

Senate Amendment 3716

Amendment Text

PAG LIN

1 1 Amend [House File 757](#), as passed by the House, as
1 2 follows:
1 3 #1. By striking everything after the enacting
1 4 clause and inserting the following:
1 5 "Section 1. Section [422.4](#), subsection 1,
1 6 paragraphs b and c, Code 2001, are amended to read as
1 7 follows:
1 8 b. "Cumulative inflation factor" means the product
1 9 of the annual inflation factor for the

~~1988~~

- 2001

1 10 calendar year and all annual inflation factors for
1 11 subsequent calendar years as determined pursuant to
1 12 this subsection. The cumulative inflation factor
1 13 applies to all tax years beginning on or after January
1 14 1 of the calendar year for which the latest annual
1 15 inflation factor has been determined.
1 16 c. The annual inflation factor for the

~~1988~~

- 2001

1 17 calendar year is one hundred percent.
1 18 Sec. 2. Section [422.5](#), subsection 1, paragraphs a
1 19 through i, Code 2001, are amended by striking the
1 20 paragraphs and inserting in lieu thereof the
1 21 following:
1 22 a. On all taxable income from zero through eight
1 23 thousand dollars, one and eighty-five hundredths
1 24 percent.
1 25 b. On all taxable income exceeding eight thousand
1 26 dollars but not exceeding forty thousand dollars, five
1 27 and three-tenths percent.
1 28 c. On all taxable income exceeding forty thousand
1 29 dollars but not exceeding sixty thousand dollars, six
1 30 and thirty-five hundredths percent.
1 31 d. On all taxable income exceeding sixty thousand
1 32 dollars, six and six-tenths percent.
1 33 Sec. 3. Section [422.5](#), subsection 1, paragraph j,
1 34 Code 2001, is amended to read as follows:
1 35

~~j.~~

- e. (1) The tax imposed upon the taxable
1 36 income of a nonresident shall be computed by reducing
1 37 the amount determined pursuant to paragraphs "a"
1 38 through

~~i.~~

- d by the amounts of nonrefundable
1 39 credits under this division and by multiplying this
1 40 resulting amount by a fraction of which the
1 41 nonresident's net income allocated to Iowa, as
1 42 determined in section 422.8, subsection 2, paragraph
1 43 "a", is the numerator and the nonresident's total net
1 44 income computed under section 422.7 is the
1 45 denominator. This provision also applies to

1 46 individuals who are residents of Iowa for less than
1 47 the entire tax year.

1 48 (2) The tax imposed upon the taxable income of a
1 49 resident shareholder in an S corporation which has in
1 50 effect for the tax year an election under subchapter S
2 1 of the Internal Revenue Code and carries on business
2 2 within and without the state may be computed by
2 3 reducing the amount determined pursuant to paragraphs
2 4 "a" through

"i"

- "d" by the amounts of nonrefundable
2 5 credits under this division and by multiplying this
2 6 resulting amount by a fraction of which the resident's
2 7 net income allocated to Iowa, as determined in section
2 8 422.8, subsection 2, paragraph "b", is the numerator
2 9 and the resident's total net income computed under
2 10 section 422.7 is the denominator. If a resident
2 11 shareholder has elected to take advantage of this
2 12 subparagraph, and for the next tax year elects not to
2 13 take advantage of this subparagraph, the resident
2 14 shareholder shall not reelect to take advantage of
2 15 this subparagraph for the three tax years immediately
2 16 following the first tax year for which the shareholder
2 17 elected not to take advantage of this subparagraph,
2 18 unless the director consents to the reelection. This
2 19 subparagraph also applies to individuals who are
2 20 residents of Iowa for less than the entire tax year.
2 21 This subparagraph shall not affect the amount of
2 22 the taxpayer's checkoff to the Iowa election campaign
2 23 fund under section 56.18, the checkoff for the fish
2 24 and game fund in section 456A.16, the credits from tax
2 25 provided in sections 422.10, 422.11A, and 422.12 and
2 26 the allocation of these credits between spouses if the
2 27 taxpayers filed separate returns or separately on
2 28 combined returns.
2 29 Sec. 4. Section 422.5, subsection 1, paragraph k,
2 30 Code 2001, is amended by relettering the paragraph as
2 31 paragraph f.
2 32 Sec. 5. Section 422.5, subsection 1, paragraph k,
2 33 unnumbered paragraph 1, Code 2001, is amended to read
2 34 as follows:
2 35 There is imposed upon every resident and
2 36 nonresident of this state, including estates and
2 37 trusts, the greater of the tax determined in
2 38 paragraphs "a" through

