

House File 764  
Ways and Means  
Rodgers, Chairman  
Curtis  
Gluba  
Nolting  
Schwengels  
WAYS

ALENDAR

*Reprinted*  
HOUSE FILE 764

By COMMITTEE ON WAYS AND MEANS

Passed House, Date 5-7-75 (1629) Passed Senate, Date \_\_\_\_\_

Vote: Ayes 61 Nays 37 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

*Motion to reconsider filed and lost 5-7 (1630)*

## A BILL FOR

1 An Act relating to the Iowa income tax by providing a  
2 simplified reporting form for Iowa individual income  
3 taxpayers, making changes in Iowa individual income  
4 tax rates, exemptions, and administrative requirements,  
5 providing for reporting of additional corporate income  
6 tax information, adopting penalties, making necessary  
7 corrective amendments and making the Act retroactive.

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

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*Conference Committee on Reprint*

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1 Section 1. Chapter four hundred twenty-two (422), Code  
2 1975, is amended by striking sections four hundred twenty-  
3 two point four (422.4) through four hundred twenty-two point  
4 fourteen (422.14), inclusive, and inserting in lieu thereof  
5 sections two (2) through ten (10), inclusive, of this Act.

6 Sec. 2. NEW SECTION. DEFINITIONS. As used in this  
7 division, unless the context otherwise requires:

8 1. "Taxpayer" means any person subject to a tax imposed  
9 by this division.

10 2. "Person" means an individual, trust, estate, fiduciary,  
11 corporation, partnership, or other entity.

12 3. "Individual" means a natural person.

13 4. "Fiduciary" means a guardian, trustee, executor, ad-  
14 ministrator, receiver, or conservator.

15 5. "Corporation" means a corporation, joint stock company,  
16 or association.

17 6. "Taxable income" means "taxable income" as defined  
18 in section sixty-three (63) of the Internal Revenue Code,  
19 and computed in accordance with all applicable provisions  
20 of subtitle A of, chapter one (1) of the Internal Revenue  
21 Code.

22 7. "Adjusted gross income" means "adjusted gross income"  
23 as defined in section sixty-two (62) of the Internal Revenue  
24 Code.

25 8. "Resident" means an individual who is domiciled in  
26 the state or who maintains a permanent place of abode within  
27 the state.

28 9. "Resident estate or trust" means:

29 a. The estate of a decedent who at his death was domiciled  
30 in this state.

31 b. A trust created by will of a decedent who at his death  
32 was domiciled in this state, or

33 c. A trust created by, or consisting of property of, a  
34 person domiciled in this state.

35 10. "Internal Revenue Code" means the United States In-

1 ternal Revenue Code of 1954, Title twenty-six (26), United  
2 States Code, and the applicable regulations of the Internal  
3 Revenue Service, as amended to and including June 30, 1975.

4 11. "Employer" means a person who has a right to exercise  
5 control as to how, when, and where services are to be per-  
6 formed.

7 12. "Withholding agent" means a person, or any govern-  
8 mental unit, responsible for the payment of wages to a resi-  
9 dent, or for the payment of any income allocable to Iowa to  
10 a nonresident.

11 13. "Wages" means the same as defined in section three  
12 thousand four hundred one, subsection a (3401a) of the In-  
13 ternal Revenue Code.

14 14. "Other person", when used in relation to withholding  
15 tax, means any person properly empowered to act on behalf  
16 of an individual payee.

17 15. "Paid" means "paid or accrued" or "paid or incurred"  
18 and shall be construed according to the method of accounting  
19 which is used for the computation of income.

20 16. "Received" means "received" or "accrued", according  
21 to the method of accounting which is used for the computation  
22 of income.

23 17. Any term not otherwise defined has the same meaning  
24 as when used in a comparable context in the Internal Revenue  
25 Code.

26 Sec. 3. NEW SECTION. IMPOSITION-RATES.

27 1. Subject to section four (4) of this Act, an Iowa in-  
28 come tax determined in accordance with the following table  
29 is imposed on the taxable income of every married individual  
30 who makes a single return jointly with his spouse and every  
31 surviving spouse:

32 If the taxable income in a taxable	
33 year is:	The tax is:
34 Not over \$1,000.....	2.8% of the taxable income.
35 Over \$1,000 but not over \$2,000.....	\$28, plus 3% of excess

1		over \$1,000.
2	Over \$2,000 but not over \$3,000.....	\$58, plus 3.2% of excess
3		over \$2,000.
4	Over \$3,000 but not over \$4,000.....	\$90, plus 3.4% of excess
5		over \$3,000.
6	Over \$4,000 but not over \$8,000.....	\$124, plus 3.8% of excess
7		over \$4,000.
8	Over \$8,000 but not over \$12,000.....	\$276, plus 4.4% of excess
9		over \$8,000.
10	Over \$12,000 but not over \$16,000....	\$452, plus 5% of excess
11		over \$12,000.
12	Over \$16,000 but not over \$20,000....	\$652, plus 5.6% of excess
13		over \$16,000.
14	Over \$20,000 but not over \$24,000....	\$876, plus 6.4% of excess
15		over \$20,000.
16	Over \$24,000 but not over \$28,000....	\$1,132, plus 7.2% of excess
17		over \$24,000.
18	Over \$28,000 but not over \$32,000....	\$1,420, plus 7.8% of excess
19		over \$28,000.
20	Over \$32,000 but not over \$36,000....	\$1,732, plus 8.4% of excess
21		over \$32,000.
22	Over \$36,000 but not over \$40,000....	\$2,068, plus 9% of excess
23		over \$36,000.
24	Over \$40,000 but not over \$44,000....	\$2,428, plus 9.6% of excess
25		over \$40,000.
26	Over \$44,000 but not over \$52,000....	\$2,812, plus 10% of excess
27		over \$44,000.
28	Over \$52,000 but not over \$64,000....	\$3,612, plus 10.6% of excess
29		over \$52,000.
30	Over \$64,000 but not over \$76,000....	\$4,884, plus 11% of excess
31		over \$64,000.
32	Over \$76,000 but not over \$88,000....	\$6,204, plus 11.6% of excess
33		over \$76,000.
34	Over \$88,000 but not over \$100,000...	\$7,596, plus 12% of excess
35		over \$88,000.

1	Over \$100,000 but not over \$120,000..	\$9,036, plus 12.4% of excess
2		over \$100,000.
3	Over \$120,000 but not over \$140,000..	\$11,516, plus 12.8% of excess
4		over \$120,000.
5	Over \$140,000 but not over \$160,000..	\$14,076, plus 13.2% of excess
6		over \$140,000.
7	Over \$160,000 but not over \$180,000..	\$16,716, plus 13.6% of excess
8		over \$160,000.
9	Over \$180,000 but not over \$200,000..	\$19,436, plus 13.8% of excess
10		over \$180,000.
11	Over \$200,000.....	\$22,196, plus 14% of excess
12		over \$200,000.

13 2. Subject to section four (4) of this Act, an Iowa in-  
 14 come tax determined in accordance with the following table  
 15 is imposed on the taxable income of every individual who is  
 16 the head of a household:

17	If the taxable income in a taxable	
18	year is:	The tax is:
19	Not over \$1,000.....	2.8% of the taxable income.
20	Over \$1,000 but not over \$2,000.....	\$28, plus 3.2% of excess
21		over \$1,000.
22	Over \$2,000 but not over \$4,000.....	\$60, plus 3.6% of excess
23		over \$2,000.
24	Over \$4,000 but not over \$6,000.....	\$132, plus 3.8% of excess
25		over \$4,000.
26	Over \$6,000 but not over \$8,000.....	\$208, plus 4.4% of excess
27		over \$6,000.
28	Over \$8,000 but not over \$10,000.....	\$296, plus 4.6% of excess
29		over \$8,000.
30	Over \$10,000 but not over \$12,000....	\$388, plus 5% of excess
31		over \$10,000.
32	Over \$12,000 but not over \$14,000....	\$488, plus 5.4% of excess
33		over \$12,000.
34	Over \$14,000 but not over \$16,000....	\$596, plus 5.6% of excess
35		over \$14,000.

1 Over \$16,000 but not over \$18,000....\$708, plus 6.2% of excess  
2 over \$16,000.  
3 Over \$18,000 but not over \$20,000....\$832, plus 6.4% of excess  
4 over \$18,000.  
5 Over \$20,000 but not over \$22,000....\$960, plus 7% of excess  
6 over \$20,000.  
7 Over \$22,000 but not over \$24,000....\$1,100, plus 7.2% of excess  
8 over \$22,000.  
9 Over \$24,000 but not over \$26,000....\$1,244, plus 7.6% of excess  
10 over \$24,000.  
11 Over \$26,000 but not over \$28,000....\$1,396, plus 8.2% of excess  
12 over \$26,000.  
13 Over \$28,000 but not over \$32,000....\$1,560, plus 8.4% of excess  
14 over \$28,000.  
15 Over \$32,000 but not over \$36,000....\$1,896, plus 9% of excess  
16 over \$32,000.  
17 Over \$36,000 but not over \$38,000....\$2,256, plus 9.6% of excess  
18 over \$36,000.  
19 Over \$38,000 but not over \$40,000....\$2,448, plus 10.2% of excess  
20 over \$38,000.  
21 Over \$40,000 but not over \$44,000....\$2,652, plus 10.4% of excess  
22 over \$40,000.  
23 Over \$44,000 but not over \$50,000....\$3,068, plus 11% of excess  
24 over \$44,000.  
25 Over \$50,000 but not over \$52,000....\$3,728, plus 11.2% of excess  
26 over \$50,000.  
27 Over \$52,000 but not over \$64,000....\$3,952, plus 11.6% of excess  
28 over \$52,000.  
29 Over \$64,000 but not over \$70,000....\$5,344, plus 11.8% of excess  
30 over \$64,000.  
31 Over \$70,000 but not over \$76,000....\$6,052, plus 12.2% of ex-  
32 cess over \$70,000.  
33 Over \$76,000 but not over \$80,000....\$6,784, plus 12.4% of ex-  
34 cess over \$76,000.  
35 Over \$80,000 but not over \$88,000....\$7,280, plus 12.6% of ex-

1		cess over \$80,000.
2	Over \$88,000 but not over \$100,000...	\$8,288, plus 12.8% of excess over \$88,000.
3		
4	Over \$100,000 but not over \$120,000..	\$9,824, plus 13.2% of excess over \$100,000.
5		
6	Over \$120,000 but not over \$140,000..	\$12,464, plus 13.4% of excess over \$120,000.
7		
8	Over \$140,000 but not over \$160,000..	\$15,144, plus 13.6% of excess over \$140,000.
9		
10	Over \$160,000 but not over \$180,000..	\$17,864, plus 13.8% of excess over \$160,000.
11		
12	Over \$180,000.....	\$20,624, plus 14% of excess over \$180,000.
13		

14 3. Subject to section four (4) of this Act, an Iowa income  
 15 tax determined in accordance with the following table is im-  
 16 posed on the taxable income of every individual who is not  
 17 a married individual, a surviving spouse, or the head of a  
 18 household:

19	If the taxable income in a taxable	
20	year is:	The tax is:
21	Not over \$500.....	2.8% of the taxable income.
22	Over \$500 but not over \$1,000.....	\$14, plus 3% of excess over \$500.
23		
24	Over \$1,000 but not over \$1,500.....	\$29, plus 3.2% of excess over \$1,000.
25		
26	Over \$1,500 but not over \$2,000.....	\$45, plus 3.4% of excess over \$1,500.
27		
28	Over \$2,000 but not over \$4,000.....	\$62, plus 3.8% of excess over \$2,000.
29		
30	Over \$4,000 but not over \$6,000.....	\$138, plus 4.2% of excess over \$4,000.
31		
32	Over \$6,000 but not over \$8,000.....	\$222, plus 4.8% of excess over \$6,000.
33		
34	Over \$8,000 but not over \$10,000.....	\$318, plus 5% of excess over \$8,000.
35		

- 1 Over \$10,000 but not over \$12,000....\$418, plus 5.4% of excess  
2 over \$10,000.
- 3 Over \$12,000 but not over \$14,000....\$526, plus 5.8% of excess  
4 over \$12,000.
- 5 Over \$14,000 but not over \$16,000....\$642, plus 6.2% of excess  
6 over \$14,000.
- 7 Over \$16,000 but not over \$18,000....\$766, plus 6.8% of excess  
8 over \$16,000.
- 9 Over \$18,000 but not over \$20,000....\$902, plus 7.2% of excess  
10 over \$18,000.
- 11 Over \$20,000 but not over \$22,000....\$1,046, plus 7.6% of excess  
12 over \$20,000.
- 13 Over \$22,000 but not over \$26,000....\$1,198, plus 8% of excess  
14 over \$22,000.
- 15 Over \$26,000 but not over \$32,000....\$1,518, plus 9% of excess  
16 over \$26,000.
- 17 Over \$32,000 but not over \$38,000....\$2,058, plus 10% of excess  
18 over \$32,000.
- 19 Over \$38,000 but not over \$44,000....\$2,658, plus 11% of excess  
20 over \$38,000.
- 21 Over \$44,000 but not over \$50,000....\$3,318, plus 12% of excess  
22 over \$44,000.
- 23 Over \$50,000 but not over \$60,000....\$4,038, plus 12.4% of ex-  
24 cess over \$50,000.
- 25 Over \$60,000 but not over \$70,000....\$5,278, plus 12.8% of ex-  
26 cess over \$60,000.
- 27 Over \$70,000 but not over \$80,000....\$6,558, plus 13.2% of ex-  
28 cess over \$70,000.
- 29 Over \$80,000 but not over \$90,000....\$7,878, plus 13.6% of ex-  
30 cess over \$80,000.
- 31 Over \$90,000 but not over \$100,000...\$9,238, plus 13.8% of ex-  
32 cess over \$90,000.
- 33 Over \$100,000.....\$10,618, plus 14% of excess  
34 over \$100,000.

