

F I N A L R E P O R T
INCOME TAX JOINT SUBCOMMITTEE
OF THE
SENATE AND HOUSE STANDING COMMITTEES ON WAYS AND MEANS

December, 1978

Senate Concurrent Resolution 135 and House Concurrent Resolutions 128 and 141 passed by the General Assembly in 1978 called for the Legislative Council to establish a Joint Subcommittee of the Standing Committees on Ways and Means for consideration of the state individual income and inheritance taxes as impacted by the Tax Reform Act of 1978 and as to inequities existing in the state laws. The Legislative Council appointed the members of the Joint Subcommittee and authorized five meeting days.

The members of the Subcommittee are the following:

Senator Norman G. Rodgers, Co-chairperson
Representative Robert Anderson, Co-chairperson
Senator Calvin O. Hultman
Senator William D. Palmer
Senator David Readinger
Senator Bass Van Gilst
Representative Walter Conlon
Representative Sonja Egenes
Representative Thomas J. Jochum
Representative James Wells

At the first two meetings, the Subcommittee received information from the Department of Revenue involving its income tax model, a comparison of state tax revenues and changes, various characteristics and rates of the income tax, the marriage tax, alternate means of providing aid to elderly property owners and renters, income tax indexing and the federal tax deduction and adjusted gross income. Information was also received from individual tax preparers who suggested ways to simplify the state return and remedy certain inequities.

The handouts received by the Subcommittee from the Department of Revenue which are on file with the Legislative Service Bureau are entitled as follows:

1. Comments Regarding Department of Revenue Iowa Income Tax Model.
2. Comparison of State and Local Tax Collections 1969-1978.
3. Summary of Recent Changes in Iowa Sales, Income and Property Tax Laws 1969-1978.
4. Comparison of Selected State Income Tax Characteristics and Tax Rates.

5. Comparison of Income Tax Liabilities by State.
6. Analysis of Tax Paid by Taxpayers with Adjusted Gross Income in Excess of \$50,000.
7. Comments on Effects of Marriage Tax.
8. Comments on Alternative Means of Providing Aid to Elderly Property Owners and Renters.
9. Effects of Elimination of Federal Tax Deduction Individual and Corporation Income Taxes.
10. Indexation: An Alternative for Offsetting Inflation's Effects on Individual Income Taxes.

The third and final meeting was devoted to the discussion and vote on the recommendations to be made.

The Joint Subcommittee recommends the following proposals be passed or studied by the Standing Committees on Ways and Means of the Sixty-eighth General Assembly:

1. Pass a proposal that provides that bills which change the individual income tax be required to have attached a fiscal statement as to the cost to the taxpayer and preparer of complying with the changes.
2. Pass a proposal that provides that the state individual income tax deduction for federal income taxes be on an accrual basis rather than on a cash basis.
3. Study the whole area of deductability of federal income taxes.
4. Study the area of allowing income splitting for joint filers for state income taxes with emphasis placed on joint filers with income arising from a sole proprietorship. The Department of Revenue was requested to research the various methods of accomplishing income splitting and to submit this research to the Ways and Means Committees.
5. Study the various methods of simplifying the state individual income tax with these methods being independent of maintaining the present incidence of the individual income tax. The Department of Revenue was requested to research and submit proposals to the Ways and Means Committees.
6. Study the area of adjusting the standard deduction, adjusted gross income, the tax brackets and tax credits for the individual income tax based upon the Consumer Price Index, the Gross National Product Deflator or similar type index or base the adjustment on whether the estimated individual income tax revenues exceed the previous years revenue by the ratio of the increase in

the Consumer Price Index, Gross National Product Deflator or similar type index.

7. Study a proposal to repeal the state inheritance tax and make up the lost revenues by going to a percent of the federal estate tax in addition to the present state estate tax. The proposal would also contain a provision to adjust the percent of the federal estate tax approach so that the revenue would be equal to the death taxes received by the state in 1978 in terms of 1978 dollars. The Department of Revenue was requested to determine the effects and feasibility of this type of proposal and submit the results to the Ways and Means Committees.