"j"

- "e" or the state
2 39 alternative minimum tax equal to seventy-five percent
2 40 of the maximum state individual income tax rate for
2 41 the tax year, rounded to the nearest one-tenth of one
2 42 percent, of the state alternative minimum taxable
2 43 income of the taxpayer as computed under this
2 44 paragraph.
2 45 Sec. 6. Section 422.5, subsections 2, 5, and 7,
2 46 Code 2001, are amended to read as follows:
2 47 2. However, the tax shall not be imposed on a
2 48 resident or nonresident whose net income, as defined
2 49 in section 422.7, is thirteen thousand five hundred
2 50 dollars or less in the case of married persons filing
3 1 jointly or filing separately on a combined return,
3 2 unmarried heads of household, and surviving spouses or
3 3

nine

- ten thousand dollars or less in the case of all

3 4 other persons; but in the event that the payment of
3 5 tax under this division would reduce the net income to
3 6 less than thirteen thousand five hundred dollars or
3 7

~~— nine~~

- ten thousand dollars as applicable, then the tax
3 8 shall be reduced to that amount which would result in
3 9 allowing the taxpayer to retain a net income of
3 10 thirteen thousand five hundred dollars or

~~— nine~~

- ten
3 11 thousand dollars as applicable. The preceding
3 12 sentence does not apply to estates or trusts. For the
3 13 purpose of this subsection, the entire net income,
3 14 including any part of the net income not allocated to
3 15 Iowa, shall be taken into account. For purposes of
3 16 this subsection, net income includes all amounts of
3 17 pensions or other retirement income received from any
3 18 source which is not taxable under this division as a
3 19 result of the government pension exclusions in section
3 20 422.7, or any other state law. If the combined net
3 21 income of a husband and wife exceeds thirteen thousand
3 22 five hundred dollars, neither of them shall receive
3 23 the benefit of this subsection, and it is immaterial
3 24 whether they file a joint return or separate returns.
3 25 However, if a husband and wife file separate returns
3 26 and have a combined net income of thirteen thousand
3 27 five hundred dollars or less, neither spouse shall
3 28 receive the benefit of this paragraph, if one spouse
3 29 has a net operating loss and elects to carry back or
3 30 carry forward the loss as provided in section 422.9,
3 31 subsection 3. A person who is claimed as a dependent
3 32 by another person as defined in section 422.12 shall
3 33 not receive the benefit of this subsection if the
3 34 person claiming the dependent has net income exceeding
3 35 thirteen thousand five hundred dollars or

~~— nine~~

- ten
3 36 thousand dollars as applicable or the person claiming
3 37 the dependent and the person's spouse have combined
3 38 net income exceeding thirteen thousand five hundred
3 39 dollars or

~~— nine~~

- ten thousand dollars as applicable.
3 40 In addition, if the married persons', filing
3 41 jointly or filing separately on a combined return,
3 42 unmarried head of household's, or surviving spouse's
3 43 net income exceeds thirteen thousand five hundred
3 44 dollars, the regular tax imposed under this division
3 45 shall be the lesser of the maximum state individual
3 46 income tax rate times the portion of the net income in
3 47 excess of thirteen thousand five hundred dollars or
3 48 the regular tax liability computed without regard to
3 49 this sentence. Taxpayers electing to file separately
3 50 shall compute the alternate tax described in this
4 1 paragraph using the total net income of the husband
4 2 and wife. The alternate tax described in this
4 3 paragraph does not apply if one spouse elects to carry
4 4 back or carry forward the loss as provided in section
4 5 422.9, subsection 3.
4 6 5. Upon determination of the latest cumulative
4 7 inflation factor, the director shall multiply each
4 8 dollar amount set forth in subsection 1, paragraphs