35 4. Subject to section four (4) of this Act, an Iowa in-

1 come tax determined in accordance with the following table  
 2 is imposed on the taxable income of every married individual  
 3 who does not make a single return jointly with his spouse,  
 4 and of every estate and trust:

5 If the taxable income in a taxable  
 6 year is:

The tax is:

7	Not over \$500.....	2.8% of the taxable income.
8	Over \$500 but not over \$1,000.....	\$14, plus 3% of excess
9		over \$500.
10	Over \$1,000 but not over \$1,500.....	\$29, plus 3.2% of excess
11		over \$1,000.
12	Over \$1,500 but not over \$2,000.....	\$45, plus 3.4% of excess
13		over \$1,500.
14	Over \$2,000 but not over \$4,000.....	\$62, plus 3.8% of excess
15		over \$2,000.
16	Over \$4,000 but not over \$6,000.....	\$138, plus 4.4% of excess
17		over \$4,000.
18	Over \$6,000 but not over \$8,000.....	\$226, plus 5% of excess
19		over \$6,000.
20	Over \$8,000 but not over \$10,000.....	\$326, plus 5.6% of excess
21		over \$8,000.
22	Over \$10,000 but not over \$12,000.....	\$438, plus 6.4% of excess
23		over \$10,000.
24	Over \$12,000 but not over \$14,000.....	\$566, plus 7.2% of excess
25		over \$12,000.
26	Over \$14,000 but not over \$16,000.....	\$710, plus 7.8% of excess
27		over \$14,000.
28	Over \$16,000 but not over \$18,000.....	\$866, plus 8.4% of excess
29		over \$16,000.
30	Over \$18,000 but not over \$20,000.....	\$1,034, plus 9% of excess
31		over \$18,000.
32	Over \$20,000 but not over \$22,000.....	\$1,214, plus 9.6% of ex-
33		cess over \$20,000.
34	Over \$22,000 but not over \$26,000.....	\$1,406, plus 10% of excess
35		over \$22,000.

- 1 Over \$26,000 but not over \$32,000....\$1,806, plus 10.6% of ex-  
2 cess over \$26,000.
- 3 Over \$32,000 but not over \$38,000....\$2,442, plus 11% of excess  
4 over \$32,000.
- 5 Over \$38,000 but not over \$44,000....\$3,102, plus 11.6% of ex-  
6 cess over \$38,000.
- 7 Over \$44,000 but not over \$50,000....\$3,798, plus 12% of excess  
8 over \$44,000.
- 9 Over \$50,000 but not over \$60,000....\$4,518, plus 12.4% of ex-  
10 cess over \$50,000.
- 11 Over \$60,000 but not over \$70,000....\$5,758, plus 12.8% of ex-  
12 cess over \$60,000.
- 13 Over \$70,000 but not over \$80,000....\$7,038, plus 13.2% of ex-  
14 cess over \$70,000.
- 15 Over \$80,000 but not over \$90,000....\$8,358, plus 13.6% of ex-  
16 cess over \$80,000.
- 17 Over \$90,000 but not over \$100,000...\$9,718, plus 13.8% of ex-  
18 cess over \$90,000.
- 19 Over \$100,000.....\$11,098, plus 14% of ex-  
20 cess over \$100,000.

21 5. If a taxpayer receives interest and dividend income  
22 from federal securities during the taxable year the taxpayer  
23 shall be entitled to a credit against the taxpayer's Iowa  
24 income tax liability for the taxable year of an amount  
25 determined by multiplying a percentage equal to the percentage  
26 that such interest and dividend income from federal securities  
27 is to the total adjusted gross income of the taxpayer for  
28 the taxable year times the state income tax liability.

29 6. In addition to the other taxes imposed by this section,  
30 if a tax is imposed on the taxpayer under section fifty-six  
31 (56) of the Internal Revenue Code for the taxable year, an  
32 Iowa income tax is imposed at the rate of twenty percent of  
33 the amount of the taxpayer's federal income tax liability  
34 under section fifty-six (56) of the Internal Revenue Code  
35 on the items of tax preference.

1 7. In addition to the other taxes imposed by this section,  
2 there is imposed a tax on interest and dividend income received  
3 on state and municipal bonds and foreign securities exempt  
4 from federal taxation during the taxable year in an amount  
5 determined by multiplying a percentage equal to the percentage  
6 that the income from municipal bonds and foreign securities  
7 bears to the total adjusted gross income of the taxpayer for  
8 the taxable year times the state income tax liability.

9 8. In addition to the other taxes imposed by this section,  
10 if a taxpayer elects to pay the alternative tax on capital  
11 gains income under section one thousand two hundred one (1201)  
12 of the Internal Revenue Code for the taxable year, an Iowa  
13 income tax is imposed at the rate of twenty percent of the  
14 taxpayer's federal income tax liability under section one  
15 thousand two hundred one (1201) of the Internal Revenue Code  
16 for the taxable year.

17 9. If a taxpayer is subject to the maximum tax imposed  
18 on earned income under section one thousand three hundred  
19 forty-eight (1348) of the Internal Revenue Code for the taxable  
20 year, the taxpayer may, in lieu of using the tables provided  
21 in this section, pay a tax at the rate of twenty percent of  
22 the taxpayer's federal income tax liability under section  
23 one thousand three hundred forty-eight (1348) of the Internal  
24 Revenue Code for the taxable year.

25 10. If a taxpayer qualifies for income averaging under  
26 sections one thousand three hundred one (1301) through one  
27 thousand three hundred four (1304) of the Internal Revenue  
28 Code and elects to use income averaging for the taxable year,  
29 the taxpayer may, in lieu of using the tables provided in  
30 this section, pay an Iowa income tax at a rate equal to twenty  
31 percent of the taxpayer's federal income tax liability for  
32 the taxable year.

33 11. If a taxpayer pays or incurs expenses in connection  
34 with the adoption of a child during the taxable year, the  
35 taxpayer shall receive a credit against the taxpayer's Iowa

1 income tax liability for the taxable year of an amount  
2 determined by multiplying a percentage equal to the percentage  
3 that such expenses are of the total adjusted gross income  
4 of the taxpayer during the taxable year times the state income  
5 tax liability. The expenses may include medical and hospital  
6 expenses of the natural mother which are incident to the  
7 child's birth and are paid by the taxpayer, welfare agency  
8 fees, legal fees, and all other fees and costs relating to  
9 the adoption of a child.

10 12. If a taxpayer claims a credit for political  
11 contributions against such taxpayer's federal income tax  
12 liability for the taxable year, the taxpayer shall be entitled  
13 to a credit for political contributions equal to twenty percent  
14 of the federal income credit for political contributions  
15 against the taxpayer's Iowa income tax liability for the  
16 taxable year.

17 13. If a taxpayer is eligible to receive benefits under  
18 the Iowa public employees retirement system, the state peace  
19 officers retirement system, the state retirement system for  
20 policemen and firemen, qualifying military retirement, or  
21 the federal civil service employees annuities, the taxpayer  
22 shall be entitled to a credit against the taxpayer's state  
23 income tax liability for the taxable year. The credit shall  
24 be determined by multiplying the allowable retirement income  
25 as determined in this subsection by a percentage equal to  
26 the percentage that such allowable retirement income is to  
27 the adjusted gross income of the taxpayer during the taxable  
28 year times the taxpayer's state income tax liability. For  
29 purposes of this subsection, all Iowa public employees  
30 retirement benefits shall be allowable retirement income.  
31 Benefits from other retirement programs shall be allowable  
32 retirement income only to a maximum equal to the maximum  
33 social security benefits the taxpayer would receive under  
34 the federal social security act if he had made maximum  
35 contributions to social security less the amount actually

1 received by the taxpayer during the taxable year.

2 Sec. 4. NEW SECTION. EXEMPTION--ALLOCATION.

3 1. No tax shall be imposed under this division on any  
4 individual taxpayer whose adjusted gross income is four thou-  
5 sand dollars or less, but if the payment of tax under this  
6 division would reduce the adjusted gross income to four  
7 thousand dollars or less, then the tax shall be reduced to  
8 that amount which would result in allowing the taxpayer to  
9 retain an adjusted gross income of four thousand dollars.  
10 This subsection does not apply to an estate or trust. For  
11 the purpose of this subsection, the entire adjusted gross  
12 income, including any part not allocated to Iowa, shall be  
13 taken into account. If the combined adjusted gross income  
14 of a husband and wife exceeds four thousand dollars, neither  
15 of them shall receive the benefit of this subsection, whether  
16 they file joint or separate returns. An unmarried child un-  
17 der twenty-one years of age who is a dependent of a parent  
18 or parents shall not receive the benefit of this subsection  
19 if the parent's adjusted gross income exceeds four thousand  
20 dollars or if the combined adjusted gross income of the parents  
21 exceeds four thousand dollars.

22 2. The Iowa income tax as determined under section three  
23 (3) of this Act is subject to an adjustment for income not  
24 allocable to Iowa, as follows:

25 a. In the case of a nonresident individual, estate, or  
26 trust, income derived from sources within this state is al-  
27 locable to Iowa. Income is derived from sources within this  
28 state if it is derived from the ownership, sale, or exchange  
29 or property located within this state, if it is received for  
30 services performed within this state, or if it is derived  
31 from any business or occupation carried on within this state.

32 b. In the case of an individual, estate, or trust which  
33 was a resident for part of the taxable year, income is allo-  
34 cable to Iowa if it is received during the period of Iowa  
35 residency, or if it is received during the period of non-

1 residency and is derived from sources within this state.

2 c. In the case of a resident individual, estate, or trust,  
3 income is allocable to Iowa unless it is not derived from  
4 sources within this state, and an income tax has been imposed  
5 on it and paid to another state or territory of the United  
6 States, or the District of Columbia.

7 d. The taxpayer shall determine the percentage that in-  
8 come allocable to Iowa is of adjusted gross income.

9 e. The Iowa income tax as computed under section three  
10 (3) of this Act multiplied by the percentage determined in  
11 paragraph d of this subsection is the net payable Iowa income  
12 tax.

13 Sec. 5. NEW SECTION. RETURNS. Every individual who  
14 receives income allocable to Iowa during a taxable year, and  
15 who is required to file a federal income tax return for that  
16 taxable year, shall complete, sign, and file an Iowa individual  
17 income tax return.

18 If an individual is unable to make his own return, the  
19 return shall be made by an agent, guardian, or other person  
20 charged with the care of the person or property of the in-  
21 dividual.

22 Sec. 6. NEW SECTION. FIDUCIARY RETURNS. Every fiduciary  
23 shall complete, sign, and file an Iowa fiduciary income tax  
24 return for any individual, estate, or trust for which he acts,  
25 if the individual, estate, or trust receives income allocable  
26 to Iowa during a taxable year and is required to file a federal  
27 fiduciary tax return for that taxable year.

28 Sec. 7. NEW SECTION. FEDERAL RETURNS. The director may  
29 require any individual or fiduciary required to file an Iowa  
30 individual or fiduciary income tax return for any taxable  
31 year, to also furnish a true copy of any federal income tax  
32 return filed for that taxable year. Every individual and  
33 fiduciary shall notify the director in writing of any  
34 modification of his taxable income upon which a computation  
35 of Iowa income tax has been based. A statement of the facts

1 shall accompany this notice, which shall be filed within  
2 thirty days after the modification, at which time the taxpayer  
3 shall pay any additional Iowa income tax resulting from a  
4 change in taxable income, or shall be entitled to a refund  
5 of any excess Iowa income tax paid.

