, military
7 23 service, and low-income tax credit and rent
7 24 reimbursement claims payable in fiscal years beginning
7 25 on or after July 1, 1996.

7 26 DIVISION IV
7 27 SUBCHAPTER S CORPORATIONS

7 28 Sec. 18. Section [422.4](#), Code 1995, is amended by
7 29 adding the following new subsection:

7 30 NEW SUBSECTION. 15A. "Subchapter S corporation"
7 31 or "S corporation" means a corporation for which a
7 32 valid election under section 1362(a) of the Internal
7 33 Revenue Code is in effect.

7 34 Sec. 19. Section [422.5](#), subsection 1, paragraph j,
7 35 Code 1995, is amended to read as follows:

7 36 j. (1) The tax imposed upon the taxable income of
7 37 a nonresident shall be computed by reducing the amount
7 38 determined pursuant to paragraphs "a" through "i" by
7 39 the amounts of nonrefundable credits under this

7 40 division and by multiplying this resulting amount by a
7 41 fraction of which the nonresident's net income
7 42 allocated to Iowa, as determined in section 422.8,
7 43 subsection 2, paragraph "a", is the numerator and the
7 44 nonresident's total net income computed under section
7 45 422.7 is the denominator. This provision also applies
7 46 to individuals who are residents of Iowa for less than
7 47 the entire tax year.

7 48 (2) The tax imposed upon the taxable income of a
7 49 resident shareholder in a subchapter S corporation
7 50 which makes an election pursuant to section 422.36,
8 1 subsection 5, paragraph "b", to be taxed as a regular
8 2 corporation, shall be computed by reducing the amount
8 3 determined pursuant to paragraphs "a" through "i" by
8 4 the amounts of nonrefundable credits under this
8 5 division and by multiplying this resulting amount by a
8 6 fraction of which the resident's net income allocated
8 7 to Iowa, as determined in section 422.8, subsection 2,
8 8 paragraph "b", is the numerator and the resident's
8 9 total net income as computed under section 422.7 is
8 10 the denominator. This provision also applies to
8 11 individuals who are residents of Iowa for less than
8 12 the entire tax year.

8 13 (a) In the case of a resident or part-year
8 14 resident shareholder in a subchapter S corporation
8 15 which makes an election under section 422.36,
8 16 subsection 5, paragraph "b", to be taxed as a regular
8 17 corporation, a taxpayer must completely fill out the
8 18 return, determine the taxpayer's income tax as if the
8 19 taxpayer is not a resident shareholder in a
8 20 corporation which makes an election pursuant to
8 21 section 422.36, subsection 5, paragraph "b", and pay
8 22 the amount of tax which is owed. The taxpayer shall
8 23 then recompute the taxpayer's income tax liability
8 24 pursuant to this subparagraph on a special return.
8 25 This special return shall be filed with the regular
8 26 return and constitutes a claim for refund of the
8 27 difference between the amount of tax the taxpayer paid
8 28 on the regular return and the amount of tax determined
8 29 on the special return. However, if the amount of tax
8 30 determined on the special return exceeds the amount of
8 31 tax paid on the regular return, the taxpayer shall pay
8 32 the additional amount of tax which is owed on the
8 33 special return.

8 34 (b) For any tax year, the aggregate amount of
8 35 refund claims that shall be paid pursuant to this
8 36 subparagraph in excess of revenue gains shall not
8 37 exceed three million five hundred thousand dollars.
8 38 If, for a tax year, the aggregate amount of refund
8 39 claims filed pursuant to this subparagraph in excess
8 40 of revenue gains exceeds three million five hundred
8 41 thousand dollars, each claim for refund shall be paid
8 42 on a pro rata basis so that the aggregate amount of
8 43 refund claims in excess of revenue gains does not
8 44 exceed three million five hundred thousand dollars.
8 45 For purposes of the calculation of the three million
8 46 five hundred thousand dollar limitation provided by
8 47 this subparagraph subdivision, the department shall
8 48 take into account all revenue gains as well as revenue
8 49 losses resulting from the application of the following
8 50 provisions, including, without limitation, revenue
9 1 gains arising when the tax calculated under this
9 2 subparagraph is greater, revenue gains resulting from
9 3 the denial of tax credits under section 422.8,
9 4 subsection 6, revenue gains resulting from the
9 5 taxation of additional income under section 422.7,
9 6 subsection 35, and revenue gains resulting from the

9 7 imposition of corporate income taxes on corporations
9 8 making the election specified in section 422.36,
9 9 subsection 5, paragraph "b". In the case where refund
9 10 claims are not allowed in full, the amount of the
9 11 refund to which the taxpayer is entitled under this
9 12 subparagraph is the pro rata amount that was paid and
9 13 the taxpayer is not entitled to a refund of the unpaid
9 14 portion and is not entitled to carry that amount
9 15 forward or backward to another tax year. Taxpayers
9 16 shall not use refunds as estimated payments for the
9 17 succeeding tax year. The department shall determine
9 18 by July 1 of the tax year following the tax year for
9 19 which the refund claim is filed if the aggregate
9 20 amount of refund claims in excess of revenue gains
9 21 exceeds three million five hundred thousand dollars
9 22 for the tax year. Notwithstanding any provision,
9 23 interest shall not be due on any refund claims that
9 24 are paid by September 1 of the tax year following the
9 25 tax year for which the refund claim is filed. For
9 26 taxpayers that are fiscal year filers, the amount of
9 27 the refund claim allowed shall be in the same ratio as
9 28 the refund claims allowed for the tax year in which
9 29 the taxpayer's fiscal year began.

9 30 Sec. 20. Section [422.5](#), subsection 1, paragraph k,
9 31 subparagraph (3), unnumbered paragraph 3, Code 1995,
9 32 is amended to read as follows:

9 33 In the case of a resident, including a resident
9 34 estate or trust, the state's apportioned share of the
9 35 state alternative minimum tax is one hundred percent
9 36 of the state alternative minimum tax computed in this
9 37 subsection. In the case of a resident or part-year
9 38 resident shareholder in a subchapter S corporation
9 39 which makes an election under section 422.36,
9 40 subsection 5, paragraph "b" to be taxed as a regular
9 41 corporation and a nonresident, including a nonresident
9 42 estate or trust, or an individual, estate, or trust
9 43 that is domiciled in the state for less than the
9 44 entire tax year, the state's apportioned share of the
9 45 state alternative minimum tax is the amount of tax
9 46 computed under this subsection, reduced by the
9 47 applicable credits in sections 422.10 through 422.12
9 48 and this result multiplied by a fraction with a
9 49 numerator of the sum of state net income allocated to
9 50 Iowa as determined in section 422.8, subsection 2,
10 1 paragraph "a" or "b", as applicable, plus tax
10 2 preference items, adjustments, and losses under
10 3 subparagraph (1) attributable to Iowa and with a
10 4 denominator of the sum of total net income computed
10 5 under section 422.7 plus all tax preference items,
10 6 adjustments, and losses under subparagraph (1). In
10 7 computing this fraction, those items excludable under
10 8 subparagraph (1) shall not be used in computing the
10 9 tax preference items. Married taxpayers electing to
10 10 file separate returns or separately on a combined
10 11 return must allocate the minimum tax computed in this
10 12 subsection in the proportion that each spouse's
10 13 respective preference items, adjustments, and losses
10 14 under subparagraph (1) bear to the combined preference
10 15 items, adjustments, and losses under subparagraph (1)
10 16 of both spouses.

10 17 Sec. 21. Section [422.7](#), Code Supplement 1995, is
10 18 amended by adding the following new subsection:

10 19 **NEW SUBSECTION.** 35. In determining gain or loss
10 20 from the sale or other disposition of stock of a
10 21 subchapter S corporation which makes an election
10 22 pursuant to section 422.36, subsection 5, paragraph
10 23 "b" to be taxed as a regular corporation, the basis of

10 24 a taxpayer in that stock shall be adjusted for Iowa
10 25 income tax purposes under rules of the director to
10 26 reflect any adjustment in Iowa income taxes paid by
10 27 the taxpayer pursuant to section 422.5, subsection 1,
10 28 paragraph "j", subparagraph (2).
10 29 Sec. 22. Section [422.8](#), subsection 2, Code 1995,
10 30 is amended to read as follows:
10 31 2. a. Nonresident's net income allocated to Iowa
10 32 is the net income, or portion

~~thereof~~

~~of the net~~

10 33 income, which is derived from a business, trade,
10 34 profession, or occupation carried on within this state
10 35 or income from any property, trust, estate, or other
10 36 source within Iowa. However, income derived from a
10 37 business, trade, profession, or occupation carried on
10 38 within this state and income from any property, trust,
10 39 estate, or other source within Iowa shall not include
10 40 distributions from pensions, including defined benefit
10 41 or defined contribution plans, annuities, individual
10 42 retirement accounts, and deferred compensation plans
10 43 or any earnings attributable thereto so long as the
10 44 distribution is directly related to an individual's
10 45 documented retirement and received while the
10 46 individual is a nonresident of this state. If a
10 47 business, trade, profession, or occupation is carried
10 48 on partly within and partly without the state, only
10 49 the portion of the net income which is fairly and
10 50 equitably attributable to that part of the business,
11 1 trade, profession, or occupation carried on within the
11 2 state is allocated to Iowa for purposes of section
11 3 422.5, subsection 1, paragraph "j", and section 422.13
11 4 and income from any property, trust, estate, or other
11 5 source partly within and partly without the state is
11 6 allocated to Iowa in the same manner, except that
11 7 annuities, interest on bank deposits and interest-
11 8 bearing obligations, and dividends are allocated to
11 9 Iowa only to the extent to which they are derived from
11 10 a business, trade, profession, or occupation carried
11 11 on within the state.

