

April 25, 1961.
Placed on Calendar.

House File 704
By TAX REVISION COMMITTEE.

Passed House, Date.....4-26-61..... Passed Senate, Date.....4-27-61.....
Vote: Ayes.....49..... Nays.....1..... Vote: Ayes.....49..... Nays.....1.....
Approved.....5-1-61.....

A BILL FOR

An Act relating to the allocation of taxable income to Iowa
and doing away with reciprocity and establishing a tax credit
for income taxes paid to another state.

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

- 1 Section 1. Section four hundred twenty-two point eight
- 2 (422.8), Code 1958, is hereby repealed and the following inserted
- 3 in lieu thereof:
- 4 "Under rules and regulations prescribed by the state tax
- 5 commission, net income of individuals, estates and trusts shall
- 6 be allocated as follows:
- 7 1. The amount of income tax paid to another state or
- 8 foreign country by a resident taxpayer of this state on income
- 9 derived from sources in another state or foreign country shall
- 10 be allowed as a credit against the tax computed under the provi-
- 11 sions of this chapter, except that the credit shall not exceed
- 12 what the amount of the Iowa tax would have been on the same
- 13 income which was taxed by the other state or foreign country.
- 14 The limitation on this credit shall be computed according to the
- 15 following formula: Income earned in another state or country
- 16 and taxed by such other state or country shall be divided by
- 17 the total income of the taxpayer resident in Iowa. Said quotient
- 18 multiplied times the net Iowa tax as determined on the total
- 19 income of the taxpayer as if entirely earned in Iowa shall be
- 20 the maximum tax credit against the Iowa net tax.

21 2. In the case of nonresident taxpayers, if any net income
22 is received from a business, trade, profession, or occupation
23 carried on partly within and partly without the state of Iowa,
24 only such portion of said net income as is fairly and equitably
25 attributable to that part of the business, trade, profession, or
26 occupation carried on within the state of Iowa shall be
27 allocated to Iowa; income from any property, trust, estate
28 or other source within Iowa shall be allocated to Iowa, except
29 that annuities, interest on bank deposits and interest-bearing
30 obligations, and dividends shall be allocated to Iowa only to the
31 extent to which the same are derived from a business, trade,
32 profession, or occupation carried on within the state of Iowa.
33 3. Taxable income of resident and nonresident estates and
34 trusts shall be allocated in the same manner as individuals.”

1 Sec. 2. Section four hundred twenty-two point eighteen
2 (422.18), Code 1958, is hereby repealed.

EXPLANATION OF HOUSE FILE 704

This bill replaces the present reciprocity income tax provision in the Code and substitutes provisions which have been adopted or agreed upon in states surrounding Iowa which have state income tax laws.