6 Sec. 8. NEW SECTION. HUSBAND AND WIFE. If the federal  
7 income tax liability of husband or wife is determined on  
8 separate federal returns, their Iowa tax liabilities imposed  
9 by this division shall be separately determined.

10 If the federal income tax liability of husband and wife  
11 is determined on a joint federal return, their Iowa tax lia-  
12 bility imposed by this division shall be determined on the  
13 basis of their joint federal taxable income.

14 Sec. 9. NEW SECTION. SIMPLIFIED RETURNS. The director  
15 shall provide a simplified return for reporting the Iowa  
16 income tax imposed on individuals by this division. In  
17 addition to the simplified individual income tax return, the  
18 director shall prescribe and supply forms for all necessary  
19 state income tax returns. State forms shall conform to fed-  
20 eral income tax return forms, so far as practicable. Failure  
21 to receive or obtain a form does not relieve any taxpayer  
22 from the obligation to make a return and pay the tax imposed  
23 by this chapter. The individual income tax return form shall  
24 provide space for indicating the county and the school dis-  
25 trict of the taxpayer's residence, and his adjusted gross  
26 income and income allocable to Iowa. A return which does  
27 not include this information is an incomplete return.

28 A taxpayer may show amounts on his Iowa income tax return  
29 in whole dollar amounts in the same manner as permitted un-  
30 der section six thousand one hundred two (6102) of the In-  
31 ternal Revenue Code, and the regulations issued under that  
32 section.

33 Sec. 10. NEW SECTION. PAYMENT--INTEREST PENALTY. Net  
34 payable Iowa income tax due shall be paid in full at the time  
35 of filing the return. Iowa income tax returns and the net

1 payable Iowa income tax shall be due and payable on or before  
2 the last day of the fourth month after the expiration of the  
3 taxable year. The Iowa income tax shall become delinquent  
4 after the last day of the fourth month after the expiration  
5 of the taxable year. In case of sickness, absence, or other  
6 disability, or whenever good cause exists, the director may  
7 allow further time for filing returns.

8 Sec. 11. Section fifty-six point two (56.2), subsection  
9 eleven (11), Code 1975, is amended to read as follows:

10 11. "State income tax liability" means the state indi-  
11 vidual income tax imposed under ~~section-422-5-reduced-by-the~~  
12 ~~sum-of-the-deductions-from-the-computed-tax-as-provided-under~~  
13 ~~section-422-42~~ chapter four hundred twenty-two (422) of the  
14 Code.

15 Sec. 12. Section one hundred thirty-five D point twenty-  
16 eight (135D.28), unnumbered paragraph one (1), Code 1975,  
17 is amended to read as follows:

18 If the owner of a mobile home is sixty-five years of age  
19 or older and ~~his-net-income-as-defined-in-section-422-7~~ the  
20 owner's adjusted gross income as determined for federal income  
21 tax purposes, plus interest and dividends from ~~federal~~  
22 ~~securities~~ state and municipal bonds and income from social  
23 security and other tax-exempt retirement or pension plans,  
24 when included with that of ~~this~~ the owner's spouse is less  
25 than thirty-five hundred dollars per year, the owner may apply  
26 for the lower tax rate.

27 Sec. 13. Section four hundred twenty-two point sixteen  
28 (422.16), subsections eight (8) and nine (9), and subsection  
29 eleven (11), paragraphs a and e, Code 1975, are amended to  
30 read as follows:

31 8. An employer or withholding agent shall be liable for  
32 the payment of the tax required to be deducted and withheld  
33 or the amount actually deducted, whichever is greater, under  
34 subsections 1 and 12 of this section; and any amount deducted  
35 and withheld as tax under subsections 1 and 12 of this section

1 during any calendar year upon the wages of any employee, non-  
2 resident, or other person shall be allowed as a credit to  
3 the employee, nonresident, or other person against the tax  
4 imposed by ~~section-422-5~~ this division, irrespective of whether  
5 or not such tax has been, or will be, paid over by the employer  
6 or withholding agent to the department as provided by this  
7 chapter.

8 9. The amount of any overpayment of the individual in-  
9 come tax liability of the employee taxpayer, nonresident,  
10 or other person which may result from the withholding and  
11 payment of withheld tax by the employer or withholding agent  
12 to the department under subsections 1 and 12 hereof, as com-  
13 pared to the individual income tax liability of the employee  
14 taxpayer, nonresident, or other person properly and correctly  
15 determined under the provisions of ~~section-422-47-to-and-in-~~  
16 ~~cluding-section-422-25~~ this division, may be credited against  
17 any income tax or installment thereof then due the state of  
18 Iowa and any balance of one dollar or more shall be refunded  
19 to the employee taxpayer, nonresident or other person with  
20 interest at six percent per annum, such interest to begin  
21 to accrue forty-five days after the date the return was due  
22 to be filed or was filed, whichever is the later date. Amounts  
23 less than one dollar shall be refunded to the taxpayer, non-  
24 resident, or other person only upon written application, in  
25 accordance with section 422.74, only if such application is  
26 filed within twelve months after the due date of the return.  
27 Refunds in the amount of one dollar or more provided for by  
28 this subsection shall be paid by the state treasurer by means  
29 of warrants drawn by the comptroller at the direction of the  
30 director, or an authorized employee of the department, and  
31 the taxpayer's return of income shall constitute a claim for  
32 refund for this purpose, except in respect to amounts of less  
33 than one dollar. There is hereby appropriated, out of any  
34 funds in the state treasury not otherwise appropriated, a  
35 sum sufficient to carry out the provisions of this subsec-

1 tion.

2 11. a. Every person or married couple filing a joint  
3 return shall make a declaration of estimated tax if his or  
4 their Iowa income tax attributable to income other than wages  
5 subject to withholding can reasonably be expected to amount  
6 to fifty dollars or more for the taxable year, except that,  
7 in the cases of farmers and fishermen, the exceptions provided  
8 in the Internal Revenue Code ~~of-1954~~ with respect to such  
9 declarations shall apply. The declaration ~~provided-for-herein~~  
10 shall be filed ~~on-or-before-the-last-day-of-th-fourth-month~~  
11 ~~of-the-taxpayer's-tax-year-for-which-such-declaration-is-filed~~  
12 at the same time as the Iowa income tax return for the same  
13 taxable year, in such form as the director may require by  
14 regulations. The estimated tax shall be paid in quarterly  
15 installments. The first installment shall be paid at the  
16 time of filing the declaration. The other installments shall  
17 be paid ~~on-or-before-June-30, September-30, and January-31~~  
18 at the same time as installments are required to be paid under  
19 the Internal Revenue Code. However, at the election of the  
20 person or married couple filing jointly, any installment of  
21 the estimated tax may be paid prior to the date prescribed  
22 for its payment. Whenever a person or married couple filing  
23 a joint return have reason to believe that ~~his-or-their~~ the  
24 person's or couple's Iowa income tax may increase or decrease,  
25 either for purposes of meeting the requirement to file a  
26 declaration of estimated tax or for the purpose of increasing  
27 or decreasing such declaration, an amended estimate shall  
28 be filed by ~~him-or-them~~ the person or couple to reflect such  
29 increase or decrease in estimated Iowa income tax.

30 e. Any amount of tax paid on a declaration of estimated  
31 tax shall be a credit against the amount of tax found payable  
32 on a final, completed return, as provided in subsection 9  
33 hereof, relating to the credit for the tax withheld against  
34 the tax found payable on a return properly and correctly pre-  
35 pared under the provisions of ~~section-422.57-to-and-includ-~~

1 ~~ing-section-422.25~~ this division, and any overpayment of one  
2 dollar or more shall be refunded to the taxpayer and such  
3 return shall constitute a claim for refund for this purpose.  
4 Amounts less than one dollar shall be refunded to the tax-  
5 payer only upon written application in accordance with sec-  
6 tion 422.74, but only if such application is filed within  
7 twelve months after the due date for the return. The civil  
8 penalties provided by the Internal Revenue Code ~~of-1954~~ for  
9 failure to file a declaration or for underpayment of the tax  
10 payable shall apply to persons required to file declarations  
11 and make payments of estimated tax under the provisions of  
12 this section. Underpayment of estimated tax shall be de-  
13 termined in the same manner as provided under the provisions  
14 of the Internal Revenue Code ~~of-1954~~ and the exceptions therein  
15 provided shall also apply.

16 Sec. 14. Section four hundred twenty-two point thirty-  
17 two (422.32), unnumbered paragraph two (2), Code 1975, is  
18 amended to read as follows:

19 ~~The~~ Except as otherwise provided in this section, the  
20 words, terms, and phrases defined in division II, ~~section~~  
21 ~~422.47-subsections-47-and-3-to-40,~~ when used in this division,  
22 shall have the meanings ascribed to them in ~~said~~ section  
23 ~~except-where~~ two (2) of this Act unless the context clearly  
24 indicates a different meaning.

25 Sec. 15. Section four hundred twenty-two point thirty-  
26 six (422.36), subsection one (1), Code 1975, is amended to  
27 read as follows:

28 1. Every corporation shall make a return and the same  
29 shall be signed by the president or other duly authorized  
30 officer. Before a corporation shall be dissolved and its  
31 assets distributed it shall make a return for any settlement  
32 of the tax for any income earned in the income year up to  
33 its final date of dissolution. Returns shall be in such form  
34 as the director may, from time to time, prescribe, and shall  
35 be filed with the department on or before the last day of

1 the fourth month after the expiration of the tax year except  
2 that cooperative associations as defined in section six  
3 thousand seventy-two d (6072(d)) of the Internal Revenue Code  
4 of 1954 shall file their returns on or before the fifteenth  
5 day of the ninth month following the close of the taxable  
6 year. In case of sickness, absence, or other disability,  
7 or whenever good cause exists, the director may allow further  
8 time for filing returns. The director shall cause to be pre-  
9 pared blank forms for said returns and shall cause them to  
10 be distributed throughout the state and to be furnished upon  
11 application, but failure to receive or secure the form shall  
12 not relieve the taxpayer from the obligations of making any  
13 return herein required. The department may as far as  
14 consistent with the provisions of the Code so draft income  
15 tax forms as to conform to the income tax forms of the inter-  
16 nal revenue department of the United States government.

17 Sec. 16. Section four hundred twenty-two point forty-two  
18 (422.42), subsection thirteen (13), Code 1975, is amended  
19 to read as follows:

20 13. "Services" means all acts or services rendered, fur-  
21 nished, or performed, other than services performed on tangible  
22 personal property delivered into interstate commerce, or  
23 services used in processing of tangible personal property  
24 for use in taxable retail sales or services, for an "employer"  
25 as defined in section ~~422.47-subsection-15~~ two (2) of this  
26 Act, for a valuable consideration by any person engaged in  
27 any business or occupation specifically enumerated in this  
28 division. The tax shall be due and collectible when the ser-  
29 vice is rendered, furnished, or performed for the ultimate  
30 user thereof.

31 Sec. 17. Section four hundred twenty-five point seven-  
32 teen (425.17), subsection one (1), Code 1975, is amended to  
33 read as follows:

34 1. "Income" means the sum of ~~Iowa-net-income-as-defined~~  
35 ~~in-section-422.7~~ adjusted gross income, as determined for

1 federal income tax purposes, plus all of the following to  
2 the extent not already included in ~~Iowa-net-income~~ federal  
3 adjusted gross income: Capital gains, alimony, child support  
4 money, cash public assistance and relief, except property  
5 tax relief granted under this division, the gross amount of  
6 any pension or annuity, including but not limited to railroad  
7 retirement benefits, all payments received under the federal  
8 social security Act, and all military retirement and veterans'  
9 disability pensions, interest received from the state or  
10 federal government or any of its instrumentalities, workmen's  
11 compensation, the gross amount of disability income or "loss  
12 of time" insurance, and that part of net worth considered  
13 as income under subsection 2. "Income" does not include gifts  
14 from nongovernmental sources, or surplus foods or other relief  
15 in kind supplied by a governmental agency.

