

JAN 21 1975

WAYS & MEANS CALENDAR

HOUSE FILE 56

By COMMITTEE ON WAYS AND MEANS  
(Committee on Ways and Means)

*Sub. p. 8722*

Passed House, Date 1-27-75 (124) Passed Senate, Date 1-30-75 (p. 212)  
Vote: Ayes 90 Nays 0 Vote: Ayes 46 Nays 0  
Approved 2-14-75

## A BILL FOR

1 An Act relating to references to the Internal Revenue Code in  
2 the computation of individual and corporate income tax and  
3 the 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 1975, 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, ~~1974~~ 1975.

7 Sec. 2. Section four hundred twenty-two point thirty-two  
8 (422.32), subsection four (4), Code 1975, 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, ~~1974~~ 1975.

13 Sec. 3. Section four hundred twenty-two point sixty-one  
14 (422.61), subsection four (4), Code 1975, 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  
19 securities shall not be subtracted and interest and dividends  
20 from evidences of indebtedness and securities of this state  
21 and its political subdivisions, exempt from federal income  
22 tax under the Internal Revenue Code of 1954 as amended to  
23 and including January 1, ~~1974~~ 1975, shall not be added.

24 Sec. 4. Sections one (1), two (2) and three (3) of this  
25 Act are effective for tax years beginning on or after January  
26 1, 1974.

27 Sec. 5. This Act, being deemed of immediate importance  
28 shall take effect and be in force from and after its publica-  
29 tion in the <sup>2-22-75</sup> Urbandale News, a newspaper published in Urbandale,  
30 Iowa, and in the <sup>2-17-75</sup> Globe-Gazette, a newspaper published in Mason  
31 City, Iowa.

32 EXPLANATION

33 This bill changes the references to the Internal Revenue  
34 Code in the tax laws to include amendments to January 1, 1975,  
35 so as to incorporate the 1974 changes in the Internal Revenue

1 Code, and makes the change effective for 1974 taxes paid in  
2 1975.

3 One of the more significant federal changes which occurred  
4 during 1974 was the increase in the allowable deduction for  
5 a self-employed individual on a qualified pension plan. If  
6 Iowa does not incorporate this change into its law, the old  
7 \$2,500 limitation will apply for state tax purposes, while  
8 the new \$7,500 limitation will apply for federal tax purposes.  
9 This difference in the allowable deduction may create  
10 administrative problems, since many taxpayers might assume  
11 that Iowa permits the same deduction as for federal purposes.  
12 In later years, when the taxpayer begins drawing on his pension  
13 and these amounts are taxed for federal purposes, Iowa will  
14 again be taxing a different base with respect to such pension  
15 payments. Many taxpayers might again assume that the taxable  
16 portion of their pension is the same for state as for federal  
17 purposes.

18 Failure to adopt these 1974 changes in the Internal Revenue  
19 Code could result in a high degree of taxpayer noncompliance  
20 beginning with their 1974 Iowa individual income tax return  
21 filed in 1975.

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*Limitation of Deduction (1974)*

LSB 453  
jb/rh/31

FISCAL NOTE  
HOUSE FILE 56

Date prepared January 20, 1975  
Requested by Representative Norland.  
Prepared in regard to H.F. 56 - An Act relating to updating state income tax law. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16.

House File 56 will change the references to the internal revenue code in the tax laws to include amendments to January 1, 1975 so as to incorporate the 1974 changes in the internal revenue code, and makes the change effective for 1974 taxes paid in 1975.

It is not possible to make any estimate with available information at this time.

Source: Department of Revenue

Filed  
January 27, 1975

GERRY D. RANKIN  
Legislative Fiscal Director

HOUSE FILE 56

AN ACT

RELATING TO REFERENCES TO THE INTERNAL REVENUE CODE IN THE  
COMPUTATION OF INDIVIDUAL AND CORPORATE INCOME TAX AND  
THE FRANCHISE TAX.

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

Section 1. Section four hundred twenty-two point four  
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institution computed in accordance with section 422.35, with  
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securities shall not be subtracted and interest and dividends  
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and including January 1, ~~1974~~ 1975, shall not be added.

Sec. 4. Sections one (1), two (2) and three (3) of this  
Act are effective for tax years beginning on or after January  
1, 1974.

Sec. 5. This Act, being deemed of immediate importance,  
shall take effect and be in force from and after its publica-  
tion in the Urbandale News, a newspaper published in Urbandale,  
Iowa, and in the Globe-Gazette, a newspaper published in Mason  
City, Iowa.

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DALE M. COCHRAN  
Speaker of the House

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ARTHUR A. NEU  
President of the Senate

I hereby certify that this bill originated in the House and  
is known as House File 56, Sixty-sixth General Assembly.

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DAVID L. WRAY  
Chief Clerk of the House

Approved 2/14, 1975

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ROBERT D. RAY  
Governor