11 12 b. A resident's income allocated to Iowa is the
11 13 income determined under section 422.7 reduced by items
11 14 of income, loss, and expenses from a subchapter S
11 15 corporation which makes an election pursuant to
11 16 section 422.36, subsection 5, paragraph "b", to be
11 17 taxed as a regular corporation, which passes directly
11 18 to the shareholders under provisions of the Internal
11 19 Revenue Code, with the following adjustments:

11 20 (1) Add cash or value of property distributions
11 21 made to the extent paid from income upon which Iowa
11 22 income tax has not been paid as determined under rules
11 23 of the director.

11 24 (2) Subtract the amounts of distributions made in
11 25 subparagraph (1) that were, under rules of the
11 26 director, distributed to the shareholder to enable the
11 27 shareholder to pay federal income tax on items of
11 28 income, loss, and expenses from a subchapter S
11 29 corporation which makes an election pursuant to
11 30 section 422.36, subsection 5, paragraph "b", to be
11 31 taxed as a regular corporation, which pass directly to
11 32 the shareholders under provisions of the Internal
11 33 Revenue Code.

11 34 Sec. 23. Section [422.8](#), Code 1995, is amended by
11 35 adding the following new subsection:

11 36 NEW SUBSECTION. 6. If the resident or part-year
11 37 resident is a shareholder of a subchapter S

11 38 corporation which makes an election pursuant to
11 39 section 422.36, subsection 5, paragraph "b", to be
11 40 taxed as a regular corporation, subsections 1 and 3 do
11 41 not apply to any income taxes paid to another state or
11 42 foreign country on the income from the subchapter S

11 43 corporation.

11 44 Sec. 24. Section 422.32, subsection 4, Code
11 45 Supplement 1995, is amended to read as follows:

11 46 4. "Corporation" includes joint stock companies,
11 47 and associations organized for pecuniary profit, and
11 48 publicly traded partnerships and limited liability
11 49 companies taxed as corporations under the Internal
11 50 Revenue Code and any subchapter S corporation which
12 1 has in effect an election under section 422.36,
12 2 subsection 5, paragraph "b", to be taxed as a regular
12 3 corporation.

12 4 Sec. 25. Section 422.32, Code Supplement 1995, is
12 5 amended by adding the following new subsection:

12 6 NEW SUBSECTION. 11. The term "value-added
12 7 corporation" means a corporation that purchases,
12 8 receives, or holds personal property of any
12 9 description and which adds to its value by a process
12 10 of manufacturing, construction, processing, or
12 11 combining of different materials, and shall
12 12 specifically include the economic activity identified
12 13 in divisions C and D of the standard industrial
12 14 classification codes appearing in 13 C.F.R. ch. 1(1-1-
12 15 94 edition), with a view to selling the finished
12 16 product for gain or profit. A corporation engaged in
12 17 more than one business activity is a value-added
12 18 corporation if more than fifty percent of its gross
12 19 receipts, figured on a three-year annual average, or
12 20 such shorter period as the corporation shall have been
12 21 in existence, are from the processes previously
12 22 identified.

12 23 Sec. 26. Section 422.35, unnumbered paragraph 1,
12 24 Code Supplement 1995, is amended to read as follows:

12 25 The term "net income" means the taxable income
12 26 before the net operating loss deduction, as properly
12 27 computed for federal income tax purposes under the
12 28 Internal Revenue Code, or in the case of subchapter S
12 29 corporations that make an election pursuant to section
12 30 422.36, subsection 5, paragraph "b", "net income"
12 31 means the sum of all items of distributive shares of
12 32 income, loss, and expenses of the corporation as
12 33 determined under rules of the director, with the
12 34 following adjustments:

12 35 Sec. 27. Section 422.36, subsection 5, Code 1995,
12 36 is amended to read as follows:

12 37 5. a.

~~—where~~

- Unless an election is made under
12 38 paragraph "b" to be taxed under this division, where a
12 39 corporation is not subject to income tax and the
12 40 stockholders of

~~—such~~

- the corporation are taxed on the
12 41 corporation's income under

~~—the provisions of~~

- the
12 42 Internal Revenue Code, the same tax treatment

~~—shall~~

-

~~apply to such~~
- applies to the corporation and

~~such~~
- the

12 44 stockholders for Iowa income tax purposes.

12 45 b. A subchapter S corporation which is a value-
12 46 added corporation which does business both within and
12 47 without the state may elect to be taxed as a regular
12 48 corporation under this division. The election shall
12 49 be made not later than the due date for filing its
12 50 return for the first taxable year for which the
13 1 election is to be effective, including any extensions
13 2 beyond that date, on a form provided by the director
13 3 and signed by the shareholders holding more than one-
13 4 half of the shares of stock of the corporation on the
13 5 last day of the first taxable year for which the
13 6 election is to be effective. The election shall be
13 7 effective for that taxable year and for subsequent
13 8 taxable years until revoked.

13 9 c. The corporation may revoke its election under
13 10 paragraph "b" by a revocation made not later than the
13 11 due date for filing its return for the taxable year
13 12 for which the revocation is to be effective, including
13 13 any extensions beyond that date, on a form provided by
13 14 the director and signed by shareholders holding more
13 15 than one-half of the shares of stock of the
13 16 corporation on the last day of the first taxable year
13 17 for which the revocation is to be effective. However,
13 18 a corporation that has made an election under
13 19 paragraph "b" shall not be eligible to make an
13 20 election under this paragraph for revocation of the
13 21 election under paragraph "b" for any taxable year
13 22 before its fourth taxable year following the first
13 23 taxable year for which the election under paragraph
13 24 "b" was effective, unless the director consents to the
13 25 revocation.

13 26 Sec. 28. This division of this Act, being deemed
13 27 of immediate importance, takes effect upon enactment
13 28 and applies retroactively to January 1, 1996, for tax
13 29 years of individuals beginning on or after that date
13 30 and for tax years of corporations ending on or after
13 31 that date.

13 32 DIVISION V

13 33 QUALIFIED VENTURE CAPITAL COMPANY

13 34 Sec. 29. NEW SECTION. 15E.175 DEFINITIONS.

13 35 As used in this section and sections 15E.176 and
13 36 15E.177:

13 37 1. "Iowa business" means a business or industry,
13 38 incorporated or unincorporated, which meets all the
13 39 following criteria:

13 40 a. Has or will have, within thirty days after a
13 41 loan or investment is made by a qualified venture
13 42 capital company, at least fifty percent of its
13 43 employees or assets located in Iowa and agrees to
13 44 maintain at least fifty percent of its employees or
13 45 assets in Iowa following investment in the business by
13 46 a qualified venture capital company.

13 47 b. A business which is unable to raise equity
13 48 capital or obtain financing from conventional sources
13 49 in order to remain viable or to commence or expand its
13 50 ability to provide goods or services.

14 1 2. "Qualified venture capital company" means a
14 2 corporation, limited liability company, or a general
14 3 or limited partnership with its principal place of

14 4 business located within this state, which meets all of
14 5 the following requirements:

14 6 a. Has an initial private capitalization of not
14 7 less than twenty million dollars.

14 8 b. Is organized by the Iowa business investment
14 9 corporation, organized under division XV of this
14 10 chapter, to directly or indirectly through its
14 11 subsidiaries or affiliates invest in debt and equity
14 12 securities of Iowa businesses.

14 13 c. Seeks approval from the federal small business
14 14 administration to establish a small business
14 15 investment company that is incorporated in Iowa and
14 16 maintains its principal place of business in this
14 17 state the purpose of which includes increasing the
14 18 availability of funds for investment in and loans to
14 19 Iowa businesses.

14 20 d. Will provide or arrange for managerial and
14 21 other advice, assistance, and support for Iowa
14 22 businesses.

14 23 e. Does not invest funds under this division for
14 24 the expansion of operations of an Iowa business in
14 25 another state.

14 26 3. "Taxpayer" means an entity subject to tax under
14 27 chapter 422, division III, chapter 422, division V, or
14 28 chapter 432.

14 29 4. "Tax year" means for entities subject to the
14 30 state corporate income tax or the state franchise tax
14 31 under chapter 422, division III or V, respectively,
14 32 the tax year as defined for those divisions or means
14 33 for insurance companies subject to the gross premiums
14 34 tax under chapter 432, the calendar year for which the
14 35 premiums are taxed.

14 36 Sec. 30. NEW SECTION. 15E.176 TAX CREDITS.

14 37 1. For tax years beginning on or after January 1,
14 38 1997, there is allowed a credit against that tax
14 39 imposed under the corporate income tax in chapter 422,
14 40 division III, the franchise tax in chapter 422,
14 41 division V, or the gross premiums tax in chapter 432,
14 42 for investments made by the taxpayer in a qualified
14 43 venture capital company whose purpose includes
14 44 establishing or expanding Iowa business.

14 45 2. The amount of credit allowed under subsection
14 46 1, subject to subsection 4, is computed as follows:

14 47 a. The amount of the qualified venture capital
14 48 company's investment in Iowa businesses is divided by
14 49 the amount of new cash invested in the qualified
14 50 venture capital company.

15 1 b. The resulting percentage, which shall not
15 2 exceed fifty percent, is multiplied by the amount of
15 3 the taxpayer's investment in the qualified venture
15 4 capital company.

15 5 c. The amount of the credit is equal to ten
15 6 percent of the product determined in paragraph "b".

15 7 d. The qualified venture capital company shall
15 8 compute as of the end of the qualified venture capital
15 9 company's tax year the amounts under paragraph "c" for
15 10 each tax year the qualified venture capital company is
15 11 entitled to the credit.

15 12 3. The qualified venture capital company is
15 13 allowed the credit as computed each year in subsection
15 14 2 for up to ten consecutive years beginning with the
15 15 first year for which the credit is taken.

15 16 If the amount of the credit exceeds the qualified
15 17 venture capital company's tax liability for the tax
15 18 year, the excess may be credited to the tax liability
15 19 for the following five tax years or until depleted,
15 20 whichever is the earlier, and is in addition to any

15 21 other credit allowed under this section.