~~"i"~~

- "d" of this section by this cumulative
4 10 inflation factor, shall round off the resulting
4 11 product to the nearest one dollar, and shall
4 12 incorporate the result into the income tax forms and
4 13 instructions for each tax year.
4 14 7. In addition to the other taxes imposed by this
4 15 section, a tax is imposed on the amount of a lump sum
4 16 distribution for which the taxpayer has elected under
4 17 section 402(e) of the Internal Revenue Code to be
4 18 separately taxed for federal income tax purposes for
4 19 the tax year. The rate of tax is equal to twenty-five
4 20 percent of the separate federal tax imposed on the
4 21 amount of the lump sum distribution. A nonresident is
4 22 liable for this tax only on that portion of the lump
4 23 sum distribution allocable to Iowa. The total amount
4 24 of the lump sum distribution subject to separate
4 25 federal tax shall be included in net income for
4 26 purposes of determining eligibility under the thirteen
4 27 thousand five hundred dollar or less or

~~nine~~

- ten

4 28 thousand dollar or less exclusion, as applicable.
4 29 Sec. 7. Section [422.8](#), subsection 2, paragraph a,
4 30 Code 2001, is amended to read as follows:
4 31 a. Nonresident's net income allocated to Iowa is
4 32 the net income, or portion of net income, which is
4 33 derived from a business, trade, profession, or
4 34 occupation carried on within this state or income from
4 35 any property, trust, estate, or other source within
4 36 Iowa. However, income derived from a business, trade,
4 37 profession, or occupation carried on within this state
4 38 and income from any property, trust, estate, or other
4 39 source within Iowa shall not include distributions
4 40 from pensions, including defined benefit or defined
4 41 contribution plans, annuities, individual retirement
4 42 accounts, and deferred compensation plans or any
4 43 earnings attributable thereto so long as the
4 44 distribution is directly related to an individual's
4 45 documented retirement and received while the
4 46 individual is a nonresident of this state. If a
4 47 business, trade, profession, or occupation is carried
4 48 on partly within and partly without the state, only
4 49 the portion of the net income which is fairly and
4 50 equitably attributable to that part of the business,
5 1 trade, profession, or occupation carried on within the
5 2 state is allocated to Iowa for purposes of section
5 3 [422.5](#), subsection 1, paragraph

~~"j"~~

- "e", and section

5 4 [422.13](#) and income from any property, trust, estate, or
5 5 other source partly within and partly without the
5 6 state is allocated to Iowa in the same manner, except
5 7 that annuities, interest on bank deposits and
5 8 interest-bearing obligations, and dividends are
5 9 allocated to Iowa only to the extent to which they are
5 10 derived from a business, trade, profession, or
5 11 occupation carried on within the state.
5 12 Sec. 8. Section [422.8](#), subsection 4, Code 2001, is
5 13 amended to read as follows:
5 14 4. The amount of minimum tax paid to another state
5 15 or foreign country by a resident taxpayer of this
5 16 state from preference items derived from sources

5 17 outside of Iowa shall be allowed as a credit against
5 18 the tax computed under this division except that the
5 19 credit shall not exceed what the amount of state
5 20 alternative minimum tax would have been on the same
5 21 preference items which were taxed by the other state
5 22 or foreign country. The limitation on this credit
5 23 shall be computed according to the following formula:
5 24 The total of preference items earned outside of Iowa
5 25 and taxed by another state or foreign country shall be
5 26 divided by the total of preference items of the
5 27 resident taxpayer of Iowa. In computing this
5 28 quotient, those items excludable under section 422.5,
5 29 subsection 1, paragraph

~~"j"~~

- "f", subparagraph (1)

5 30 shall not be used in computing the preference items.
5 31 This quotient multiplied times the net state
5 32 alternative minimum tax as determined in section
5 33 422.5, subsection 1, paragraph

~~"k"~~

- "f" on the total of

5 34 preference items as if entirely earned in Iowa shall
5 35 be the maximum tax credit against the Iowa alternative
5 36 minimum tax. However, the maximum tax credit will not
5 37 be allowed to the extent that the minimum tax imposed
5 38 by the other state or foreign country is less than the
5 39 maximum tax credit computed above.