16 Sec. 18. Section four hundred forty-two point fifteen  
17 (442.15), subsection one (1), paragraph c, Code 1975, is  
18 amended to read as follows:

19 c. Divide the total amount of state individual income  
20 tax determined into the excess amount needed. The quotient  
21 is the school district income surtax rate which shall be  
22 imposed on the state individual income tax for the calendar  
23 year during which the school year begins, or for a taxpayer's  
24 fiscal year ending during that calendar year but after the  
25 date of the election approving the budget, and for subsequent  
26 years as provided in subsections 2 and 3 of this section,  
27 and shall be imposed on all individuals residing in the school  
28 district on December 31 of each calendar year, or on the last  
29 day of their fiscal year. As used in this section, "state  
30 individual tax" means the tax computed under ~~section-422-57~~  
31 ~~less-the-deductions-allowed-in-section-422-12~~ sections one  
32 (1) through ten (10) of this Act.

33 Sec. 19. Section four hundred forty-two point seventeen  
34 (442.17), Code 1975, is amended to read as follows:

35 442.17 FORM AND TIME OF RETURN. The school district

1 income surtax shall be made a part of the Iowa individual  
2 income tax return subject to the conditions and restrictions  
3 set forth in section ~~422-24~~ nine (9) of this Act.

4 Sec. 20. Section four hundred fifty point four (450.4),  
5 subsection five (5), Code 1975, is amended to read as follows:

6 5. On the value of that portion of installment payments  
7 which will be includable ~~as-net-income-as-defined-in-section~~  
8 422-7-as in adjusted gross income as determined for federal  
9 income tax purposes, received by a beneficiary under an annuity  
10 which was purchased under an employees pension or retirement  
11 plan.

12 Sec. 21. Section four hundred fifty-one point one (451.1),  
13 subsection eight (8), Code 1975, is amended to read as follows:

14 8. The term "Internal Revenue Code of 1954" shall have  
15 the same meaning as ~~ascribed-to-it~~ "Internal Revenue Code",  
16 as defined in section ~~422-4~~ two (2), subsection ten (10),  
17 of this Act.

18 Sec. 22. Section four hundred twenty-two point twenty-  
19 one (422.21), Code 1975, is repealed.

20 Sec. 23. Section four hundred twenty-two point thirty-  
21 three (422.33), Code 1975, is amended by adding the following  
22 new subsections:

23 NEW SUBSECTION. APPORTIONING INCOME. A corporation which  
24 is subject to taxation under this division and which apportions  
25 its income for tax purposes under the provisions of subsection  
26 one (1), paragraph b of this section shall determine the  
27 property factor and payroll factor for this state and shall  
28 report this information to the department of revenue when  
29 it files a tax return for any fiscal year ending on or after  
30 June 30, 1974.

31 Any corporation which has filed a tax return as required  
32 under this division for any fiscal year ending on or after  
33 June 30, 1974 prior to the effective date of this Act shall  
34 file an amended return for purposes of providing the  
35 information required under this Act by October 31, 1975.

1 However, if a corporation required to file a corporate income  
2 tax return prior to October 31, 1975 is granted an extension  
3 for filing the return by the director of revenue, the  
4 additional report required under this section shall be filed  
5 with the corporate income tax return at the end of the  
6 extension period.

7 NEW SUBSECTION. METHODS OF APPORTIONMENT. A corporation  
8 having income from business activity which is taxable both  
9 within and without this state, other than rendering of purely  
10 personal services by an individual, shall determine the  
11 property factor and payroll factor for this state in the  
12 manner provided by this section.

13 NEW SUBSECTION. PROPERTY FACTOR. The property factor  
14 is a fraction, the numerator of which is the average value  
15 of the taxpayer's real and tangible personal property owned  
16 or rented and used in this state during the tax period and  
17 the denominator of which is the average value of all the tax-  
18 payer's real and tangible personal property owned or rented  
19 and used during the tax period.

20 NEW SUBSECTION. PROPERTY OWNED AND RENTED. Property owned  
21 by the taxpayer is valued at its original cost. Property  
22 rented by the taxpayer is valued at eight times the net annual  
23 rental rate. Net annual rental rate is the annual rental  
24 rate paid by the taxpayer less any annual rental rate received  
25 by the taxpayer from subrentals.

26 NEW SUBSECTION. AVERAGE VALUE OF PROPERTY. The average  
27 value of property shall be determined by averaging the values  
28 at the beginning and ending of the tax period, but the director  
29 of revenue may require the averaging of monthly values during  
30 the tax period if reasonably required to reflect properly  
31 the average value of the taxpayer's property.

32 NEW SUBSECTION. PAYROLL FACTOR. The payroll factor is  
33 a fraction, the numerator of which is the total amount paid  
34 in this state during the tax period by the taxpayer for  
35 compensation, and the denominator of which is the total com-

1 pension paid everywhere during the tax period.

2 NEW SUBSECTION. COMPENSATION. Compensation is paid in  
3 this state if:

4 a. The individual's service is performed entirely within  
5 the state; or

6 b. The individual's service is performed both within and  
7 without the state, but the service performed without the state  
8 is incidental to the individual's service within the state;  
9 or

10 c. Some of the service is performed in the state and:

11 (1) The base of operations or, if there is no base of  
12 operations, the place from which the service is directed or  
13 controlled is in the state; or

14 (2) The base of operations or the place from which the  
15 service is directed or controlled is not in any state in which  
16 some part of the service is performed, but the individual's  
17 residence is in this state.

18 For purposes of this subsection and the previous subsec-  
19 tion, "compensation" means wages, salaries, commissions, and  
20 any other form of remuneration paid to employees for personal  
21 services.

22 Sec. 24. The provisions of sections one (1) through twenty-  
23 two (22), except sections twelve (12) and seventeen (17), of  
24 this Act shall be retroactive to January 1, 1975, for all  
25 taxable years commencing on or after January 1, 1975, and  
26 to this extent the provisions of sections one (1) through  
27 twenty-two (22), except sections twelve (12) and seventeen  
28 (17), of this Act are retroactive. The provisions of section  
29 twenty-three (23) of this Act shall be retroactive to June  
30 30, 1974, for all taxable years ending on or after June 30,  
31 1974, and to this extent the provisions of section twenty-  
32 three (23) of this Act are retroactive. The provisions of  
33 sections twelve (12) and seventeen (17) of this Act shall  
34 become effective January 1, 1976.

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## EXPLANATION

2 This bill imposes an Iowa income tax on individuals,  
3 estates, and trusts, which is 20% of the federal tax on the  
4 Iowa taxable income. Taxable income is determined in the  
5 same manner as for federal income tax purposes except that income  
6 allocable to another state is excluded. There is no deduction  
7 for federal income tax paid, but the federal deduction for  
8 state taxes paid is automatically incorporated. Deductions,  
9 itemized or standard, and exemptions are the same as for  
10 federal income tax, and the graduated rate structure is the  
11 same.

12 The present sections of Iowa law relating to withholding,  
13 estimated tax, and administrative powers and procedures are  
14 retained. This plan should permit the use of a simplified  
15 return by most taxpayers.

16 The bill also requires corporations which apportion their  
17 income for tax purposes in other states are required to file  
18 a report regarding apportionment of the property and payroll  
19 factors for this state.

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FISCAL NOTE  
HOUSE FILE 764

Date Prepared May 5, 1975

Requested by House Ways and Means Committee

Prepared in regard to H.F. 764, An Act relating to Iowa Income Tax.  
Following is the fiscal effect in dollars of the legislative proposal  
as required by Joint Rule 16:

1973 returns show revenues of approximately \$290.2 million.  
Under House File 764 total revenues would be approximately  
\$282.7 million or a loss of \$7.5 million.

Under this proposal the percentage of federal is expected to  
grow at a faster rate because of the more progressive tax  
rates. Therefore, future tax receipts will increase and will  
not show as great a tax loss as in the first year of  
implementation.

Source: Department of Revenue

FILED  
MAY 6, 1975GERRY D. RANKIN  
Legislative Fiscal Director

FISCAL NOTE  
HOUSE FILE 764

Date Prepared May 5, 1975

Requested by Representative West

Prepared in regard to amendment H-3663 to H.F. 764, An Act relating to Iowa Income Tax. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16:

1973 tax returns show revenues of approximately \$290.2 million.

Revenues under amendment H-3663 would be approximately \$289.9 million.

Source: Department of Revenue

FILED  
MAY 6, 1975

GERRY D. RANKIN  
Legislative Fiscal Director

FISCAL NOTE  
HOUSE FILE 764

Date Prepared May 5, 1975

Requested by Representative Egenes

Prepared in regard to amendment H-3709 to H.F. 764, An Act relating to the Iowa Income Tax. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16:

Revenues from 1973 returns amounted to approximately \$290.2 million. It is estimated that revenues under amendment 3709 would amount to approximately \$290.3 million.

Source: Department of Revenue

FILED  
MAY 6, 1975

GERRY D. RANKIN  
Legislative Fiscal Director

FISCAL NOTE  
HOUSE FILE 764

Date Prepared May 5, 1975

Requested by Representative Egenes

Prepared in regard to amendment H-3711 to H.F. 764, An Act relating to Iowa Income Tax. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16:

No Estimate Available.

Source: Department of Revenue

FILED  
MAY 6, 1975

GERRY D. RANKIN  
Legislative Fiscal Director

H-3762

1 Amend the Committee on Ways and Means amendment,  
2 H-3751, to House File 764, as follows:

3 1. Page 2, by striking lines 25 through 32 and  
4 inserting in lieu thereof the following:

5 "3. Page 2, by striking lines 27 through 35 and  
6 inserting in lieu thereof the following:

7 Subject to section four (4) of this Act, a tax  
8 is imposed upon every resident of the state, and  
9 upon that part of the state taxable income of any  
10 nonresident which is derived from a source within  
11 the state at rates as follows:

12 1. On the first and second thousand dollars of  
13 state taxable income, or any part thereof, two per-  
14 cent.

15 2. On the third and fourth thousand dollars of  
16 state taxable income, or any part thereof, four per-  
17 cent.

18 3. On the fifth and sixth thousand dollars of  
19 state taxable income, or any part thereof, six per-  
20 cent.

21 4. On the seventh and eighth thousand dollars  
22 of state taxable income, or any part thereof, eight  
23 percent.

24 5. On the ninth and tenth thousand dollars of  
25 state taxable income, or any part thereof, ten per-  
26 cent.

27 6. On the eleventh through the fifteenth thousand  
28 dollars of state taxable income, or any part thereof,  
29 eleven percent.

30 7. On the sixteenth through the twentieth  
31 thousand dollars of state taxable income, or any  
32 part thereof, twelve percent.

33 8. On the twenty-first through the thirtieth  
34 thousand dollars of state taxable income, or any  
35 part thereof, thirteen percent.

36 9. On the thirty-first through the fiftieth  
37 thousand dollars of state taxable income, or any  
38 part thereof, fourteen percent.

39 10. On all state taxable income over fifty  
40 thousand dollars, fifteen percent.

41 ④. By striking all of pages 3 through 8.

42 5. Page 9, by striking lines 1 through 20."

43 2. Page 3, by inserting after line 36 the fol-  
44 lowing:

45 "g. Add the amount of state income taxes deducted  
46 in computing federal income tax liability for the  
47 same taxable year.

48 h. Deduct the amount of federal income taxes paid  
49 or accrued as the case may be, during the tax year,  
50 adjusted by any federal income tax refunds."

H-3762 FILED, LOST (1589)  
MAY 6, 1975

BY EGENES of Story

H-3758

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Amend House File 764, page 22, line 21  
by striking the words "original cost" and  
inserting in lieu thereof the words "assessed  
value".

H-3758 FILED - *Lost 5/7 (1587)*  
MAY 6, 1975

BY LIPSKY of Linn

H-3759

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Amend the Committee on Ways and Means amendment,  
H-3751, to House File 764 as follows:

1. Page 1, line 27, by striking the words "e,  
and f" and inserting in lieu thereof the words  
"and e".

2. Page 3, by striking lines 19 through 36  
and inserting in lieu thereof the following:

"e. Deduct the amount of benefits received  
from any annuity, pension, or retirement plan,  
whether public or private, which is approved by  
the commissioner of internal revenue, to the extent  
included in taxable income for the taxable year for  
the taxpayer to a maximum of eight thousand dollars  
for every individual who is not a married individual,  
a surviving spouse, or the head of a household and  
to a maximum of ten thousand dollars for every married  
individual who makes a single return jointly with a  
spouse and every surviving spouse. However, the  
deduction allowed under this paragraph shall not apply  
to a taxpayer who is under sixty-two years of age  
unless the person is disabled."

