

SENATE FILE 1169

By COMMITTEE ON WAYS AND MEANS

FILED FEB 27 1972

See Ways & Means 2-22-72

Passed Senate, Date 2-21-72

Passed House, Date 3-22-72

Vote: Ayes 46 Nays 0

Vote: Ayes 88 Nays 0

Approved _____

A BILL FOR

1 An Act relating to references to the Internal Revenue Code
2 in the computation of individual and corporate income
3 tax and franchise tax.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section four hundred twenty-two point four
2 (422.4), subsection seventeen (17), Code 1971, is amended
3 to read as follows:

4 17. "Internal Revenue Code of 1954" means the Internal
5 Revenue Code of 1954, as amended to and including January
6 1, ~~1970~~ 1972.

7 Sec. 2. Section four hundred twenty-two point thirty-two
8 (422.32), subsection four (4), Code 1971, is amended to read
9 as follows:

10 4. "Internal Revenue Code of 1954" means the Internal
11 Revenue Code of 1954, as amended to and including January
12 1, ~~1970~~ 1972.

13 Sec. 3. Section four hundred twenty-two point sixty-one
14 (422.61), subsection four (4), Code 1971, is amended to read
15 as follows:

16 4. "Net income" means the net income of the financial
17 institution computed in accordance with section 422.35, with
18 the exception that interest and dividends from federal securi-
19 ties shall not be subtracted and interest and dividends from
20 evidences of indebtedness and securities of this state and
21 its political subdivisions, exempt from federal income tax
22 under the Internal Revenue Code of ~~1945~~ 1954 as amended to
23 and including January 1, 1972, shall not be added.

24 EXPLANATION

25 This bill changes the references to Internal Revenue Code
26 in the tax chapter, to include amendments to January 1, 1972,
27 so as to incorporate the 1971 Revenue Act.

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House

1 Amend Senate File 1169, as passed by the Senate,
 2 page 2, by inserting after line 6 the following new
 3 section:
 4 Sec. 2. Section four hundred twenty-two point
 5 nine (422.9), subsection two (2), paragraph b, Code
 6 1971, is amended as follows:
 7 b. Add the amount of federal income taxes paid or
 8 accrued as the case may be, during the tax year,
 9 adjusted by any federal income tax refunds. Provided,
 10 however, that where married persons, who have filed a
 11 joint federal income tax return, file separately, such
 12 total shall be divided between them according to the
 13 portion thereof paid or accrued, as the case may be,
 14 by each; and provided further that ~~where a taxpayer~~
 15 ~~has used an optional standard deduction on his federal~~
 16 ~~return, he shall use the optional standard deduction~~
 17 ~~provided for above.~~ a taxpayer shall use an optional
 18 standard deduction as provided for above if the
 19 taxpayer files on a standard deduction basis for
 20 federal tax purposes; or if the taxpayer's federal
 21 itemized deductions are less than his allowable limit
 22 provided for by the federal standard deduction.
 23 The provisions of this section shall be effective
 24 for tax periods ending on or after December 31, 1972.

Filed - w. d. 3-17 (1265)
 March 6, 1972

By CURTIS of Cherokee
 DEN HERDER of Sioux
 ROORDA of Jasper

EXPLANATION OF AMENDMENT

When a taxpayer has filed an itemized list for his standard deduction on his federal return, the Internal Revenue Service is changing the taxpayer's election when the itemized deductions are less than the taxpayer's allowable standard deduction. This enables the taxpayer to determine the correct method to file for deduction purposes on his state return at the time of filing, without relying on what method the federal may elect for him.

1 Amend Senate File 1169, as passed by the Senate
 2 as follows:
 3 1. Page 2, by striking all of lines 22 and 23
 4 and inserting in lieu thereof the following:
 5 "under the Internal Revenue Code of ~~1945~~ 1954
 6 as amended to and including January 1, 1972, shall
 7 not be added. On the franchise tax return, the
 8 deduction of Iowa franchise tax paid in or
 9 accrued for the tax year, shall not be allowed."
 10 2. By adding thereto the following new section:
 11 "Sec. 4. The provisions of section three (3) of
 12 this Act shall be effective for tax periods
 13 beginning on or after January 1, 1972."

Filed - w. d. 3-22-72 (1330)
 March 10, 1972

By UBAN of Black Hawk

1 Amend Senate File 1169, as passed by the Senate,
2 page 2, by inserting after line 6 the following new
3 section:

4 Sec. 2. Section four hundred twenty-two point nine
5 (422.9), Code 1971, is amended by adding the following
6 new subsection:

7 The deductions otherwise allowable under this
8 section are subject to one of the following limitations,
9 at the taxpayer's option:

10 a. A maximum amount equal to twenty-five percent
11 of the taxpayer's net income for all deductions
12 otherwise allowable other than the medical expense
13 deduction and nonreimbursable casualty loss, plus the
14 total medical expense deduction and non-reimbursable
15 casualty losses otherwise allowable.

16 b. A maximum amount equal to fifty percent of the
17 taxpayer's net income for all deductions otherwise
18 allowable.

Filed - *w. D.* 3-17-72 (1265)
March 16, 1972

By SMALL of Johnson
GLUBA of Scott