

FEB 17 1976

HOUSE FILE 1321

WAYS & MEANS CALENDAR  
House File 1321 *Pass 5/4*  
Ways and Means  
Rodgers, Chairperson  
Curtis  
Gluba

By COMMITTEE ON WAYS AND MEANS

Passed House, Date 3-26-76 (1452) Passed Senate, Date 5-10-76 (1817)  
Vote: Ayes 84 Nays 0 Vote: Ayes 44 Nays 0  
Approved 5-20-76

## A BILL FOR

- 1 An Act relating to accumulated distributions of trusts under
- 2 the individual income tax and making the Act retroactive.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

### HOUSE FILE 1321 FISCAL NOTE

Date prepared: May 10, 1976  
Requested by: Senator Rodgers  
Prepared in regard to: House File 1321, An Act relating to accumulated distributions of trusts under the individual income tax and making the Act retroactive.

Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16.

This bill would provide that an individual who receives an accumulation distribution of a trust could claim a credit or refund for income taxes paid by the trust on that income. Currently under Section 423.73 of the Code of Iowa, such a credit or refund can only be allowed for taxes paid within five years. This bill would eliminate this time restriction in order to conform Iowa's tax treatment with that of the federal government.

In the absence of data as to the level of income, tax liability and amount of credits currently claimed by recipients of accumulated distributions, it is not possible to complete an estimate of the revenue effects of this proposal. The usage of such credits in recent years has been limited with approximately only five to ten credits claimed in fiscal 1975. On this amount, about \$300,000 to \$500,000 is estimated to have been collected from trusts. It is not possible to estimate to what extent this tax would be eligible to be claimed as a credit by the beneficiaries of the trusts. It is felt, however, that the actual amount of credit claimed could be significantly less than the total tax collected from trusts. Furthermore, as mentioned previously, currently a credit may be claimed for only those taxes paid within the preceding five years. The effect of this proposal would, therefore, be equal to the amount of credits allowed for taxes paid prior to five years.

Source: Department of Revenue  
FILED  
MAY 10, 1976

BY GERRY D. RANKIN  
LEGISLATIVE FISCAL DIRECTOR

1 Section 1. Section four hundred twenty-two point six  
2 (422.6), Code 1975, is amended by adding the following new  
3 unnumbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. The beneficiary of a trust who  
5 receives an accumulation distribution shall be allowed credit  
6 without interest for the Iowa income taxes paid by the trust  
7 attributable to such accumulation distribution in a manner  
8 corresponding to the provisions for credit under the federal  
9 income tax relating to accumulation distributions as contained  
10 in the Internal Revenue Code of 1954. The trust shall not  
11 be entitled to a refund of taxes paid on the distributions.  
12 The trust shall maintain detailed records to verify the  
13 computation of the tax.

14 Sec. 2. The provisions of this Act shall be retroactive  
15 to January 1, 1976 for tax years beginning on or after January  
16 1, 1976 and to this extent the provisions of this Act are  
17 retroactive.

18 EXPLANATION

19 This bill conforms the tax treatment of accumulation  
20 distributions of trusts in this state with the treatment  
21 provided in the Internal Revenue Code. Under current Iowa  
22 law, undistributed trust income is taxed to the trust. When  
23 the income is distributed to the beneficiaries, the accu-  
24 mulated income is subject to individual income tax. Con-  
25 forming to the federal provisions will eliminate double  
26 taxation by allowing the individual a computed credit for  
27 the amount of Iowa tax paid by the trust.

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HOUSE FILE 1321

1, 1976 and to this extent the provisions of this Act are retroactive.

AN ACT

RELATING TO ACCUMULATED DISTRIBUTIONS OF TRUSTS UNDER THE INDIVIDUAL INCOME TAX AND MAKING THE ACT RETROACTIVE.

\_\_\_\_\_  
DALE M. COCHRAN  
Speaker of the House

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

\_\_\_\_\_  
ARTHUR A. NEU  
President of the Senate

Section 1. Section four hundred twenty-two point six (422.6), Code 1975, is amended by adding the following new unnumbered paragraph:

I hereby certify that this bill originated in the House and is known as House File 1321, Sixty-sixth General Assembly.

NEW UNNUMBERED PARAGRAPH. The beneficiary of a trust who receives an accumulation distribution shall be allowed credit without interest for the Iowa income taxes paid by the trust attributable to such accumulation distribution in a manner corresponding to the provisions for credit under the federal income tax relating to accumulation distributions as contained in the Internal Revenue Code of 1954. The trust shall not be entitled to a refund of taxes paid on the distributions. The trust shall maintain detailed records to verify the computation of the tax.

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DAVID L. WRAY  
Chief Clerk of the House

Approved 5/20, 1976

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ROBERT D. RAY  
Governor

Sec. 2. The provisions of this Act shall be retroactive to January 1, 1976 for tax years beginning on or after January