H-3759 FILED, LOST (1587)  
MAY 6, 1975

BY HARVEY of Scott  
CLARK of Lee  
LIPSKY of Linn  
JUNKER of Woodbury  
BRANSTAD of Winnebago  
BENNETT of Ida  
WULFF of Black Hawk

H-3760

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Amend House File 764 as follows:

1. Page 21, by striking lines 20 through 35.

2. Page 22, by striking lines 1 through 35.

3. Page 23, by striking lines 1 through 21.

4. Page 23, line 28, by striking the words "The  
provisions of section".

5. Page 23, by striking lines 29, 30, and 31.

6. Page 23, line 32, by striking the words "three  
(23) of this Act are retroactive."

H-3760 FILED - *withdrawn 5/7 (1625)*  
MAY 6, 1975

BY BRANSTAD of Winnebago

H-3777

- 1 Amend House File 764 as follows:
- 2 1. Page 21, line 30, by striking the numerals
- 3 "1974" and inserting in lieu thereof the numerals
- 4 "1975".
- 5 2. Page 21, by striking all of lines 31
- 6 through 35, inclusive.
- 7 3. Page 22, by striking all of lines 1
- 8 through 6, inclusive.
- 9 4. Page 23, by striking all after the period
- 10 in line 28, all of lines 29, 30, 31, and through
- 11 the period in line 32.

H-3777 FILED, LOST (1628)  
MAY 7, 1975

BY BRANSTAD of Winnebago

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H-3776

- 1 Amend House File 764, page 13, by inserting after
- 2 line 12 the following:
- 3 "NEW SECTION. If the taxpayer, the taxpayer's
- 4 spouse in the case of married persons filing a joint
- 5 return, or a dependent of the taxpayer is enrolled in
- 6 a postsecondary educational institution, the tax-
- 7 payer shall be allowed a deduction in determining the
- 8 state taxable income equal to the amount paid by the
- 9 taxpayer for textbooks required for any course of
- 10 instruction at the institution."

H-3776 FILED, LOST (1628)  
MAY 7, 1975

BY CRAWFORD of Story

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H-3756

- 1 Amend the Committee on Ways and Means amendment
- 2 H-3751 to pages 10, 11 and 12 of House File 764, page
- 3 3, by inserting after line 36 the words "However,
- 4 the deduction of benefits received under the federal
- 5 civil service employees retirement annuities system
- 6 does not apply to a person who is less than sixty-
- 7 two years of age unless the person is disabled."

H-3756 FILED, ADOPTED (1591)  
MAY 6, 1975

BY SPEAR of Lee

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H-3754

- 1 Amend the Committee on Ways and Means amendment
- 2 H-3751, to House File 764, page 1, line 12, by
- 3 striking the word "June" and inserting in lieu
- 4 thereof the word "April".

H-3754 FILED, ADOPTED (1586)  
MAY 6, 1975

BY CLARK of Lee

House File 764

H-3761

1 Amend the Committee on Ways and Means amendment  
2 H-3751 to pages 10, 11 and 12 of House File 764,  
3 page 3, by striking lines 23 through 36 and inserting  
4 in lieu thereof the following:  
5 "f. To the extent that the benefits are included  
6 in taxable income, deduct retirement benefits received  
7 during the taxable year under the Iowa public employees  
8 retirement system for any taxable year beginning on or  
9 after January 1, 1981, the federal civil service  
10 employees retirement annuities system, the state  
11 peace officers retirement system and the state retire-  
12 ment system for policemen and firemen. Deductions  
13 under this subsection are subject to a maximum deter-  
14 mined by subtracting any federal railroad retirement  
15 benefits and federal social security benefits actually  
16 received during the taxable year by the taxpayer, and  
17 the taxpayer's spouse in the case of a joint return,  
18 from the maximum amount of federal social security  
19 benefits for which the taxpayer would be eligible  
20 during the taxable year, if the taxpayer had made  
21 maximum contributions to the federal social security  
22 system, considering the taxpayer's spouse in the  
23 case of a joint return, and considering the taxpayer's  
24 dependents, but not considering special benefits  
25 under the supplementary security income system."

H-3761 FILED, ADOPTED (1590)  
MAY 6, 1975

BY SPEAR of Lee  
NORLAND of Worth  
WEST of Marshall

H-3763

1 Amend the committee amendment, H-3751, to  
2 House File 764, page 9, by inserting after line  
3 13 the following:  
4 "9. However, if the combined state and  
5 federal tax exceeds 100% of the taxable income  
6 for any taxable year such excess shall be refunded  
7 with interest at 8% per annum starting from date  
8 of the return."

H-3763 FILED, WITHDRAWN (1591)  
MAY 6, 1975

BY BROCKETT of Marshall  
WELDEN of Hardin  
HALVORSON of Clayton

H-3764

1 Amend amendment H-3751, to House File 764, as  
2 follows:  
3 Page 3, by striking lines 3, 4, 5 and 6, and  
4 inserting in lieu thereof the following: "to the  
5 adoption of other than a stepchild or stepchildren."  
H-3764 FILED, ADOPTED (1589)  
MAY 6, 1975

BY OAKLEY of Clinton

H-3757

1 Amend House File 764, page 12, by inserting after  
2 line 1 the following:

3 "Sec. \_\_\_\_ . NEW SECTION. INVESTMENT CREDIT.

4 There shall be allowed as a credit against the tax  
5 imposed by this Act an amount determined as follows:

6 1. a.

7 (1) Except as otherwise provided in this para-  
8 graph, in the case of a property described in sub-  
9 paragraph three (3) of this paragraph, the amount of  
10 the credit allowed by this section for the taxable  
11 year shall be an amount equal to two percent of the  
12 qualified investment as determined under subsections  
13 three (3) and four (4) of this section.

14 (2) Except as otherwise provided in this para-  
15 graph, the amount of credit allowed by this section  
16 for the taxable year shall be an amount equal to one  
17 and four-tenths percent of the qualified investment  
18 as determined under subsections three (3) and four  
19 (4) of this section.

20 (3) The provisions of subparagraph one (1) of  
21 this paragraph shall apply only to property to which  
22 subsection four (4) of this section does not apply,  
23 the construction, reconstruction, or erection of  
24 which is completed by the taxpayer after January 21,  
25 1975, but only to the extent of the basis thereof  
26 attributable to the construction, reconstruction,  
27 or erection after January 21, 1975, and before  
28 January 1, 1977, property to which subsection four  
29 (4) of this section does not apply, acquired by the  
30 taxpayer after January 21, 1975, and before January  
31 1, 1977, and placed in service by the taxpayer before  
32 January 1, 1977, and property to which subsection four  
33 (4) of this section applies, but only to the extent  
34 of the qualified investment as determined under  
35 subsections three (3) and four (4) of this section  
36 with respect to qualified progress expenditures made  
37 after January 21, 1975, and before January 1, 1977.

38 b. Notwithstanding paragraph a of this subsec-  
39 tion, the credit allowed by this section for the  
40 taxable year shall not exceed so much of the liability  
41 for tax for the taxable year as does not exceed five  
42 thousand dollars, plus ten percent of so much of the  
43 liability for tax for the taxable year as exceeds  
44 five thousand dollars.

45 c. For purposes of paragraph b of this subsec-  
46 tion, the liability for tax for the taxable year  
47 shall be the tax imposed by this Act for the year  
48 other than any tax imposed for the taxable year as  
49 a minimum tax for tax preferences.

50 d. In the case of a husband or wife who files a

1 separate return, the limitation specified under  
2 paragraph b of this subsection shall be two thousand  
3 five hundred dollars in lieu of five thousand dollars,  
4 plus ten percent of so much of the liability for tax  
5 for the taxable year as exceeds two thousand five  
6 hundred dollars. This paragraph shall not apply  
7 if the spouse of the taxpayer has no qualified invest-  
8 ment for, and no unused credit carryback or carryover  
9 to, the taxable year of the spouse which ends within  
10 or with the taxpayer's taxable year.

11 2. a. If the amount of the credit determined  
12 under subsection one (1), paragraph a of this section  
13 for any taxable year exceeds the limitation provided  
14 by subsection one (1), paragraph b of this section  
15 for such taxable year, hereinafter in this subsection  
16 referred to as "unused credit year", such excess  
17 shall be an investment credit carryback to each of  
18 the three taxable years preceding the unused credit  
19 year, and an investment credit carryover to each  
20 of the seven taxable years following the unused  
21 credit year, and shall be added to the amount allow-  
22 able as a credit by this section for such years,  
23 except that such excess may be a carryback only to  
24 a taxable year ending after December 31, 1975. The  
25 entire amount of the unused credit for an unused  
26 credit year shall be carried to the earliest of the  
27 ten taxable years to which such credit may be carried,  
28 and then to each of the other nine taxable years to  
29 the extent that, because of the limitation contained  
30 in paragraph b of this subsection, such unused credit  
31 may not be added for a prior taxable year to which  
32 such unused credit may be carried.

33 b. The amount of the unused credit which may  
34 be added under paragraph a of this subsection for  
35 any preceding or succeeding taxable year shall not  
36 exceed the amount by which the limitation provided  
37 by subsection one (1), paragraph b of this section  
38 for such taxable year exceeds the sum of the credit  
39 allowable under subsection one (1), paragraph a of  
40 this section for the taxable year, and the amounts  
41 which, by reason of this subsection, are added to  
42 the amount allowable for the taxable year and  
43 attributable to taxable years preceding the unused  
44 credit year.

45 3. a.  
46 (1) For purposes of this section, "section  
47 thirty-eight (38) property" means section thirty-  
48 eight (38) property as defined in section forty-eight  
49 (48) of the Internal Revenue Code, "new section  
50 thirty-eight (38) property" means such property as

1 defined in section forty-eight (48), subsection b  
2 of the Internal Revenue Code, and "used section  
3 thirty-eight (38) property" means such property as  
4 defined in section forty-eight (48), subsection c,  
5 paragraph one (1) of the Internal Revenue Code.

6 (2) For purposes of this section, "qualified  
7 investment" means, with respect to any taxable year,  
8 the aggregate of the applicable percentage of the  
9 basis of each new section thirty-eight (38) prop-  
10 erty placed in service by the taxpayer during such  
11 taxable year, plus the applicable percentage of the  
12 cost of each used section thirty-eight (38) prop-  
13 erty, placed in service by the taxpayer during such  
14 taxable year.

15 b. For purposes of paragraph a of this subsection,  
16 the applicable percentage for any property shall be  
17 determined under the following table:

18 If the useful life is--	The applicable 19 percentage is--
20 3 years or more but less than	
21 5 years.....	33 1/3
22 5 years or more but less than	
23 7 years.....	66 2/3
24 7 years or more.....	100

25 For purposes of this section, the useful life of  
26 any property shall be the useful life used in com-  
27 puting the allowance for depreciation under section  
28 one hundred sixty-seven (167) of the Internal Revenue  
29 Code for the taxable year in which the property is  
30 placed in service.

31 c. The amount which would, but for this para-  
32 graph, be treated as qualified investment under this  
33 subsection with respect to any property shall be  
34 reduced, but not below zero, by any amount treated  
35 by the taxpayer or a predecessor of the taxpayer,  
36 or, in the case of a sale and leaseback described  
37 in subsection six (6), paragraph b, subparagraph  
38 three (3), of this section by the lessee, as qualified  
39 investment with respect to such property under sub-  
40 section four (4) of this section, to the extent the  
41 amount so treated has not been required to be recap-  
42 tured by reason of subsection six (6), paragraph  
43 b, of this section.

44 4. a. In the case of any taxpayer who has made  
45 an election under paragraph f of this subsection,  
46 the amount of his qualified investment for the tax-  
47 able year, determined under subsection three (3)  
48 of this section, without regard to this subsection,  
49 shall be increased by an amount equal to his aggre-  
50 gate qualified progress expenditures for the tax-

1 able year with respect to progress expenditure  
2 property.

3 b. (1) For purposes of this subsection, "progress  
4 expenditure property" means any property which is  
5 being constructed by or for the taxpayer and which  
6 has a normal construction period of two years or more,  
7 and it is reasonable to believe will be new section  
8 thirty-eight (38) property having a useful life of  
9 seven years or more in the hands of the taxpayer  
10 when it is placed in service.

11 The preceding sentence shall be applied on the  
12 basis of facts known at the close of the taxable  
13 year of the taxpayer in which construction begins  
14 or, if later, at the close of the first taxable  
15 year to which an election under this subsection  
16 applies.

17 (2) For purposes of subparagraph one (1) of this  
18 paragraph, "normal construction period" means the  
19 period reasonably expected to be required for the  
20 construction of the property beginning with the  
21 date on which physical work on the construction  
22 begins or, if later, the first day of the first tax-  
23 able year to which an election under this subsec-  
24 tion applies, and ending on the date on which it  
25 is expected that the property will be available  
26 for placing in service.