5 40 Sec. 9. Section [422.9](#), subsection 1, Code 2001, as
5 41 amended by 2001 Iowa Acts, [Senate File 350](#), section
5 42 22, is amended to read as follows:

5 43 1. An optional standard deduction, after deduction
5 44 of federal income tax, equal to one thousand two
5 45 hundred thirty dollars for a married person who files
5 46 separately or a single person or equal to three
5 47 thousand thirty dollars for a husband and wife who
5 48 file a joint return, a surviving spouse, or an
5 49 unmarried head of household. The optional standard
5 50 deduction shall not exceed the amount remaining after
6 1 deduction of the federal income tax. The amount of
6 2 federal income taxes deducted shall not exceed the
6 3 amount as computed under subsection 2, paragraph "b".

6 4 Sec. 10. Section [422.9](#), subsection 2, paragraph b,
6 5 Code 2001, as amended by 2001 Iowa Acts, [Senate File](#)
6 6 [350](#), section 22, is amended by striking the paragraph
6 7 and inserting in lieu thereof the following:

6 8 b. Add the amount of federal income taxes paid or
6 9 accrued, as the case may be, to the extent the federal
6 10 tax payment is for a tax year beginning prior to
6 11 January 1, 2001. Subtract the amount of federal
6 12 income tax refunds received in a tax year to the
6 13 extent that the federal income tax was deducted on an
6 14 Iowa individual income tax return for a tax year
6 15 beginning prior to January 1, 2001.

6 16 Sec. 11. Section [422.11B](#), Code 2001, is amended to
6 17 read as follows:

6 18 422.11B MINIMUM TAX CREDIT.

6 19 1. There is allowed as a credit against the tax
6 20 determined in section 422.5, subsection 1, paragraphs
6 21 "a" through

~~"j"~~

- "e" for a tax year an amount equal to

6 22 the minimum tax credit for that tax year.
6 23 The minimum tax credit for a tax year is the
6 24 excess, if any, of the adjusted net minimum tax

6 25 imposed for all prior tax years beginning on or after
6 26 January 1, 1987, over the amount allowable as a credit
6 27 under this section for those prior tax years.
6 28 2. The allowable credit under subsection 1 for a
6 29 tax year shall not exceed the excess, if any, of the
6 30 tax determined in section 422.5, subsection 1,
6 31 paragraphs "a" through

— "j"

— "e" over the state
6 32 alternative minimum tax as determined in section
6 33 422.5, subsection 1, paragraph

— "k"

— "f".
6 34 The net minimum tax for a tax year is the excess,
6 35 if any, of the tax determined in section 422.5,
6 36 subsection 1, paragraph

— "l"

— "f" for the tax year over
6 37 the tax determined in section 422.5, subsection 1,
6 38 paragraphs "a" through

— "j"

— "e" for the tax year.
6 39 The adjusted net minimum tax for a tax year is the
6 40 net minimum tax for the tax year reduced by the amount
6 41 which would be the net minimum tax if the only item of
6 42 tax preference taken into account was that described
6 43 in paragraph (6) of section 57(a) of the Internal
6 44 Revenue Code.
6 45 Sec. 12. Section [422.13](#), subsection 1, paragraph
6 46 c, Code 2001, as amended by 2001 Iowa Acts, Senate
6 47 File 140, section 7, is amended to read as follows:
6 48 c. However, if that part of the net income of a
6 49 nonresident which is allocated to Iowa pursuant to
6 50 section 422.8, subsection 2, is less than one thousand
7 1 dollars the nonresident is not required to make and
7 2 sign a return except when the nonresident is subject
7 3 to the state alternative minimum tax imposed pursuant
7 4 to section 422.5, subsection 1, paragraph