15 22 4. Notwithstanding the amount of credit computed
15 23 in subsection 2, the total amount of credits for all
15 24 qualified venture capital companies that shall be
15 25 allowed under subsection 1 for any fiscal year of the
15 26 qualified venture capital company shall not exceed one
15 27 million two hundred fifty thousand dollars and for all
15 28 fiscal years of the qualified venture capital company
15 29 shall not exceed twelve million five hundred thousand
15 30 dollars. In determining if the credit allowed has
15 31 exceeded the fiscal year limit, credits carried over
15 32 from a previous tax year are not counted.

15 33 5. The credit provided for in subsection 2, to the
15 34 extent not previously utilized, shall be freely
15 35 transferable to and by subsequent transferees for a
15 36 period of ten years from the date the credit is first
15 37 available to the qualified venture capital company.

15 38 Sec. 31. NEW SECTION. 15E.177 COORDINATION OF
15 39 RESOURCES.

15 40 If a qualified venture capital company is organized
15 41 by the Iowa business investment corporation on or
15 42 before December 31, 1997, within ninety days following
15 43 its organization, the qualified venture capital
15 44 company shall develop and submit a written proposal to
15 45 the shareholders of each business development finance
15 46 corporation organized pursuant to division XIII of
15 47 this chapter, calling for the investment of all the
15 48 assets of each business development finance
15 49 corporation in securities of the qualified venture
15 50 capital company. A notice of a special meeting of the
16 1 shareholders of the business development finance
16 2 corporation and the written proposal made to the
16 3 business development finance corporation by the
16 4 qualified venture capital company shall be delivered
16 5 to the shareholders of each business development
16 6 finance corporation entitled to vote at the special
16 7 shareholders meeting not less than ten nor more than
16 8 sixty days before the meeting date given by the
16 9 qualified venture capital company. Action on the
16 10 written proposal by the board of directors of the
16 11 business development finance corporation or any other
16 12 person shall not be required to call the special
16 13 meeting or authorize voting on the written proposal by
16 14 the shareholders of the business development finance
16 15 corporation. If at the special meeting of
16 16 shareholders of the business development finance
16 17 corporation or any recesses thereof, a majority of the
16 18 shareholders present or represented at the special
16 19 meeting approve the investment proposed by the
16 20 qualified venture capital company, the business
16 21 development finance corporation shall immediately make
16 22 such an investment of all of its assets. The
16 23 investment by a business development finance
16 24 corporation of all of its assets in the qualified
16 25 venture capital corporation shall not be considered a
16 26 sale of assets other than in the usual and regular
16 27 course of business and division XIII of the Iowa
16 28 business development finance Act shall not apply to
16 29 the transaction. The qualified venture capital
16 30 company may make additional proposals as often as it
16 31 desires to the shareholders of each business
16 32 development finance corporation that did not approve
16 33 the initial investment proposal. Except for the
16 34 requirement that a written proposal be presented to
16 35 the shareholders within ninety days of the
16 36 organization of the qualified venture capital company,
16 37 the provisions of this section shall apply to all

16 38 additional proposals.
16 39 Sec. 32. Section 422.33, Code Supplement 1995, is
16 40 amended by adding the following new subsection:
16 41 NEW SUBSECTION. 9. There is allowed as a credit
16 42 against the tax determined in subsection 1 for a tax
16 43 year an amount equal to the qualified venture capital
16 44 credit as provided in section 15E.176.

16 45 Notwithstanding any other provision, the credit
16 46 allowed for in this subsection shall be applied prior
16 47 to all other credits allowed the taxpayer. The
16 48 taxpayer shall not receive for the same investment a
16 49 credit under subsection 8 and this subsection.

16 50 Sec. 33. Section 422.60, Code Supplement 1995, is
17 1 amended by adding the following new subsection:

17 2 NEW SUBSECTION. 4. There is allowed as a credit
17 3 against the tax determined in this division for a tax
17 4 year an amount equal to the qualified venture capital
17 5 credit as provided in section 15E.176.

17 6 Notwithstanding any other provision, the credit
17 7 allowed for in this subsection shall be applied prior
17 8 to all other credits allowed the taxpayer. The
17 9 allocation of revenues to a city or county under
17 10 section 422.65 shall be determined as if the credit
17 11 under this subsection had not been taken.

17 12 Sec. 34. Section 432.1, Code 1995, is amended by
17 13 adding the following new subsection:

17 14 NEW SUBSECTION. 5. There is allowed as a credit
17 15 against the tax determined in subsection 1 or 2 for a
17 16 tax year an amount equal to the qualified venture
17 17 capital credit as provided in section 15E.176.

17 18 Notwithstanding any other provision, the credit
17 19 allowed for in this subsection shall be applied prior
17 20 to all other credits allowed the taxpayer.

17 21 Sec. 35. 1992 Iowa Acts, chapter 1244, section 1,
17 22 subsection 2, paragraph e, unnumbered paragraph 1, as
17 23 amended by 1993 Iowa Acts, chapter 180, section 46, as
17 24 amended by 1994 Iowa Acts, chapter 1201, section 29,
17 25 is amended to read as follows:

17 26 For transfer to the treasurer of state for the
17 27 purpose of facilitating the organization and private
17 28 capitalization of the small business investment
17 29 company or other entity under sections 15E.169 through
17 30 15E.171. If the small business investment company or
17 31 another entity for which the funds are to be used is
17 32 not organized

~~within thirty six months of the~~

17 33

~~effective date of this Act~~

~~-, unused funds shall revert~~
17 34 to the general fund of the state, however, if such an
17 35 entity is organized, the unused funds shall be
17 36 transferred irrevocably to the qualified venture
17 37 capital company or other entity for which the funds
17 38 are to be used:

17 39 \$ 200,000

17 40 Sec. 36. APPLICABILITY. This division of this Act
17 41 applies for tax years of entities subject to the state
17 42 corporate income tax or franchise tax which begin on
17 43 or after January 1, 1997. This division of this Act
17 44 applies for calendar years beginning on or after
17 45 January 1, 1997, for entities subject to the gross
17 46 premiums tax under chapter 432.

17 49 Sec. 37. NEW SECTION. 175A.1 SHORT TITLE.
17 50 This chapter shall be known and may be cited as the
18 1 "Iowa Family Farm Animal Feeding Operations
18 2 Preservation Act".
18 3 Sec. 38. NEW SECTION. 175A.2 PURPOSE.
18 4 The purpose of this chapter is to address a grave
18 5 threat to traditional farmers who produce animals in
18 6 this state and who face capitalization barriers and
18 7 the consolidation of animal agriculture, which results
18 8 in fewer individuals engaged in farming. These
18 9 conditions result in a loss in population,
18 10 unemployment and a movement of persons from rural
18 11 communities to urban areas accompanied by added costs
18 12 to communities for the creation of new public
18 13 facilities and services. It is therefore necessary to
18 14 assist small and medium sized family farm animal
18 15 feeding operations in order to expand such operations
18 16 and preserve a way of life which has traditionally
18 17 supported Iowa's economy and communities.
18 18 Sec. 39. NEW SECTION. 175A.3 DEFINITIONS.
18 19 1. "Animal feeding operation" means the same as
18 20 defined in section 455B.161.
18 21 2. "Animal feeding operation structure" means the
18 22 same as defined in section 455B.161.
18 23 3. "Animal weight capacity" means the same as
18 24 defined in section 455B.161.
18 25 4. "Authority" means the agricultural development
18 26 authority established pursuant to section 175.3.
18 27 5. "Family farm animal feeding operation" or
18 28 "operation" means an animal feeding operation located
18 29 on the land where the owner of the operation also
18 30 engages in farming activities other than animal
18 31 feeding operation activities, if all of the following
18 32 criteria are satisfied:
18 33 a. The total animal weight capacity of all animals
18 34 other than bovine animals owned by the person is two
18 35 hundred thousand pounds or less, and the total animal
18 36 weight capacity of bovine animals owned by the person
18 37 is four hundred thousand pounds or less.
18 38 b. A person holding an interest in the animal
18 39 feeding operation owns all animals confined and fed in
18 40 the animal feeding operation.
18 41 c. The person who owns the animal feeding
18 42 operation raises and harvests crops in the same or an
18 43 adjoining county where the animal feeding operation is
18 44 located.
18 45 d. The person who owns the animal feeding
18 46 operation is one of the following:
18 47 (1) A natural person.
18 48 (2) A general partnership composed exclusively of
18 49 natural persons.
18 50 e. Each person who holds an interest in the animal
19 1 feeding operation resides in this state.
19 2 f. The animal feeding operation is located
19 3 entirely within the state.
19 4 6. "Farming" means the same as defined in section
19 5 175.2.
19 6 7. "Lending institution" means a bank, trust
19 7 company, mortgage company, national banking
19 8 association, savings and loan association, life
19 9 insurance company, any state or federal governmental
19 10 agency or instrumentality, including without
19 11 limitation the federal land bank or any of its local
19 12 associations, or any other financial institution or
19 13 entity authorized to make farm operating loans in this
19 14 state.
19 15 8. "Low or moderate net worth" means:

19 16 a. For an individual, an aggregate net worth of
19 17 the individual and the individual's spouse and minor
19 18 children of less than two hundred thousand dollars.

19 19 b. For any general partnership, an aggregate net
19 20 worth of all partners, including each partner's net
19 21 capital in the partnership, and of each partner's
19 22 spouse and minor children of less than three hundred
19 23 thousand dollars. However, the aggregate net worth of
19 24 each partner and that partner's spouse and minor
19 25 children shall not exceed two hundred thousand
19 26 dollars.

19 27 9. "Net worth" means a person's total assets minus
19 28 total liabilities as determined in accordance with
19 29 generally accepted accounting principles with
19 30 appropriate exceptions and exemptions reasonably
19 31 related to an equitable determination of a person's
19 32 net worth. Assets shall be valued at fair market
19 33 value.

19 34 10. "Note" means a bond anticipation note or other
19 35 obligation or evidence of indebtedness issued by the
19 36 authority pursuant to this chapter.

19 37 11. "Secured loan" means a financial obligation
19 38 secured by a chattel mortgage, security agreement, or
19 39 other instrument creating a lien on an interest in
19 40 depreciable agricultural property.