27 c. For purposes of this subsection:

28 (1) In the case of any self-constructed prop-  
29 erty, "qualified progress expenditures" means the  
30 amount which, for purposes of this section, is  
31 properly chargeable during the taxable year to capi-  
32 tal account with respect to the property.

33 (2) In the case of non-self-constructed property,  
34 "qualified progress expenditures" means the lesser  
35 of the amount paid during the taxable year to another  
36 person for the construction of the property, or  
37 the amount which represents that proportion of the  
38 overall cost to the taxpayer of the construction  
39 by another person which is properly attributable  
40 to that portion of the construction which is com-  
41 pleted during the taxable year.

42 d. For purposes of paragraph c of this subsec-  
43 tion, the special rules contained in section forty-  
44 six (46), subsection d, paragraph four (4) of the  
45 Internal Revenue Code, applicable to section  
46 forty-six (46), subsection d, paragraph three (3)  
47 of the Internal Revenue Code shall apply.

48 e. For purposes of this subsection:

49 (1) "Self-constructed property" means property  
50 more than half of the construction expenditures for

1 which it is reasonable to believe will be made directly  
2 by the taxpayer.

3 (2) "Non-self-constructed property" means property  
4 which is not self-constructed property.

5 (3) "Construction" includes reconstruction and  
6 erection, and the term "constructed" includes recon-  
7 structed and erected.

8 (4) Construction shall be taken into account only  
9 if, for purposes of this section, expenditures there-  
10 for are properly chargeable to capital account with  
11 respect to the property.

12 f. An election under this subsection may be made  
13 at such time and in such manner as the director or his  
14 delegate may by rule prescribe. The election shall  
15 apply to the taxable year for which made and to all  
16 subsequent taxable years. The election, once made,  
17 may not be revoked except with the consent of the di-  
18 rector or his delegate.

19 g. The qualified investment taken into account  
20 under this subsection for any taxable year beginning  
21 before January 1, 1980, with respect to any property  
22 shall be, in lieu of the full amount, an amount equal  
23 to the sum of the following:

24 (1) The applicable percentage of the full amount  
25 determined under the following table:

26 For a taxable year	27 beginning in:	28 The applicable
		29 percentage is:
30	1974 or 1975 .....	31 20
32	1976 .....	33 40
34	1977 .....	35 60
36	1978 .....	37 80
38	1979 .....	39 100

40 (2) In the case of any property to which this sub-  
41 section applied for one or more preceding taxable years,  
42 twenty percent of the full amount for each such preced-  
43 ing taxable year.

44 For purposes of this paragraph, "full amount", when  
45 used with respect to any property for any taxable  
46 year, means the amount of the qualified investment  
47 for such property for such year determined under this  
48 subsection without regard to this paragraph.

49 5. A credit shall be allowed by this section  
50 to a person which is not a corporation with respect  
to property of which such person is the lessor only  
if the property subject to the lease has been manu-  
factured or produced by the lessor, or the term of  
the lease, taking into account options to renew, is  
less than fifty percent of the useful life of the  
property, and for the period consisting of the first  
twelve months after the date on which the property is

1 transferred to the lessee the sum of the deductions  
2 with respect to such property which are allowable to  
3 the lessor solely by reason of section one hundred  
4 sixty-two (162) of the Internal Revenue Code, other  
5 than rents and reimbursed amounts with respect to  
6 such property, exceeds fifteen percent of the rental  
7 income produced by such property.

8 6. Under rules prescribed by the director or his  
9 delegate:

10 a. If during any taxable year any property is  
11 disposed of, or otherwise ceases to be section thirty-  
12 eight (38) property with respect to the taxpayer, be-  
13 fore the close of the useful life which was taken into  
14 account in computing the credit under this section,  
15 then the tax under this Act for such taxable year shall  
16 be increased by an amount equal to the aggregate de-  
17 crease in the credits allowed under this section for  
18 all prior taxable years which would have resulted  
19 solely from substituting, in determining qualified  
20 investment, for such useful life the period beginning  
21 with the time such property was placed in service by  
22 the taxpayer and ending with the time such property  
23 ceased to be section thirty-eight (38) property.

24 b. (1) If during any taxable year any property  
25 taken into account in determining qualified invest-  
26 ment under subsection four (4) of this section ceases,  
27 by reason of sale or other disposition, cancellation  
28 or abandonment of contract, or otherwise to be, with  
29 respect to the taxpayer, property which, when placed  
30 in service, will be new section thirty-eight (38)  
31 property, then the tax under this Act for such tax-  
32 able year shall be increased by an amount equal to  
33 the aggregate decrease in the credits allowed under  
34 this section for all prior taxable years which would  
35 have resulted solely from reducing to zero the quali-  
36 fied investment taken into account with respect to  
37 such property.

38 (2) Any amount which would have been applied as  
39 a reduction of the qualified investment in property  
40 by reason of paragraph c of subsection three (3) of  
41 this section but for the fact that a reduction under  
42 such paragraph cannot reduce qualified investment  
43 below zero, shall be treated as an amount required to be  
44 recaptured under subparagraph one (1) of this  
45 paragraph for the taxable year in which the property  
46 is placed in service.

47 (3) Under rules prescribed by the director or  
48 his delegate, a sale by, and leaseback to, a taxpayer  
49 who, when the property is placed in service, will be  
50 a lessee to whom section forty-eight (48), subsection

1 d of the Internal Revenue Code applies shall not be  
2 treated as a cessation described in subparagraph one  
3 (1) of this paragraph to the extent that the  
4 qualified investment which will be passed through  
5 to the lessee under section forty-eight (48),  
6 subsection d of the Internal Revenue Code with respect  
7 to such property is not less than the qualified  
8 progress expenditures properly taken into account  
9 by the lessee with respect to such property.

10 (4) If, after property is placed in service,  
11 there is a disposition or other cessation described  
12 in paragraph a of this subsection, paragraph a of  
13 this subsection shall be applied as if any credit  
14 which was allowable by reason of subsection four (4)  
15 of this section and which has not been required to be  
16 recaptured before such cessation were allowable for  
17 the taxable year the property was placed in service.

18 c. In the case of any cessation described in  
19 paragraph a or b of this subsection, the carrybacks  
20 and carryovers under subsection two (2) of this section  
21 shall be adjusted by reason of such cessation.

22 d. (1) Any aircraft which was new section  
23 thirty-eight (38) property for the taxable year in  
24 which it was placed in service and which is used  
25 outside the United States under a qualifying lease  
26 or leases shall be treated as not ceasing to be  
27 section thirty-eight (38) property by reason of  
28 such use until such aircraft has been so used for  
29 a period or periods exceeding three and one-half  
30 years in total. For purposes of the preceding sentence,  
31 the registration of such aircraft under the laws  
32 of a foreign country shall be treated as use outside  
33 the United States.

34 (2) If an aircraft described in subparagraph  
35 one (1) of this paragraph is disposed of or otherwise  
36 ceases to be section thirty-eight (38) property, the  
37 increase under paragraph a of this subsection and  
38 the adjustment under paragraph c of this subsection  
39 shall not be greater than the increase or adjustment  
40 which would result if the qualified investment of  
41 such aircraft were based upon a useful life equal  
42 to the lesser of the actual useful life of such  
43 aircraft with respect to the taxpayer, or twice the  
44 number of full calendar months during which such aircraft  
45 was registered by the administrator of the federal  
46 aviation agency and was used in the United States,  
47 operated to and from the United States, or operated  
48 under contract with the United States. For purposes  
49 of the preceding sentence, an aircraft shall be  
50 treated as used in the United States for any calendar

1 month beginning after such aircraft was placed in  
2 service, if such month is included in a taxable  
3 year ending before January 1, 1976, for which such  
4 aircraft was section thirty-eight (38) property,  
5 determined without regard to this paragraph.

6 (3) For purposes of subparagraph one (1) of this  
7 paragraph, "qualifying lease" means a lease from  
8 an aircarrier as defined in section one hundred one  
9 (101) of the federal aviation Act of 1958, as amended  
10 to January 1, 1975, section one thousand three  
11 hundred one (1301), title forty-nine (49), United  
12 States Code, which complies with the provisions of  
13 said Act, and the rules promulgated by the civil  
14 aeronautics board thereunder, but only if such  
15 lease was executed after April 18, 1969.

16 7. Subsection six (6) of this section shall not  
17 apply to a transfer by reason of death, or a trans-  
18 action to which section three hundred eighty-one  
19 (381), subsection a of the Internal Revenue Code  
20 applies. For purposes of subsection one (1) of  
21 this section, property shall not be treated as  
22 ceasing to be section thirty-eight (38) property  
23 with respect to the taxpayer by reason of a mere  
24 change in the form of conducting the trade or busi-  
25 ness so long as the property is retained in such  
26 trade or business as section thirty-eight (38)  
27 property and the taxpayer retains a substantial  
28 interest in such trade or business. Any increase  
29 in tax under subsection one (1) of this section  
30 shall not be treated as tax imposed by this Act  
31 for purposes of determining the amount of any credit  
32 allowable under this section."

H-3757 FILED - *Loss 5/7 (1624)*  
MAY 6, 1975

BY WEST of Marshall

H-3752

1 Amend the Committee on Ways and Means amendment  
2 H-3751, to House File 764, page 3, line 39, by  
3 inserting before the word "taxable" the word "state".

H-3752 FILED, ADOPTED (1591)  
MAY 6, 1975

BY NORLAND of Worth  
WEST of Marshall

H-3751

1 Amend House File 764 as follows:

2 1. Page 1, by striking lines 8 through 35 and  
3 inserting in lieu thereof the following:

4 "1. "Person" means an individual and a fiduciary.

5 2. "Individual" means a natural person.

6 3. "Fiduciary" means a guardian, trustee, executor,  
7 administrator, receiver, or conservator.

8 4. "Internal Revenue Code" means the United States  
9 Internal Revenue Code of 1954, Title twenty-six (26),  
10 United States Code, and the applicable regulations  
11 of the Internal Revenue Service, as amended to and  
12 including June 30, 1975.

13 5. "Taxable income" means "taxable income" as  
14 defined in section sixty-three (63) of the Internal  
15 Revenue Code, computed in accordance with all  
16 applicable provisions of subtitle A of chapter one  
17 (1) of the Internal Revenue Code.

18 6. "Adjusted gross income" means "adjusted gross  
19 income" as defined in section sixty-two (62) of the  
20 Internal Revenue Code.

21 7. "State taxable income" means taxable income  
22 as defined in this section with any adjustments allowed  
23 under section three (3) of this Act.

24 8. "State adjusted gross income" means adjusted  
25 gross income with any adjustments allowed under section  
26 three (3), subsection five (5), paragraphs a, c, d,  
27 e, and f.

28 9. "Resident" means an individual who is domiciled  
29 in the state or who maintains a permanent place of  
30 abode within the state.

31 10. "Resident estate or trust" means:

32 a. The estate of a decedent who at his death was  
33 domiciled in this state.

34 b. A trust created by will of a decedent who at  
35 his death was domiciled in this state, or

36 c. A trust created during the lifetime of the  
37 donor where the trust assets and principal office  
38 of the trustees are located in this state.

39 11. "Employer" means and includes one who has  
40 a right to exercise control as to how, when, and where  
41 services are to be performed.

42 12. "Withholding agent" means any individual,  
43 fiduciary, estate, trust, corporation, partnership  
44 or association in whatever capacity acting and  
45 including all officers and employees of the state  
46 of Iowa, or any municipal corporation of the state  
47 of Iowa and of any school district or school board  
48 of the state, or of any political subdivision of the  
49 state of Iowa, or any tax-supported unit of government  
50 that is obligated to pay or has control of paying

1 or does pay to any resident or nonresident of the  
2 state of Iowa or his agent any wages that are subject  
3 to the Iowa income tax in the hands of such resi-  
4 dent or nonresident, or any of the above-designated  
5 entities making payment or having control of making  
6 such payment of any taxable Iowa income to any  
7 nonresident.

8 13. "Wages" means the same as defined in section  
9 three thousand four hundred one, subsection a (3401a)  
10 of the Internal Revenue Code.

11 14. "Other person", when used in relation to  
12 withholding tax, means any person properly empowered  
13 to act on behalf of an individual payee.

14 15. "Paid" means "paid or accrued" or "paid or  
15 incurred" and shall be construed according to the  
16 method of accounting which is used for the computation  
17 of income.

18 16. "Received" means "received" or "accrued",  
19 according to the method of accounting which is used  
20 for the computation of income.