— "k"

— "f".
7 5 Sec. 13. Section [422.13](#), subsection 1A, Code 2001,
7 6 as amended by 2001, Iowa Acts, [Senate File 140](#),
7 7 section 7, is amended to read as follows:
7 8 1A. Notwithstanding any other provision in this
7 9 section, a resident of this state is not required to
7 10 make and file a return if the person's net income is
7 11 equal to or less than the appropriate dollar amount
7 12 listed in section 422.5, subsection 2, upon which tax
7 13 is not imposed. A nonresident of this state is not
7 14 required to make and file a return if the person's
7 15 total net income in section 422.5, subsection 1,
7 16 paragraph

— "j"

— "e", is equal to or less than the
7 17 appropriate dollar amount provided in section 422.5,
7 18 subsection 2, upon which tax is not imposed. For
7 19 purposes of this subsection, the amount of a lump sum
7 20 distribution subject to separate federal tax shall be
7 21 included in net income for purposes of determining if
7 22 a resident is required to file a return and the
7 23 portion of the lump sum distribution that is allocable

7 24 to Iowa is included in total net income for purposes
7 25 of determining if a nonresident is required to make
7 26 and file a return.
7 27 Sec. 14. Section [422.21](#), unnumbered paragraph 5,
7 28 Code 2001, is amended to read as follows:
7 29 The director shall determine for the

~~1989~~

- 2002

7 30 calendar year and each subsequent calendar year the
7 31 annual and cumulative inflation factors for each
7 32 calendar year to be applied to tax years beginning on
7 33 or after January 1 of that calendar year. The
7 34 director shall compute the new dollar amounts as
7 35 specified to be adjusted in section 422.5 by the
7 36 latest cumulative inflation factor and round off the
7 37 result to the nearest one dollar. The annual and
7 38 cumulative inflation factors determined by the
7 39 director are not rules as defined in section 17A.2,
7 40 subsection 11. The director shall determine for the
7 41 1990 calendar year and each subsequent calendar year
7 42 the annual and cumulative standard deduction factors
7 43 to be applied to tax years beginning on or after
7 44 January 1 of that calendar year. The director shall
7 45 compute the new dollar amounts of the standard
7 46 deductions specified in section 422.9, subsection 1,
7 47 by the latest cumulative standard deduction factor and
7 48 round off the result to the nearest ten dollars. The
7 49 annual and cumulative standard deduction factors
7 50 determined by the director are not rules as defined in
8 1 section 17A.2, subsection 11.

8 2 Sec. 15. EFFECTIVE AND APPLICABILITY DATES.

8 3 This Act, being deemed of immediate importance,
8 4 takes effect upon enactment and applies retroactively
8 5 to January 1, 2001, for tax years beginning on or
8 6 after that date."

8 7 #2. Title page, by striking lines 1 through 3 and
8 8 inserting the following: "An Act relating to the
8 9 individual income tax by eliminating the deduction for
8 10 federal income taxes paid, decreasing the tax rates,
8 11 increasing the amount of the net income exclusion for
8 12 single individuals, and including effective and
8 13 retroactive applicability date provisions."

8 14

8 15

8 16 _____

8 17 PATRICIA [HARPER](#)

8 18

8 19

8 20 _____

8 21 JOHNIE [HAMMOND](#)

8 22

8 23

8 24 _____

8 25 MATT [McCOY](#)

8 26

8 27

8 28 _____

8 29 BETTY A. [SOUKUP](#)

8 30

8 31

8 32 _____

8 33 TOM [FLYNN](#)

8 34

8 35 _____

8 36 PATRICK J. [DELUHERY](#)

8 37

8 38
8 39 _____
8 40 MIKE [CONNOLLY](#)
8 41
8 42 _____
8 43 JOE [BOLKCOM](#)
8 44
8 45
8 46 _____
8 47 ROBERT E. [DVORSKY](#)
8 48
8 49
8 50 _____
9 1 MICHAEL E. [GRONSTAL](#)
9 2 [HF 757.7](#)02 79
9 3 mg/cls