19 41 Sec. 40. NEW SECTION. 175A.4 ASSISTANCE
19 42 PROGRAMS.

19 43 1. The authority shall administer programs under
19 44 this section to assist family farm animal feeding
19 45 operations. The department of revenue and finance
19 46 shall assist the authority in administering this
19 47 section.

19 48 2. In order to assist a family farm animal feeding
19 49 operation in financing the operation, including by
19 50 assisting in whole or in part the acquisition of
20 1 animals, or the purchase of agricultural land, the
20 2 purchase of agricultural improvements or depreciable
20 3 agricultural property, the construction of buildings,
20 4 facilities, or animal feeding operation structures,
20 5 related to the operation, the authority shall do all
20 6 of the following:

20 7 a. Cooperate with any other state agency or the
20 8 federal government, including supplementing assistance
20 9 provided by another state agency and the federal
20 10 government.

20 11 b. Administer other programs provided under
20 12 chapter 175, including supplementing assistance
20 13 provided by other programs.

20 14 c. Provide certification necessary to allow owners
20 15 of operations to claim an income tax credit as
20 16 provided in section 175A.5, and a property tax
20 17 exemption pursuant to section 427.1.

20 18 d. Administer the following programs:

20 19 (1) A loan guarantee program to provide for
20 20 guaranteeing of all or part of a loan made to the
20 21 operation.

20 22 (2) An interest buy-down program, in which the
20 23 authority contracts with a participating lending
20 24 institution to reduce the interest rate charged on a
20 25 loan to the operation. The authority shall determine
20 26 the amount that the rate is reduced by considering the
20 27 lending institution's customary loan rate for the type
20 28 of loan sought as certified to the authority by the
20 29 lending institution. As part of the contract, in
20 30 order to reimburse the lending institution for the
20 31 reduction of the interest rate on the loan, the
20 32 authority may agree to grant the lending institution

20 33 any amount foregone by reducing the interest rate on
20 34 that portion of the loan which is three hundred
20 35 thousand dollars or less. However, the amount
20 36 reimbursed shall not be more than fifty percent of the
20 37 amount of interest foregone by the lending institution
20 38 on the loan.

20 39 3. The amount of assistance awarded to a family
20 40 farm animal feeding operation shall be based on the
20 41 extent to which the following apply:

20 42 a. The operation has a low or moderate net worth.

20 43 b. The owner of the family farm animal feeding
20 44 operation utilizes a computer or recordkeeping system
20 45 designed to monitor herd performance, as approved by
20 46 Iowa state university.

20 47 c. The person managing the operation is actively
20 48 engaged in improving the management of the operation,
20 49 which may include participating in the livestock
20 50 producers assistance program provided pursuant to
21 1 section 266.39D, or employing a person qualified by
21 2 the American registry of professional animal science,
21 3 who is actively engaged in the profession of
21 4 consulting with livestock producers for the purpose of
21 5 increasing production or enhancing performance of
21 6 livestock.

21 7 4. In order to participate in a program
21 8 administered under this section, all of the following
21 9 must apply:

21 10 a. The family farm animal feeding operation or any
21 11 person holding an interest in the operation is not
21 12 classified as a habitual violator as provided in
21 13 section 455B.191.

21 14 b. The assistance provided by the authority under
21 15 this section is not used to construct, repair, or
21 16 expand an anaerobic lagoon or earthen manure storage
21 17 basin as defined in section 455B.161.

21 18 5. a. The authority shall adopt rules to
21 19 administer this section, including the enforcement of
21 20 terms of a contract to which the authority is a party.
21 21 The authority may require a lending institution or a
21 22 family farm animal feeding operation to submit
21 23 evidence satisfactory to the authority that the
21 24 lending institution or operation has complied with the
21 25 authority's requirements.

21 26 b. The authority may inspect any records of a
21 27 lending institution or a family farm animal feeding
21 28 operation which are pertinent to the administration of
21 29 a program. In order to assure compliance with this
21 30 section and rules adopted pursuant to this section,
21 31 the authority may establish by rule appropriate
21 32 enforcement provisions, including but not limited to,
21 33 the payment of civil penalties by a lending
21 34 institution or operation. The authority may also
21 35 enforce the provisions of this section or terms of the
21 36 contract by bringing an action in any court of
21 37 competent jurisdiction to recover damages.

21 38 6. A lending institution and the borrower
21 39 participating in a program under this section shall
21 40 each pay to the authority one-half of an origination
21 41 fee which shall not exceed one percent of the loan.
21 42 In addition, the lending institution shall pay a fee
21 43 equal to twenty-five basis points on the loan to the
21 44 authority on an annual basis.

21 45 7. The fact that the family farm animal feeding
21 46 operation or the person who owns the operation has
21 47 received assistance, monetary or otherwise, from the
21 48 authority shall not prevent the operation from being
21 49 eligible for assistance under programs available under

21 50 this section.

22 1 Sec. 41. NEW SECTION. 175A.5 INCOME TAX CREDIT.

22 2 1. A family farm animal feeding operation which
22 3 receives at least ten thousand dollars in assistance
22 4 under section 175A.4 as certified by the authority
22 5 under section 175A.4 shall be entitled to receive a
22 6 tax credit equal to ten percent of all new investments
22 7 made in the operation not later than the tax year
22 8 following the tax year in which the operation receives
22 9 assistance under section 175A.4.

22 10 2. For purposes of this section, "new investment"
22 11 means the capitalized cost of all real and personal
22 12 property related to the family farm animal feeding
22 13 operation, including animals; buildings and animal
22 14 feeding operation structures qualifying under this
22 15 section; equipment; and other improvements to the
22 16 operation, purchased or otherwise acquired or
22 17 relocated to the operation. "New investment" does not
22 18 include intangible property, or furniture and
22 19 furnishings. For the purposes of this section,
22 20 capitalized cost of property shall be determined in
22 21 accordance with accounting methods used by the
22 22 taxpayer in determining the taxpayer's income for
22 23 state tax purposes.

22 24 3. Any credit in excess of the tax liability for
22 25 the tax year may be applied to the tax liability for
22 26 the following ten years or until depleted, whichever
22 27 occurs first.

22 28 4. The department of revenue and finance shall
22 29 adopt any rules necessary to administer this section.

22 30 Sec. 42. NEW SECTION. 175A.6 FAMILY FARM ANIMAL
22 31 FEEDING OPERATION FUND.

22 32 1. A family farm animal feeding operation fund is
22 33 created within the state treasury under the control of
22 34 the authority. The fund shall consist of any moneys
22 35 appropriated by the general assembly, fees paid to the
22 36 authority, and any other moneys available to and
22 37 obtained or accepted by the authority from the federal
22 38 government or private sources for placement in the
22 39 fund. Moneys shall be deposited in the fund as
22 40 provided in section 175A.7. Not more than one hundred
22 41 fifty thousand dollars shall be available annually
22 42 from the fund for administration of section 175A.4.
22 43 The assets of the fund shall be used by the authority
22 44 only for carrying out the purposes of section 175A.1
22 45 and section 427.1, subsection 28.

22 46 2. In administering the fund the authority may do
22 47 all of the following:

22 48 a. Contract, sue and be sued, and adopt
22 49 administrative rules necessary to administer this
22 50 section. However, the authority shall not in any
23 1 manner directly or indirectly pledge the credit of the
23 2 state.

23 3 b. Authorize payment from the fund for costs,
23 4 commissions, attorney fees, and other reasonable
23 5 expenses, including expenses related to carrying out
23 6 duties necessary for administering programs provided
23 7 for under section 175A.4, including for guaranteeing
23 8 loans, and for the recovery of loan moneys guaranteed
23 9 or the management of property acquired in connection
23 10 with such loans.

23 11 3. Payments of interest, recaptures of awards, or
23 12 repayments of moneys provided in assistance under
23 13 section 175A.4 shall be deposited into the fund.

23 14 Section 8.33 does not apply to any moneys in the fund
23 15 until June 30, 2001. Notwithstanding section 12C.7,
23 16 interest or earnings on investments or time deposits

23 17 of the moneys in the fund shall be credited to the
23 18 fund.

23 19 4. The fund is subject to an annual audit as
23 20 provided by the authority. Moneys in the fund, which
23 21 may be subject to warrants written by the director of
23 22 revenue and finance, shall be drawn upon the written
23 23 requisition of the authority's executive director.

23 24 Sec. 43. NEW SECTION. 175A.7 STANDING
23 25 APPROPRIATION.

23 26 For each fiscal year of the fiscal period beginning
23 27 July 1, 1996, and ending June 30, 2002, there is
23 28 appropriated twelve million dollars from the general
23 29 fund of the state to the family farm animal feeding
23 30 operation fund created in section 175A.6.

23 31 Sec. 44. Section 427.1, Code Supplement 1995, is
23 32 amended by adding the following new subsection:

23 33 NEW SUBSECTION. 28. The property of a family farm
23 34 animal feeding operation as defined in section 175A.3,
23 35 which receives at least ten thousand dollars in
23 36 assistance awarded and certified by the agricultural
23 37 development authority under section 175A.4 shall be
23 38 exempt from taxation for a period of five years, to
23 39 the extent provided in this subsection.

23 40 a. The exemption shall apply as follows:

23 41 (1) It begins on January 1 of the year following
23 42 the year in which the family farm animal feeding
23 43 operation receives assistance under section 175A.4.

23 44 (2) It is limited to the market value, as defined
23 45 in section 441.21, of the property of the family farm
23 46 animal feeding operation. If the property of the
23 47 family farm animal feeding operation is assessed with
23 48 other property as a unit, the exemption shall be
23 49 limited to the net market value of the property of the
23 50 family farm animal feeding operation determined as of
24 1 the assessment date.

24 2 b. In order to receive the exemption, the owner of
24 3 the operation must file for the exemption with the
24 4 assessing authority not later than the first of
24 5 February of the first year for which the exemption
24 6 applies, on forms provided by the agricultural
24 7 development authority. The application shall provide
24 8 a description of the family farm animal feeding
24 9 operation subject to the exemption. The application
24 10 shall be accompanied by a certificate of assistance
24 11 provided by the agricultural development authority.