21 17. Any term not otherwise defined has the same  
22 meaning as when used in a comparable context in the  
23 Internal Revenue Code."

24 2. Page 2, by striking lines 1 through 25.

25 3. Page 2, line 32, by inserting after the word  
26 "the" the word "state".

27 4. Page 4, line 17, by inserting after the word  
28 "the" the word "state".

29 5. Page 6, line 19, by inserting after the word  
30 "the" the word "state".

31 6. Page 8, line 5, by inserting after the word  
32 "the" the word "state".

33 7. Page 9, by striking lines 21 through 35.

34 8. Page 10, by striking lines 1 through 35, page  
35 11, by striking lines 1 through 35 and page 12, by  
36 striking line 1, and inserting in lieu thereof the  
37 following:

38 "5. In computing the state taxable income of a  
39 person, the following adjustments shall be allowed  
40 to taxable income:

41 a. Deduct any interest and dividend income the  
42 taxpayer receives from federal securities during the  
43 taxable year to the extent included in taxable income.

44 b. Deduct the amount by which expenses paid or  
45 incurred in connection with the adoption of a child  
46 by the taxpayer exceed three percent of the state  
47 adjusted gross income of the taxpayer, or of the  
48 taxpayer and spouse in the case of a joint return.  
49 The expenses may include medical and hospital expenses  
50 of the natural mother which are incident to the child's

1 birth and are paid by the taxpayer, welfare agency  
2 fees, legal fees, and all other fees and costs relating  
3 to the adoption if a child is placed by a child-placing  
4 agency licensed under chapter two hundred thirty-eight  
5 (238) of the Code or an independent adoption agency  
6 as provided by law.

7 c. Deduct income received by a resident of this  
8 state for services performed on or after January 1,  
9 1969, while on active duty for more than six continuous  
10 months, in the armed forces of the United States,  
11 as defined in Title ten (10), United States Code,  
12 section one hundred one (101), which is received  
13 during the taxable year to the extent included in  
14 taxable income.

15 d. Add interest and dividend income received on  
16 state and municipal bonds and foreign securities  
17 exempt from federal taxation, which is received by  
18 the taxpayer during the taxable year.

19 e. Deduct the amount of benefits received under  
20 the Iowa public employees retirement system to the  
21 extent included in taxable income for taxable years  
22 ending on or before December 31, 1980.

23 f. Deduct the amount of benefits received under  
24 the federal civil service employees retirement  
25 annuities system, the state peace officers retirement  
26 system, the state retirement system for policemen  
27 and firemen, and the Iowa public employees retirement  
28 system for any taxable year beginning on or after  
29 January 1, 1981, to the extent included in taxable  
30 income subject to a maximum deduction equal to the  
31 maximum federal social security benefits other than  
32 special benefits under supplementary security income  
33 available to the taxpayer on July first of the taxable  
34 year, reduced by any federal railroad retirement  
35 benefits or federal social security benefits actually  
36 received by the taxpayer during the taxable year.

37 6. The total amount of the deductions allowed  
38 under subsection five (5) of this section shall not  
39 exceed the amount of the taxable income of the  
40 taxpayer."

41 Sec. \_\_\_\_ . NEW SECTION. CONTRIBUTIONS TO CANDIDATES  
42 FOR PUBLIC OFFICE.

43 1. In the case of an individual, there shall be  
44 allowed, subject to the limitations of subsection  
45 two (2) of this section and if a claim is made for  
46 the credit on the individual's federal income tax  
47 return for the same taxable year, as a credit against  
48 the tax imposed by this Act for the taxable year,  
49 an amount equal to ten percent of all political  
50 contributions and all newsletter fund contributions,

1 payment of which is made by the taxpayer within the  
2 taxable year.

3 2. a. The credit allowed by subsection one (1)  
4 of this section for a taxable year shall not exceed  
5 five dollars, or ten dollars in the case of a joint  
6 return.

7 b. The credit allowed by subsection one (1) of  
8 this section shall not exceed the amount of the tax  
9 imposed by this Act for the taxable year.

10 c. The credit allowed by subsection one (1) of  
11 this section shall be allowed, with respect to any  
12 political contribution or newsletter fund contribution  
13 only if such contribution is verified in such manner  
14 as the director or his delegate shall prescribe by  
15 regulations.

16 3. For purposes of this section:

17 a. "Political contribution" means a contribution  
18 or gift of money to any of the following:

19 (1) An individual who is a candidate for nomination  
20 or election to any federal, state, or local elective  
21 public office in any election as defined in section  
22 thirty-nine point three (39.3), subsection eight (8),  
23 of the Code, for use by such individual to further  
24 his candidacy for nomination or election to such  
25 office.

26 (2) Any committee, association, or organization,  
27 whether or not incorporated, organized and operated  
28 exclusively for the purpose of influencing, or  
29 attempting to influence, the nomination or election  
30 of one or more individuals who are candidates for  
31 nomination or election to any federal, state, or local  
32 elective public office, for use by such committee,  
33 association, or organization to further the candidacy  
34 of such individual or individuals for nomination  
35 or election to such office.

36 (3) The national committee of a national political  
37 party.

38 (4) The state committee of a national political  
39 party as designated by the national committee of such  
40 party.

41 (5) A local committee of a national political party  
42 as designated by the state committee of such party  
43 designated under subparagraph four (4) of this  
44 paragraph.

45 b. "Candidate" means, with respect to any federal,  
46 state, or local elective public office, an individual  
47 who publicly announces before the close of the calen-  
48 dar year following the calendar year in which the  
49 contribution or gift is made that he is a candidate  
50 for nomination or election to such office, and who

1 meets the qualifications prescribed by law to hold  
2 such office.

3 c. "National political party" means either of  
4 the following:

5 (1) In the case of contributions made during a  
6 taxable year of the taxpayer in which the electors  
7 of president and vice president are chosen, a political  
8 party presenting candidates or electors for such  
9 offices on the official election ballot of ten or  
10 more states.

11 (2) In the case of contributions made during any  
12 other taxable year of the taxpayer, a political party  
13 which met the qualifications described in subparagraph  
14 one (1) of this paragraph in the last preceding  
15 election of a president and vice president.

16 d. "State" means the various states and the Dis-  
17 trict of Columbia, and "local" means a political sub-  
18 division or part thereof, or two or more political  
19 subdivisions or parts thereof, of a state.

20 e. "Newsletter fund contribution" means a contribu-  
21 tion or gift of money to a fund established and main-  
22 tained by an individual who holds, has been elected  
23 to, or is a candidate for nomination or election to,  
24 any federal, state, or local elective public office  
25 for use by such individual exclusively for the  
26 preparation and circulation of a newsletter.

27 Sec. \_\_\_\_ . NEW SECTION. IMPOSITION OF TAX.

28 1. In addition to the other taxes imposed by this  
29 Act, there is hereby imposed for each taxable year,  
30 with respect to the income of every person, a tax  
31 equal to two percent of the amount, if any, by which  
32 the sum of the items of tax preference as defined  
33 in section fifty-seven (57) of the Internal Revenue  
34 Code in excess of thirty thousand dollars is greater  
35 than the sum of the taxes imposed by this Act for  
36 the taxable year computed without regard to this  
37 section, and the tax carryovers to the taxable year.

38 2. a. If for any taxable year a person has a net  
39 operating loss any portion of which, under section  
40 one hundred seventy-two (172) of the Internal Revenue  
41 Code remains as a net operating loss carryover to  
42 a succeeding taxable year, and has items of tax  
43 preference in excess of thirty thousand dollars, then  
44 an amount equal to the lesser of the tax imposed by  
45 subsection one (1) of this section or two percent  
46 of the amount of the net operating loss carryover  
47 shall be treated as tax liability not imposed for  
48 the taxable year, but as imposed for the succeeding  
49 taxable year or years pursuant to paragraph b of this  
50 subsection.

1       b. In any taxable year in which any portion of  
2 the net operating loss carryover attributable to the  
3 excess described in paragraph a of this subsection  
4 reduces taxable income, the amount of tax liability  
5 described in paragraph a of this subsection shall  
6 be treated as tax liability imposed in such taxable  
7 year in an amount equal to ten percent of such  
8 reduction.

9       c. For purposes of paragraph b of this subsection,  
10 if any portion of the net operating loss carryover  
11 described in paragraph a of this subsection is not  
12 attributable to the excess described in paragraph  
13 a of this subsection, such portion shall be considered  
14 as being applied in reducing taxable income before  
15 such other portion.

16       3. If for any taxable year the taxes imposed by  
17 this Act computed without regard to this section  
18 exceed the sum of the items of tax preference in  
19 excess of thirty thousand dollars, then the excess  
20 of the taxes imposed by this Act over the sum of the  
21 items of tax preference in excess of thirty thousand  
22 dollars shall be a tax carryover to each of the seven  
23 taxable years following such year. The entire amount  
24 of the excess for a taxable year shall be carried  
25 to the first of such seven taxable years, and then  
26 to each of the other such taxable years to the extent  
27 that such excess is not used to reduce the amount  
28 subject to tax under subsection one (1) of this section  
29 for a prior taxable year to which excess may be  
30 carried.

31       Sec. \_\_\_\_ . NEW SECTION. ALTERNATIVE CAPITAL GAINS  
32 TAX.

33       1. If for any taxable year a taxpayer has a net  
34 gain under section one thousand two hundred one (1201)  
35 of the Internal Revenue Code, then, in lieu of the  
36 tax imposed by section three (3) of this Act, there  
37 is hereby imposed a tax, if such tax is less than  
38 the tax imposed by section three (3) of this Act which  
39 shall consist of the sum of the following:

40       a. A tax computed on the state taxable income  
41 reduced by an amount equal to fifty percent of the  
42 net gain.

43       b. A tax of five percent of the lesser of the  
44 following:

45       (1) The amount of the gain determined under sub-  
46 section three (3) of this section.

47       (2) The amount of the net gain under section one  
48 thousand two hundred one (1201) of the Internal Revenue  
49 Code.

50       c. If the amount of the net gain exceeds the

1 amount of the gain computed under subsection three  
2 (3) of this section, a tax computed as provided in  
3 subsection two (2) of this section on such excess.

4 2. The tax computed for purposes of subsection  
5 one (1), paragraph c of this section shall be the  
6 amount by which a tax determined under section three  
7 (3) of this Act on an amount equal to the state taxable  
8 income but not less than fifty percent of the net  
9 gain under section one thousand two hundred one (1201)  
10 of the Internal Revenue Code for the taxable year  
11 exceeds a tax determined under section three (3) of  
12 this Act on an amount equal to the sum of the amount  
13 subject to tax under subsection one (1), paragraph  
14 a of this section plus an amount equal to fifty percent  
15 of the gain under subsection three (3) of this section.

16 3. For purposes of this section, the term "gain"  
17 under subsection three (3) of this section means the  
18 sum of long-term capital gains for the taxable year  
19 arising from any source, but the amount taken into  
20 account for the purposes of this subsection shall  
21 be limited to an amount equal to the excess of fifty  
22 thousand dollars, or twenty-five thousand dollars  
23 in the case of a married individual filing a separate  
24 return over the sum of the gains to which subsections  
25 one (1) and two (2) of this section apply.

26 Sec. \_\_\_\_ . NEW SECTION. LIMITATION ON TAX.

27 1. If an eligible individual has averageable  
28 income for the computation year, and if the amount  
29 of such income exceeds three thousand dollars, then  
30 the tax imposed by section three (3) of this Act for  
31 the computation year which is attributable to  
32 averageable income shall be five times the increase  
33 in tax under such section which would result from  
34 adding twenty percent of such income to one hundred  
35 twenty percent of average base period income.

36 2. For purposes of this section:

37 a. "Averageable income" means the amount by which  
38 state taxable income for the computation year, reduced  
39 as provided in this subsection exceeds one hundred  
40 twenty percent of average base period income. The  
41 state taxable income for the computation year shall  
42 be reduced by the amount to which section seventy-  
43 two (72), subsection m, paragraph five (5), of the  
44 Internal Revenue Code applies, and the amounts included  
45 in the income of a beneficiary of a trust under this  
46 Act.

47 b. "Average base period income" means one-fourth  
48 of the sum of the base period incomes for the base  
49 period.

50 c. "Computation year" means the taxable year for

1 which the taxpayer chooses the benefits of this  
2 section.

3 d. "Base period" means the four taxable years  
4 immediately preceding the computation year.

5 e. "Base period year" means any of the four tax-  
6 able years immediately preceding the computation year.

7 f. "Joint return" means the return of a husband  
8 and wife made under section eight (8) of this Act.

9 g. "Eligible individual" means any individual  
10 who is a citizen or resident of the United States  
11 throughout the computation year.