24 12 c. The assessing authority shall retain a
24 13 permanent file of current exemptions filed in the
24 14 assessing authority's office. Not later than July 6
24 15 of each year, the assessing authority shall remit a
24 16 statement certifying the total amount of exemptions
24 17 allowed under this subsection. After receiving the
24 18 certification, the agricultural development authority
24 19 shall draw warrants on the family farm animal feeding
24 20 operation fund created in section 175A.6 which shall
24 21 be payable to the county treasurer in the amount
24 22 certified by the assessing authority, and shall mail
24 23 the warrants to the county treasurers on August 15 of
24 24 each year. However, if the family farm animal feeding
24 25 operation fund does not have sufficient moneys
24 26 available to pay in full the total of the amounts
24 27 certified to the agricultural development authority,
24 28 the authority shall prorate unobligated and
24 29 unencumbered moneys in the fund to the county
24 30 treasurers.

24 31 d. If the county treasurer has received a
24 32 percentage amount of the amount certified to the
24 33 agricultural development authority, the county

24 34 treasurer shall for the following fiscal year grant
24 35 each exemption from the previous fiscal year an
24 36 exemption equal to the percentage amount which the
24 37 county treasurer was reimbursed for that exemption
24 38 unless the reimbursement for that exemption is fully
24 39 funded by February 1 preceding the next fiscal year.

24 40 Sec. 45. FUTURE REPEAL.

24 41 1. Sections 175A.5 and 175A.7 are repealed.

24 42 2. Section 427.1, subsection 28, is amended by
24 43 striking the subsection.

24 44 3. This section takes effect on July 1, 2002.

24 45 4. Notwithstanding this section, an income tax
24 46 credit granted pursuant to section 175A.5, or a
24 47 property tax exemption provided under section 427.1,
24 48 subsection 28, shall continue in effect and shall be
24 49 administered and enforced until its expiration as
24 50 provided in this division of this Act.

25 1 DIVISION VII

25 2 FAMILY FARM AND AGRICULTURAL LAND TAX CREDITS

25 3 Sec. 46. Section [425A.1](#), Code 1995, is amended to
25 4 read as follows:

25 5 425A.1 FAMILY FARM TAX CREDIT FUND.

25 6 The family farm tax credit fund is created in the
25 7 office of the treasurer of state. There shall be
25 8

~~transferred~~

~~appropriated~~ annually to the fund the

25 9

~~first ten million dollars of the amount annually~~

25 10

~~appropriated to the agricultural land credit fund,~~

25 11

~~provided in section 426.1~~

~~sum of thirty-five million~~

25 12 ~~dollars~~. Any balance in the fund on June 30 shall
25 13 revert to the general fund.

25 14 Sec. 47. Section [425A.2](#), subsection 4, Code 1995,
25 15 is amended to read as follows:

25 16 4. "Designated person" means one of the following:

25 17 a. If the owner is an individual, the designated
25 18 person includes the owner of the tract

~~or a person~~

25 19

~~related to the owner as~~

~~the owner's spouse,~~

~~parent,~~

25 20

~~grandparent,~~

~~the owner's child~~

~~, grandchild,~~

~~or~~

25 21 stepchild, and their spouses, or the owner's relative

25 22 within the third degree of consanguinity, and the

25 23 relative's spouse.

25 24 b. If the owner is a partnership, a partner, or
25 25 the partner's spouse.
25 26 c. If the owner is a family farm corporation, a
25 27 family member who is a shareholder of the family farm
25 28 corporation or the shareholder's spouse.
25 29 d. If the owner is an authorized farm corporation,
25 30 a shareholder who owns at least fifty-one percent of
25 31 the stock of the authorized farm corporation or the
25 32 shareholder's spouse.

25 33 e. If the owner is an individual who leases the
25 34 tract to a family farm corporation, a shareholder of
25 35 the corporation if the combined stock of the family
25 36 farm corporation owned by the owner of the tract and
25 37 persons related to the owner as enumerated in
25 38 paragraph "a" is equal to at least fifty-one percent
25 39 of the stock of the family farm corporation.

25 40 f. If the owner is an individual who leases the
25 41 tract to a partnership, a partner if the combined
25 42 partnership interest owned by the owner of the tract
25 43 and persons related to the owner as enumerated in
25 44 paragraph "a" is equal to at least fifty-one percent
25 45 of the ownership interest of the partnership.

25 46 Sec. 48. Section [426.1](#), Code 1995, is amended to
25 47 read as follows:

25 48 426.1 AGRICULTURAL LAND CREDIT FUND.

25 49 There is created as a permanent fund in the office
25 50 of the treasurer of state a fund to be known as the
26 1 agricultural land credit fund, and for the purpose of
26 2 establishing and maintaining this fund for each fiscal
26 3 year there is appropriated

~~there to~~

~~to the fund from~~

26 4 funds in the general fund not otherwise appropriated
26 5 the sum of

~~thirty nine~~

~~twenty-nine million one hundred~~
26 6 thousand dollars

~~of which the first ten million~~

~~26 7~~

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

~~26 8~~

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

~~26 9 Any balance in said fund on June 30 shall revert to~~
26 10 the general fund.

26 11 Sec. 49. This division of this Act, being deemed
26 12 of immediate importance, takes effect upon enactment
26 13 and applies to family farm tax credits and
26 14 agricultural land credits allowed for property taxes
26 15 due and payable in fiscal years beginning on or after
26 16 July 1, 1996.

26 17 DIVISION VIII

26 18 SCHOOL FUNDING

26 19 Sec. 50. Section [257.1](#), subsection 2, unnumbered
26 20 paragraph 2, Code Supplement 1995, is amended to read
26 21 as follows:

26 22 For the budget year commencing July 1,

~~1991~~

~~1996,~~

26 23 and for each succeeding budget year the regular
26 24 program foundation base per pupil is eighty-three
26 25 percent of the regular program state cost per pupil

~~—~~
26 26

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

~~—~~
26 27

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

~~—~~
26 28

~~— additional enrollment because of special education is~~

~~—~~
26 29

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

~~—~~
26 30

~~— per pupil~~

~~—~~ For the budget year commencing July 1,

26 31

~~— 1991~~

~~—~~ 1996, and for each succeeding budget year the

26 32 special education support services foundation base is

26 33

~~— seventy nine~~

~~—~~ eighty-three percent of the special

26 34 education support services state cost per pupil. The

26 35 combined foundation base is the sum of the regular

26 36 program foundation base and the special education

26 37 support services foundation base.

26 38 Sec. 51. EFFECTIVE DATE. This division of this

26 39 Act, being deemed of immediate importance, takes

26 40 effect upon enactment for calculating state foundation

26 41 aid for school budget years commencing on or after

26 42 July 1, 1996.

26 43

DIVISION IX

26 44

BOND ELECTIONS

26 45 Sec. 52. Section [75.1](#), Code 1995, is amended to read as

26 46 follows:

26 47 75.1 BONDS - ELECTION - VOTE REQUIRED.

26 48 1. When a proposition to authorize an issuance of bonds by

26 49 a county, township, school corporation, city, or by any local

26 50 board or commission, is submitted to the electors,

~~— such~~

~~—~~ the

27 1 proposition

~~— shall not be deemed carried or adopted, anything~~

~~—~~
27 2

~~— in the statutes to the contrary notwithstanding, unless~~

~~—~~ is

27 3 adopted if the vote in favor of

~~— such authorization~~

~~—~~ the

27 4 proposition is equal to at least sixty percent of the total
27 5 vote cast for and against

~~—said~~

~~— the~~ proposition at

~~—said~~

~~— the~~

27 6 election.

27 7 2. Notwithstanding subsection 1, if the annual levy of
27 8 property tax to pay principal and interest on bonds issued by
27 9 a county, school corporation, or city is to be offset with
27 10 revenue from a local income surtax pursuant to section 76.21,
27 11 the proposition shall so state and the proposition is adopted
27 12 if the vote in favor of the proposition is equal to a majority
27 13 of the total vote cast for and against the proposition at the
27 14 election. However, a bond issuance proposition proposing
27 15 imposition of an income surtax shall not be presented to the
27 16 electors if in the first year the income surtax is imposed the
27 17 total of all income surtaxes authorized by law and imposed in
27 18 that year on any taxpayer in the political subdivision
27 19 imposing the surtax would exceed twenty percent. Upon request
27 20 of the governing authority, the department of management shall
27 21 certify the cumulative rate of income surtax being imposed in
27 22 the political subdivision.

27 23 3. All ballots cast and not counted as a vote for or
27 24 against the proposition shall not be used in computing the
27 25 total vote cast for and against

~~—said~~

~~— the~~ proposition.

27 26 4. When a proposition to authorize an issuance of bonds
27 27 has been submitted to the electors under this section and the
27 28 proposal fails to gain approval by the required percentage of
27 29 votes, such proposal, or any proposal which incorporates any
27 30 portion of the defeated proposal, shall not be submitted to
27 31 the electors for a period of

~~—six~~

~~— twelve~~ months from the date

27 32 of such regular or special election.

27 33 Sec. 53. Section 76.1, Code 1995, is amended to read as
27 34 follows:

27 35 76.1 MANDATORY RETIREMENT.

27 36

~~—Hereafter issues~~

~~— Issues~~ of bonds

~~— of every kind and~~

~~—~~

27 37

~~—character~~

~~— by~~ counties, cities, and school corporations shall

27 38 be consecutively numbered. The annual levy of property tax,
27 39 or combination of property tax levy and income surtax imposed
27 40 as provided in section 76.19, shall be sufficient to pay the
27 41 interest and approximately

~~—such~~

~~— that~~ portion of the principal

27 42 of the bonds as will retire them in a period not exceeding
27 43

~~—twenty~~

~~— twenty-two~~ years from date of issue. Each issue of

27 44 bonds shall be scheduled to mature serially in the same order
27 45 as numbered.

27 46 Sec. 54. Section 76.2, Code 1995, is amended to read as
27 47 follows:

27 48 76.2 MANDATORY LEVY - OBLIGATIONS IN ANTICIPATION OF
27 49 LEVY.

27 50 The governing authority of these political subdivisions
28 1 before issuing bonds shall, by resolution, provide for the
28 2 assessment of an annual levy upon all the taxable property in
28 3 the political subdivision, or the assessment of an annual
28 4 property tax levy and imposition of an income surtax under
28 5 section 76.19, sufficient to pay the

~~interest and~~

- principal

28 6 and interest of the bonds within a period named not exceeding
28 7

~~twenty years~~

- that provided in section 76.1. A certified copy

28 8 of this resolution shall be filed with the county auditor or
28 9 the auditors of the counties in which the political
28 10 subdivision is located; and the filing shall make it a duty of
28 11 the auditors to enter annually this levy for collection from
28 12 the taxable property within the boundaries of the political
28 13 subdivision until funds are realized to pay the bonds in full.
28 14 The property tax levy shall continue to be made against
28 15 property that is severed from the political subdivision and
28 16 the income surtax shall continue to be imposed upon the
28 17 residents of any area severed from the political subdivision
28 18 after the filing of the resolution until funds are realized to
28 19 pay the bonds in full.

28 20 If

~~the~~

- a resolution which does not include imposition of an

28 21 income surtax is filed prior to April 1, or May 1

- if the

28 22 political subdivision is a school district, the annual levy
28 23 shall begin with the tax levy for collection commencing July 1
28 24 of that year. If the resolution is filed after April 1, or
28 25 May 1

- in the case of a school district, or if the resolution

28 26 includes imposition of an income surtax, the annual property
28 27 tax levy shall begin with the tax levy for collection in the
28 28 next succeeding fiscal year. If the resolution includes the
28 29 imposition of a local income surtax and it is filed with the
28 30 department of revenue and finance prior to August 1, the
28 31 imposition of the surtax is retroactive to January 1 of that
28 32 calendar year. If the resolution is filed with the department
28 33 of revenue and finance on or after August 1, the imposition of
28 34 the income surtax begins on January 1 of the next calendar
28 35 year. However, the governing authority of a political
28 36 subdivision may adjust a levy of taxes made under this section
28 37 for the purpose of adjusting the annual levies and collections
28 38 and income surtax rate for property severed from the political
28 39 subdivision, subject to the approval of the director of the
28 40 department of management.

28 41 If funds, including reserves and amounts available for
28 42 temporary transfer, are

~~found to be~~

- insufficient to pay in

28 43 full any installment of principal or interest, a public issuer
28 44 of bonds may anticipate the next levy of property taxes
28 45 pursuant to this section or the imposition of an income surtax
28 46 under section 76.19 in the manner provided in chapter 74,
28 47 whether the taxes so anticipated are to be collected in the
28 48 same or a future fiscal year.

28 49 To further secure the payment of the bonds, the governing
28 50 authority shall, by resolution, provide for the assessment of
29 1 an annual levy of a standby tax upon all taxable property
29 2 within the political subdivision. A copy of the resolution
29 3 shall be sent to the county auditor of each county in which
29 4 the political subdivision is located. The revenues from the
29 5 standby tax shall be deposited in a special fund and shall be
29 6 expended only for the payment of principal and interest on the
29 7 bonds issued as provided in this section, when the revenue
29 8 from an income surtax as provided in section 76.19 is
29 9 insufficient. Reserves shall not be built up in this fund in
29 10 anticipation of a projected default. The governing authority
29 11 shall adjust the annual standby property tax levy for each
29 12 year to reflect the amount of revenues in the special fund and
29 13 the amount of principal and interest which is due in that
29 14 year.

29 15 Sec. 55. Section 76.4, Code 1995, is amended to read as
29 16 follows:

29 17 76.4 PERMISSIVE APPLICATION OF FUNDS.

29 18

~~whenever~~

- If the governing authority of

~~such~~

- a political

29 19 subdivision

~~shall have~~

- has on hand funds derived from

~~any~~

-

29 20

~~other~~

- a source other than taxation which may be appropriated

29 21 to the payment either of

~~interest or~~

- principal or interest, or

29 22 both principal and interest of such bonds,

~~such~~

- the funds may

29 23 be

~~so~~

- appropriated and used and the property tax levy and
29 24 income surtax rate, if imposed, for the payment of the bonds
29 25 correspondingly reduced.

29 26 Sec. 56. Section 76.7, Code 1995, is amended to read as
29 27 follows:

29 28 76.7 PARTICULAR BONDS AFFECTED - PAYMENT.

29 29 Counties, cities, and school corporations may at any time

29 30

~~or times~~

- extend or renew any legal indebtedness or any part

29 31

~~thereof~~

- of the indebtedness they

~~may~~

- have represented by bonds
29 32 or certificates where

~~such~~

- the indebtedness is payable from a
29 33 limited annual property tax or from a voted annual property
29 34 tax, or from an income surtax imposed under section 76.19, and
29 35 may by resolution fund or refund the

~~same~~

- legal indebtedness
29 36 and issue bonds

~~therefor~~

- running not more than twenty years to
29 37 be known as funding or refunding bonds, and make provision for
29 38 the payment of the principal and interest

~~thereof~~

- from the
29 39 proceeds of an annual property tax, or annual property tax and
29 40 income surtax, for the period covered by

~~such~~

- the bonds
29 41 similar to the tax authorized by law or by the electors for
29 42 the payment of the indebtedness

~~so~~

- extended or renewed.

29 43 Sec. 57. NEW SECTION. 76.19 INCOME SURTAX.

29 44 1. An income surtax may be imposed by a political
29 45 subdivision as provided in this section, but only if
29 46 authorized by the electors as provided in section 75.1.

29 47 2. The income surtax shall be imposed upon state income
29 48 taxes computed under section 422.5, less credits allowed in
29 49 sections 422.11A, 422.11B, 422.11C, 422.12, and 422.12B, and
29 50 shall be imposed upon the state income tax for each calendar
30 1 year, or for a taxpayer's fiscal year ending during the second
30 2 half of that calendar year or the first half of the succeeding
30 3 calendar year, and shall be imposed on all taxpayers residing
30 4 in the political subdivision on the last day of the applicable
30 5 tax year, and on taxpayers residing in areas severed from the
30 6 political subdivision as provided in section 76.2.

30 7 3. The income surtax shall be imposed to collect an amount
30 8 that is equivalent to sixty percent of the sum of the prin-
30 9 cipal and interest of the bonds over the life of the bonds.
30 10 The rate of the income surtax may be adjusted in any year for
30 11 the sole purpose of ensuring that an amount equivalent to
30 12 sixty percent of the principal and interest over the life of
30 13 the bonds is collected.

30 14 4. At the time of the annual levy under section 76.2, the
30 15 governing authority of the political subdivision shall also
30 16 provide in the resolution for the imposition of the income
30 17 surtax and shall certify to the department of management such
30 18 sum expressed in dollars. The department shall determine the
30 19 rate of income surtax to be imposed based upon the most recent
30 20 available figures from state income taxes paid by taxpayers
30 21 residing in the political subdivision. The department shall
30 22 continue to make such calculations and certify the income
30 23 surtax rate to the county auditor or the auditors of the
30 24 counties in which the political subdivision is located with
30 25 adjustments as provided in this section until the principal

30 26 and interest on the bonds are paid in full. On or before
30 27 November 1 of each year in which the income surtax is
30 28 collected the director of revenue and finance shall deposit
30 29 with the treasurer of the political subdivision the entire
30 30 amount of income surtax collected from taxpayers residing in
30 31 the political subdivision.

30 32 5. The costs of administration shall be determined by the
30 33 department of revenue and finance, and shall be based on a
30 34 share of the total cost of administering the department, in
30 35 the same proportion as the amount of income surtax collected
30 36 is to the amount of state income taxes collected.

30 37 6. The director of revenue and finance shall administer
30 38 the income surtax imposed under this chapter and sections
30 39 422.4, 422.20 to 422.31, 422.68, and 422.72 to 422.75 shall
30 40 apply with respect to administration of the income surtax.

30 41 Sec. 58. NEW SECTION. 76.20 INCOME TAX RETURNS.

30 42 An income surtax imposed under section 76.19 shall be made
30 43 a part of the Iowa individual income tax return subject to the
30 44 conditions and restrictions set forth in section 422.21. The
30 45 director of revenue and finance shall provide on income tax
30 46 returns a requirement that each person required to file a re-
30 47 turn numerically identify the city of residence of the tax-
30 48 payer and the merged area in which the taxpayer resides.

30 49 Sec. 59. NEW SECTION. 76.21 PROPERTY TAX CREDIT -
30 50 AGRICULTURAL AND RESIDENTIAL PROPERTY.

31 1 Local income surtax revenues collected under section 76.19
31 2 shall be used to offset the annual levy of property tax on
31 3 property assessed as agricultural or residential property.
31 4 The surtax shall be distributed in the following manner:

31 5 Upon receipt of the revenues collected from the income
31 6 surtax, the county treasurer shall notify the county auditor
31 7 of the amount of income surtax revenues received. The auditor
31 8 shall determine the amount to be credited to each parcel of
31 9 real property located in the political subdivision and
31 10 assessed as agricultural or residential, and shall enter such
31 11 amount upon the tax lists as a credit against the tax levied
31 12 on each parcel of real property assessed as agricultural or
31 13 residential. The county treasurer shall show on each tax
31 14 receipt the amount of tax credit to be applied against
31 15 property taxes payable in the fiscal year following the year
31 16 in which the surtax was collected for each parcel of real
31 17 property assessed as agricultural or residential. In case of
31 18 change of ownership, the credit shall remain with the parcel.
31 19 The amount of the credit funded by revenues from the income
31 20 surtax imposed under section 76.19 shall be an amount equal to
31 21 a pro rata share based upon the ratio of the taxable value of
31 22 each parcel to receive the credit to the total taxable value
31 23 of the property to receive the credit.

31 24 Sec. 60. NEW SECTION. 76.22 DESIGNATION OF TAX.

31 25 An income surtax imposed under section 76.19 by a school
31 26 district shall be designated as a school debt service income
31 27 surtax, an income surtax imposed by a merged area shall be
31 28 designated as a merged area debt service income surtax, an
31 29 income surtax imposed under section 76.19 by a city shall be
31 30 designated a city debt service income surtax, and an income
31 31 surtax imposed under section 76.19 by a county shall be
31 32 designated a county debt service income surtax.

31 33 Sec. 61. Section 260C.21, Code 1995, is amended to read as
31 34 follows:

31 35 260C.21 ELECTION TO INCUR INDEBTEDNESS.

31 36 1. No indebtedness shall be incurred under section 260C.19
31 37 until authorized by an election. A proposition to incur
31 38 indebtedness and issue bonds for community college purposes
31 39 shall be deemed

~~—carried~~

— adopted in a merged area if approved

31 40 by a sixty percent majority of all voters voting on the
31 41 proposition in the area. However, if the board elects to
31 42 offset the annual property tax levy with revenues from a local
31 43 income surtax pursuant to section 76.21, the ballot
31 44 proposition to authorize the issuance of the bonds shall be
31 45 submitted to the electorate pursuant to section 75.1,
31 46 subsection 2.

31 47 2. Notwithstanding subsection 1, if the costs of utilities
31 48 are paid by a community college with funds derived from the
31 49 levy authorized under section 260C.22, the community college
31 50 may use the general fund moneys that would have been used to
32 1 pay the costs of utilities for capital expenditures, may
32 2 invest the funds, or may incur indebtedness without an
32 3 election, provided that the payments on the indebtedness
32 4 incurred, and any interest on the indebtedness, can be made
32 5 using general funds of the community college and the total
32 6 payments on the principal and interest on the indebtedness do
32 7 not exceed the amount of the costs of the utilities.

32 8 Sec. 62. Section 296.1, Code 1995, is amended to read as
32 9 follows:

32 10 296.1 INDEBTEDNESS AUTHORIZED.

32 11 Subject to the approval of the voters thereof, school
32 12 districts are

~~— hereby~~

- authorized to contract indebtedness and
32 13 to issue general obligation bonds to provide funds to defray
32 14 the cost of purchasing, building, furnishing, reconstructing,
32 15 repairing, improving or remodeling a schoolhouse or
32 16 schoolhouses and additions thereto, gymnasium, stadium, field
32 17 house, school bus garage, teachers' or superintendent's home
32 18 or homes, and procuring a site or sites therefor, or
32 19 purchasing land to add to a site already owned, or procuring
32 20 and improving a site for an athletic field, or improving a
32 21 site already owned for an athletic field, and for any one or
32 22 more of such purposes. Taxes for the payment of

~~— said~~

- the

32 23 bonds shall be levied or imposed in accordance with chapter
32 24 76, and

~~— said~~

- the bonds shall mature within

~~— a period not~~

-

32 25

~~— exceeding twenty years from date of issue~~

- the period provided

32 26 in section 76.1, shall bear interest at a rate or rates not
32 27 exceeding that permitted by chapter 74A and shall be of such
32 28 form as the board of directors of

~~— such~~

- the school district

32 29 shall by resolution provide, but the aggregate indebtedness of
32 30 any school district shall not exceed five percent of the
32 31 actual value of the taxable property within

~~— said~~

- the school

32 32 district, as ascertained by the last preceding state and
32 33 county tax lists.

32 34 Sec. 63. Section 296.6, Code 1995, is amended to read as
32 35 follows:

32 36 296.6 BONDS.
32 37 If the vote in favor of the issuance of such bonds is equal
32 38 to at least sixty percent of the total vote cast for and
32 39 against

~~—said~~
- the proposition at

~~—said~~
- the election, the board
32 40 of directors shall issue the

~~—same~~
- bonds and make provision for
32 41 payment

~~—thereof~~
- of the bonds. However, if the board of
32 42 directors of a school district elects to offset the annual
32 43 property tax levy with revenues from an income surtax pursuant
32 44 to section 76.21, the ballot proposition to authorize the
32 45 issuance of the bonds shall be submitted to the electorate
32 46 pursuant to section 75.1, subsection 2.

32 47 Sec. 64. Section [298.14](#), unnumbered paragraph 1, Code
32 48 1995, is amended to read as follows:

32 49 For each fiscal year, the cumulative total of the percents
32 50 of surtax approved by the board of directors of a school
33 1 district and collected by the department of revenue and
33 2 finance under sections 257.21, 257.29, 279.54, and 298.2, and
33 3 the enrichment surtax under section 442.15, Code 1989, and an
33 4 income surtax collected by a political subdivision under
33 5 chapter 422D, shall not exceed twenty percent. In addition,
33 6 if an income surtax is imposed under section 76.19, the
33 7 cumulative total of percents of surtax imposed on any taxpayer
33 8 in a school district under sections 76.19, 257.21, 257.29,
33 9 279.54, 298.2, 442.15, Code 1989, and chapter 422D shall not
33 10 exceed twenty percent in the first year in which one or more
33 11 of these income surtaxes is imposed.

33 12 Sec. 65. Section [298.18](#), unnumbered paragraph 2, Code
33 13 1995, is amended to read as follows:

33 14 The amount estimated

~~—and certified to apply on~~
- to pay

33 15 principal and interest for any one year shall not exceed an
33 16 amount that could be raised by a property tax levy equal to
33 17 two dollars and seventy cents per thousand dollars of the
33 18 assessed valuation of the taxable property of the school
33 19 corporation except as hereinafter provided.

33 20 Sec. 66. Section [298.18](#), unnumbered paragraph 4, Code
33 21 1995, is amended to read as follows:

33 22 The amount estimated

~~—and certified to apply on~~
- to pay

33 23 principal and interest for any one year may exceed an amount
33 24 that could be raised by a property tax levy equal to two
33 25 dollars and seventy cents per thousand dollars of assessed
33 26 value by the amount approved by the voters of the school
33 27 corporation, but not exceeding four dollars and five cents per
33 28 thousand of the assessed value of the taxable property within
33 29 any school corporation, provided that the

~~—qualified~~
- registered

33 30 voters of such school corporation have first approved such
33 31 increased amount at a special election, which may be held at

33 32 the same time as the regular school election. The proposition
33 33 submitted to the voters at such special election shall be in
33 34 substantially the following form:
33 35 Sec. 67. Section [298.18](#), unnumbered paragraph 6, Code
33 36 1995, is amended to read as follows:
33 37 Notice of the election shall be given by the county
33 38 commissioner of elections according to section 49.53. The
33 39 election shall be held on a date not less than four nor more
33 40 than twenty days after the last publication of the notice. At
33 41

~~such~~
- the election the ballot used for the submission of

~~said~~

33 42 the proposition shall be in substantially the form for
33 43 submitting special questions at general elections. The county
33 44 commissioner of elections shall conduct the election pursuant
33 45 to the provisions of chapters 39 to 53 and certify the results
33 46 to the board of directors.

~~Such~~
- The proposition shall not be
33 47 deemed

~~carried or~~
- adopted unless the vote in favor of

~~such~~
- the
33 48 proposition is equal to at least sixty percent of the total
33 49 vote cast for and against

~~said~~
- the proposition at

~~said~~
- the
33 50 election.

~~Whenever~~
- However, if the board of directors of a
34 1 school district elects to offset the annual property tax levy
34 2 with revenues from an income surtax pursuant to section 76.21,
34 3 the ballot proposition shall be submitted to the electorate
34 4 pursuant to section 75.1, subsection 2. If such a proposition
34 5 has been approved by the voters of a school corporation as
34 6 hereinbefore provided, no further approval of the voters of
34 7

~~such~~
- the school corporation shall be required as a result of
34 8 any subsequent change in the boundaries of

~~such~~
- the school
34 9 corporation.
34 10 Sec. 68. Section [298.22](#), unnumbered paragraph 1, Code
34 11 1995, is amended to read as follows:
34 12

~~All of said~~
- The bonds shall be substantially in the form
34 13 provided for county bonds, but subject to changes that will
34 14 conform them to the action of the board

~~providing therefor;~~

34 15 shall

~~run not more than twenty years~~

~~mature within the period~~

34 16 provided in section 76.1, and may be sooner paid if so
34 17 nominated in the bond; bear a rate of interest not exceeding
34 18 that permitted by chapter 74A, payable semiannually; be signed
34 19 by the president and countersigned by the secretary of the
34 20 board of directors; and shall not be disposed of for less than
34 21 par value, nor issued for other purposes than this chapter
34 22 provides.

34 23 Sec. 69. Section [331.442](#), subsection 4, Code Supplement
34 24 1995, is amended to read as follows:

34 25 4. The proposition of issuing bonds for a general county
34 26 purpose is not

~~carried or~~

~~adopted unless the vote in favor of~~

34 27 the proposition is equal to at least sixty percent of the
34 28 total vote cast for and against the proposition at the
34 29 election. However, if the board elects to offset the annual
34 30 property tax levy with revenues from a local income surtax
34 31 pursuant to section 76.21, the ballot proposition to authorize
34 32 the issuance of the bonds shall be submitted to the electorate
34 33 pursuant to section 75.1, subsection 2. If the proposition of
34 34 issuing the general county purpose bonds is approved by the
34 35 voters, the board may proceed with the issuance of the bonds.

34 36 Sec. 70. Section [331.442](#), subsection 5, paragraph a,
34 37 unnumbered paragraph 1, Code Supplement 1995, is amended to
34 38 read as follows:

34 39 Notwithstanding subsection 2, a board, in lieu of calling
34 40 an election, may institute proceedings for the issuance of
34 41 bonds for a general county purpose by causing a notice of the
34 42 proposal to issue the bonds, including a statement of the
34 43 amount and purpose of the bonds, the type or types of debt
34 44 service tax to be levied or imposed to pay principal and
34 45 interest on the bonds, and the right to petition for an
34 46 election, to be published as provided in section 331.305 at
34 47 least ten days prior to the meeting at which it is proposed to
34 48 take action for the issuance of the bonds subject to the
34 49 following limitations:

34 50 Sec. 71. Section [331.447](#), subsection 1, Code Supplement
35 1 1995, is amended to read as follows:

35 2 1. Taxes for the payment of general obligation bonds shall
35 3 be levied or imposed in accordance with chapter 76, and the
35 4 bonds are payable from

~~the levy of unlimited ad valorem taxes~~

35 5

~~on all the taxable property within the county through its debt~~

35 6

~~service fund required by section 331.430~~

~~a debt service~~

35 7 property tax or combination of a debt service property tax and
35 8 a debt service local income surtax, unlimited as to amount,
35 9 except that:

35 10 a. The amount estimated

~~and certified to apply~~

~~to pay on~~

35 11 principal and interest for any one year shall not exceed an

35 12 amount that could be raised by a debt service property tax
35 13 levy equal to the maximum rate of tax, if any, provided by
35 14 this division for the purpose for which the bonds were issued.
35 15 If general obligation bonds are issued for different
35 16 categories, as provided in section 331.445, the maximum rate
35 17 of levies, if any, for each purpose shall apply separately to
35 18 that portion of the bond issue for that category and the
35 19 resolution authorizing the bond issue shall clearly set forth
35 20 the annual debt service requirements with respect to each
35 21 purpose in sufficient detail to indicate compliance with the
35 22 rate of tax levy, if any.
35 23 b. The amount estimated

~~and certified to apply~~

~~to pay on~~

35 24 principal and interest for any one year may only exceed an
35 25 amount that could be raised by a debt service property tax
35 26 levy equal to the statutory rate of levy limit, if any, by the
35 27 amount that the registered voters of the county have approved
35 28 at a special election, which may be held at the same time as
35 29 the general election and may be included in the proposition
35 30 authorizing the issuance of bonds, if an election on the
35 31 proposition is necessary, or may be submitted as a separate
35 32 proposition at the same election or at a different election.
35 33 Notice of the election shall be given as specified in section
35 34 331.305. If the proposition includes issuing bonds and
35 35 increasing the levy limit, it shall be in substantially the
35 36 following form:

35 37 Shall the county of, state of Iowa, be authorized
35 38 to (here state purpose of project) at a total cost
35 39 not exceeding \$..... and issue its general obligation bonds
35 40 in an amount not exceeding \$..... for that purpose, and be
35 41 authorized to levy annually a debt service property tax (or
35 42 debt service property tax, and income surtax to offset the
35 43 property tax, if applicable), which will produce an amount not
35 44 exceeding ... dollars and ... cents per thousand dollars of
35 45 the assessed value of the taxable property within the county
35 46 to pay the principal of and interest on the bonds?

35 47 If the proposition includes only increasing the levy limit
35 48 it shall be in substantially the following form:

35 49 Shall the county of, state of Iowa, be authorized
35 50 to levy annually a debt service property tax (or debt service
36 1 property tax and income surtax to offset the property tax, if
36 2 applicable), which will produce an amount not exceeding ...
36 3 dollars and ... cents per thousand dollars of the assessed
36 4 value of the taxable property within the county to pay
36 5 principal and interest on the bonded indebtedness of the
36 6 county for the purpose of?

36 7 Sec. 72. Section 331.490, Code 1995, is amended to read as
36 8 follows:

36 9 331.490 CITIES SUBJECT TO DEBT SERVICE TAX LEVY - RATES.

36 10 1. If a county and city have entered into an agreement to
36 11 create a joint special assessment district and issue county
36 12 general obligation bonds to fund the costs of a public
36 13 improvement benefiting that district, the county's debt ser-
36 14 vice property tax levy for the county general obligation bonds
36 15 shall not be levied against property located in any city
36 16 except a city which has entered into the agreement, and, if
36 17 applicable, the county's debt service income surtax for the
36 18 county general obligation bonds shall not be imposed on
36 19 taxpayers who reside in any city except a city which has
36 20 entered into the agreement.

36 21 2. Counties and cities entering into an agreement for a
36 22 joint special assessment district may provide in the agreement
36 23 for a different rate of the county's debt service tax levy
36 24 against property in areas of the county outside a city and
36 25 property within the cities, and, if applicable, for a

36 26 different rate of the county's debt service income surtax to
36 27 be imposed on taxpayers residing outside the cities and those
36 28 residing within each city.

36 29 Sec. 73. Section 384.26, subsection 2, Code Supplement
36 30 1995, is amended to read as follows:

36 31 2. Before the council may institute proceedings for the
36 32 issuance of bonds for a general corporate purpose, it shall
36 33 call a special city election to vote upon the question of
36 34 issuing the bonds. At the election the proposition must be
36 35 submitted in substantially the following form:

36 36 Shall the (insert the name of the city) issue
36 37 its bonds in an amount not exceeding the amount of \$.... for
36 38 the purpose of, such bonds to be payable from a
36 39 property tax levied on all taxable property within the city
36 40 (and income surtax to offset the property tax to be imposed on
36 41 the state income tax of each income taxpayer residing in the
36 42 city)?

36 43 Sec. 74. Section 384.26, subsection 4, Code Supplement
36 44 1995, is amended to read as follows:

36 45 4. The proposition of issuing general corporate purpose
36 46 bonds is not

~~carried or~~

~~adopted unless the vote in favor of~~

36 47 the proposition is equal to at least sixty percent of the
36 48 total vote cast for and against the proposition at the
36 49 election. However, if the city council elects to offset the
36 50 annual property tax levy with revenues from a local income
37 1 surtax pursuant to section 76.21, the ballot proposition to
37 2 authorize the issuance of the bonds shall be submitted to the
37 3 electorate pursuant to section 75.1, subsection 2. If the
37 4 proposition of issuing the general corporate purpose bonds is
37 5 approved by the voters, the city may proceed with the issuance
37 6 of the bonds.

37 7 Sec. 75. Section 384.26, subsection 5, paragraph a,
37 8 unnumbered paragraph 1, Code Supplement 1995, is amended to
37 9 read as follows:

37 10 Notwithstanding the provisions of subsection 2, a council
37 11 may, in lieu of calling an election, institute proceedings for
37 12 the issuance of bonds for a general corporate purpose by
37 13 causing a notice of the proposal to issue the bonds, including
37 14 a statement of the amount and purpose of the bonds, the type
37 15 or types of debt service tax to be levied or imposed to pay
37 16 principal and interest of the bonds, together with the maximum
37 17 rate of interest which the bonds are to bear, and the right to
37 18 petition for an election, to be published at least once in a
37 19 newspaper of general circulation within the city at least ten
37 20 days prior to the meeting at which it is proposed to take
37 21 action for the issuance of the bonds subject to the following
37 22 limitations:

37 23 Sec. 76. Section 384.32, Code 1995, is amended to read as
37 24 follows

37 25 384.32 TAX TO PAY.

37 26 Taxes for the payment of general obligation bonds must be
37 27 levied in accordance with chapter 76, and the bonds are
37 28 payable from the levy of

~~unlimited ad valorem taxes on all the~~

37 29

~~taxable property within the city through its debt service fund~~

37 30

~~authorized by section 384.4~~

~~a debt service property tax or a~~

37 31 combination of a debt service property tax and a debt service
37 32 income surtax, unlimited as to amount.

37 33 Sec. 77. APPLICABILITY DATE. This division
37 34 of this Act applies to bond
37 35 issuances approved at elections held on or after the effective
37 36 date of this division of this Act.

37 37 DIVISION X

37 38 PROPERTY TAX STUDY

37 39 Sec. 78. The legislative council shall direct the
37 40 establishment of a legislative committee to study the
37 41 system of local government property taxation. The
37 42 committee shall conduct a comprehensive review of the
37 43 property tax system in Iowa, including identifying the
37 44 various classes of property taxpayers, the portion of
37 45 property taxes collected from each class of taxpayer,
37 46 the distribution of those taxes to local governments,
37 47 and the value of local government services received by
37 48 a class of taxpayers in relation to the amount of
37 49 property taxes paid by that class. The committee
37 50 shall also examine the current system of property tax
38 1 credits and exemptions allowed to taxpayers, tax
38 2 increment financing and tax abatement programs,
38 3 property tax credits and exemptions, the effect of tax
38 4 abatement programs, and tax increment financing on the
38 5 tax rates applied to the other classes of property,
38 6 and the general authority of local officials to abate
38 7 property taxes.

38 8 As an integral part of the collection of taxes by
38 9 local governments, the committee shall also review the
38 10 budgeting procedures and practices of local
38 11 governments, including the process of estimating and
38 12 spending ending fund balances; the authorization to
38 13 use, or the practice of using, unexpended funds or
38 14 ending fund balances for capital improvements or other
38 15 nonrecurring expenditures; and the impact on property
38 16 tax rates of actions of the school budget review
38 17 committee, the state appeal board, the application of
38 18 the property tax rollback, and the application of
38 19 equalization orders issued by the department of
38 20 revenue and finance.

38 21 The committee shall also review the use of property
38 22 taxes as the sole or major source of funding for
38 23 school, city, and county services and the use of
38 24 alternate sources of revenues to pay for such
38 25 services, the repayment of bonds or other debt
38 26 obligations by local governments, the use of alternate
38 27 sources of revenue to repay bonds or other debt
38 28 obligations, and the current statutory requirements
38 29 for the issuance of bonds or other debt obligations by
38 30 local governments."

38 31 #____. Title page, line 12, by inserting after the
38 32 word "credits;" the following: "increasing the school
38 33 foundation base level for special education;""."

38 34
38 35

38 36 _____
38 37 WILLIAM D. [PALMER](#)

38 38
38 39

38 40 _____
38 41 MICHAEL E. [GRONSTAL](#)

38 42 [SF 2449.3](#) 16 76
38 43 mg/cf