12 3. The base period income for any taxable year  
13 is the state taxable income for such year.

14 4. For purposes of this section, an individual  
15 shall not be an eligible individual for the computation  
16 year if, at any time during such year or the base  
17 period, such individual was a nonresident alien or  
18 not a resident of this state.

19 5. An individual shall not be an eligible  
20 individual for the computation year if, for any base  
21 period year, such individual and spouse furnished  
22 less than one-half of the individual's support.

23 However, this subsection shall not apply to any  
24 computation year if any of the following are true:

25 a. Such year ends after the individual attained  
26 age twenty-five and, during at least four of his tax-  
27 able years beginning after he attained age twenty-  
28 one and ending with his computation year, he was not  
29 a full-time student.

30 b. More than one-half of the individual's state  
31 taxable income for the computation year is attributable  
32 to work performed by him in substantial part during  
33 two or more of the base period years.

34 c. The individual makes a joint return for the  
35 computation year and not more than twenty-five percent  
36 of the aggregate state adjusted gross income of such  
37 individual and his spouse for the computation year  
38 is attributable to such individual.

39 6. For purposes of this section, "student" means,  
40 with respect to a taxable year, an individual who  
41 during each of five calendar months during such tax-  
42 able year was a full-time student at an educational  
43 institution as defined in section one hundred fifty-  
44 one (151), subsection e, paragraph four (4), of the  
45 Internal Revenue Code or was pursuing a full-time  
46 course of institutional on-farm training under the  
47 supervision of an accredited agent of an educational  
48 institution as defined in section one hundred fifty-  
49 one (151), subsection e, paragraph four (4), of the  
50 Internal Revenue Code or of a state or political

1 subdivision of a state.

2 7. This subsection shall apply to the taxable  
3 year only if the taxpayer chooses to have the benefits  
4 of this subsection for such taxable year. Such choice  
5 may be made or changed at any time before the  
6 expiration of the period prescribed for making a claim  
7 for credit or refund of the tax imposed by this Act  
8 for the taxable year.

9 8. If the taxpayer chooses the benefits of this  
10 part for the taxable year, the provisions relating  
11 to the alternative capital gains tax and the ten  
12 percent maximum rate on earned income shall not apply  
13 to him for such year.

14 Sec. \_\_\_\_ . NEW SECTION. TEN PERCENT MAXIMUM RATE  
15 ON EARNED INCOME.

16 1. If for any taxable year an individual has  
17 earned state taxable income which exceeds the amount  
18 of state taxable income specified in paragraph a of  
19 this subsection, the tax imposed by section three  
20 (3) of this Act for such year shall, unless the  
21 taxpayer chooses the benefits of sections one thousand  
22 three hundred one (1301) through one thousand three  
23 hundred four (1304) of the Internal Revenue Code, .  
24 be the sum of:

25 a. The tax imposed by section three (3) of this  
26 Act on the lowest amount of taxable income on which  
27 the rate of tax under section three (3) of this Act  
28 exceeds ten percent.

29 b. Ten percent of the amount by which his earned  
30 state taxable income exceeds the lowest amount of  
31 taxable income on which the rate of tax under section  
32 three (3) of this Act exceeds ten percent.

33 c. The excess of the tax computed under section  
34 three (3) of this Act without regard to this section  
35 over the tax so computed with reference solely to  
36 his earned taxable income.

37 2. For purposes of this section, "earned income"  
38 means any income which is earned income within the  
39 meaning of sections four hundred one (401), subsection  
40 c, paragraph two (2), subparagraph c or section nine  
41 hundred eleven (911), subsection b, of the Internal  
42 Revenue Code, except that such term does not include  
43 any distribution to which section seventy-two (72),  
44 subsection m, paragraph five (5), section four hundred  
45 two (402), subsection a, paragraph two (2), section  
46 four hundred two (402), subsection e, or section four  
47 hundred three (403), subsection a, paragraph two (2),  
48 subparagraph A, of the Internal Revenue Code applies  
49 or any deferred compensation within the meaning of  
50 section four hundred four (404) of the Internal Revenue

1 Code. For purposes of this subsection, deferred  
2 compensation does not include any amount received  
3 before the end of the taxable year following the first  
4 taxable year of the recipient in which his right to  
5 receive such amount is not subject to a substantial  
6 risk of forfeiture within the meaning of section  
7 eighty-three (83), subsection c, paragraph one (1)  
8 of the Internal Revenue Code.

9 3. The earned state taxable income of an individual  
10 is the excess of the amount which bears the same  
11 ratio, but not in excess of one hundred percent, to  
12 his state taxable income as his earned net income  
13 bears to his state adjusted gross income, over the  
14 amount by which the greater of one-fifth of the sum  
15 of the taxpayer's items of tax preference referred  
16 to in section fifty-seven (57) of the Internal Revenue  
17 Code for the taxable year and the four preceding  
18 taxable years, or the sum of the items of tax  
19 preference for the taxable year, exceeds thirty  
20 thousand dollars. For purposes of this subsection,  
21 "earned net income" means earned income reduced by  
22 any deductions allowable under section three (3),  
23 subsection five (5) of this Act which are properly  
24 allocable to or chargeable against such earned income.

25 4. This section shall apply to a married individual  
26 only if such individual and spouse make a single  
27 return jointly for the taxable year."

28 9. Page 12, line 4, by inserting before the word  
29 "adjusted" the word "state".

30 10. Page 12, line 6, by inserting before the word  
31 "adjusted" the word "state".

32 11. Page 12, line 9, by inserting before the word  
33 "adjusted" the word "state".

34 12. Page 12, lines 11, by inserting before the  
35 word "adjusted" the word "state".

36 13. Page 12, line 13, by inserting before the  
37 word "adjusted" the word "state".

38 14. Page 12, line 19, by inserting before the  
39 word "adjusted" the word "state".

40 15. Page 12, line 20, by inserting before the  
41 word "adjusted" the word "state".

42 16. Page 12, line 21, by inserting after the  
43 period the words "This section shall apply except  
44 to the tax imposed on items of tax preference as  
45 defined in section fifty-seven (57) of the Internal  
46 Revenue Code and subject to tax under this Act."

47 17. Page 12, line 31, by inserting after the word  
48 "state" the words "except that annuities, interest  
49 on bank deposits and interest bearing obligations,  
50 and dividends shall be allocated to Iowa only to the

1 extent to which the same are derived from a business,  
2 trade, profession or occupation carried on within  
3 the state of Iowa. However, income received by an  
4 individual who is a resident of another state shall  
5 not be allocated to Iowa if the income is subject  
6 to an income tax imposed by the state where the  
7 individual resides, and if the state of residence  
8 allows a similar exclusion for income received in  
9 that state by residents of Iowa. The director shall  
10 designate the states which allow a similar exclu-  
11 sion for income received by residents of Iowa, and  
12 may enter into agreements with other states to provide  
13 that similar exclusions will be allowed, and to provide  
14 suitable withholding requirements in each state, in  
15 order to implement the exclusions."

16 18. Page 13, line 8, by adding after the word  
17 "of" the word "state".

18 19. Page 14, by inserting after the period in  
19 line 19 the words "The director may include in the  
20 information and instructions prepared to assist a  
21 taxpayer in preparing a state income tax return the  
22 information that the state income tax liability is  
23 twenty percent of the federal income tax liability  
24 with such adjustments as may be provided by law."

25 20. Page 15, by inserting after line 14 the fol-  
26 lowing new section:

27 "Sec. \_\_\_\_\_. Section ninety-seven A point twelve  
28 (97A.12), Code 1975, is amended to read as follows:

29 97A.12 EXEMPTION FROM TAXATION AND EXECUTION.  
30 The right of any person to a pension, annuity, or  
31 retirement allowance, to the return of contributions,  
32 the pension, annuity, or retirement allowance itself,  
33 any optional benefit or death benefit, any other right  
34 accrued or accruing to any person under the provi-  
35 sions of this chapter, and the moneys in the various  
36 funds created under this chapter, are hereby exempt  
37 from any tax of the state to the extent provided in  
38 chapter four hundred twenty-two (422) of the Code  
39 and shall not be subject to execution, garnishment,  
40 attachment, or any other process whatsoever, and shall  
41 be unassignable except as in this chapter specifically  
42 provided."

43 21. Page 15, line 20, by inserting after the word  
44 "owner's" the word "state".

45 22. Page 15, line 20 and 21, by striking the words  
46 "as determined for federal income tax purposes" and  
47 inserting in lieu thereof the words "as defined in  
48 section two (2) of this Act".

49 23. Page 15, by inserting after line 26 the follow-  
50 ing new section:

1 "Sec. \_\_\_\_ . Section four hundred eleven point thir-  
2 teen (411.13), Code 1975, is amended to read as  
3 follows:

4 411.13 EXEMPTION FROM TAX AND EXECUTION. The  
5 right of any person to a pension, annuity, or  
6 retirement allowance, to the return of contributions,  
7 the pension, annuity, or retirement allowance itself,  
8 any optional benefit or death benefit, any other right  
9 accrued or accruing to any person under the provisions  
10 of this chapter, and the moneys in the various funds  
11 created under this chapter, are hereby exempt from  
12 any tax of the state to the extent provided in chapter  
13 four hundred twenty-two (422) of the Code and shall  
14 not be subject to execution, garnishment, attachment,  
15 or any other process whatsoever, and shall be  
16 unassignable except as in this chapter specifically  
17 provided."

18 24. Page 17, lines 10 through 13, by striking  
19 the words "~~en-er-before-the-last-day-of-the-fourth~~  
20 ~~month-of-the-taxpayer's-tax-year-for-which-such~~  
21 ~~declaration-is-filed~~ at the same time as the Iowa  
22 income tax return for the same taxable year" and  
23 inserting in lieu thereof the words "on or before  
24 the last day of the fourth month of the taxpayer's  
25 tax year for which such declaration is filed".

26 25. Page 19, by inserting in line 35 before the  
27 word "adjusted" the word "state".

28 26. Page 19, line 35, by striking the words ",  
29 as determined for" and inserting in lieu thereof the  
30 words "as defined in section two (2) of this Act".

31 27. Page 20, line 1, by striking the words "federal  
32 income tax purposes,".

33 28. Page 20, line 2, by striking the word "federal"  
34 and inserting in lieu thereof the word "state".

35 29. Page 21, lines 8 and 9, by striking the words  
36 "in adjusted gross income as determined for federal  
37 income tax purposes," and inserting in lieu there-  
38 of the words "in state adjusted gross income as defined  
39 in section two (2) of this Act,"

H-3751 FILED - *Adopted as amended by* BY COMMITTEE ON WAYS AND MEANS  
MAY 5, 1975 *3753, 3754, 3756, 3761, 3764* NORLAND of Worth, Chairman  
*5/6 (p. 1591)*

H-3711

1 Amend House File 764 by striking from page 8,  
2 lines 7 through 35, and from page 9, lines 1 through  
3 23, and inserting in lieu thereof the following:  
4 "Not over \$500.....2.3% of the tax-  
5 able income.  
6 Over \$500 but not over \$1,000.....\$12, plus 2.5%  
7 of excess over  
8 \$500.  
9 Over \$1,000 but not over \$1,500.....\$24, plus 2.7%  
10 of excess over  
11 \$1,000.  
12 Over \$1,500 but not over \$2,000.....\$38, plus 2.8%  
13 of excess over  
14 \$1,500.  
15 Over \$2,000 but not over \$4,000.....\$52, plus 3.2%  
16 of excess over  
17 \$2,000.  
18 Over \$4,000 but not over \$6,000.....\$115, plus 3.7%  
19 of excess over  
20 \$4,000.  
21 Over \$6,000 but not over \$8,000.....\$188, plus 4.2%  
22 of excess over  
23 \$6,000.  
24 Over \$8,000 but not over \$10,000.....\$272, plus 4.7%  
25 of excess over  
26 \$8,000.  
27 Over \$10,000 but not over \$12,000...\$365, plus 5.3%  
28 of excess over  
29 \$10,000.  
30 Over \$12,000 but not over \$14,000...\$472, plus 6% of  
31 excess over  
32 \$12,000.  
33 Over \$14,000 but not over \$16,000...\$592, plus 6.5%  
34 of excess over  
35 \$14,000.  
36 Over \$16,000 but not over \$18,000...\$722, plus 7% of  
37 excess over  
38 \$16,000.  
39 Over \$18,000 but not over \$20,000...\$862, plus 7.5%  
40 of excess over  
41 \$18,000.  
42 Over \$20,000 but not over \$22,000...\$1,012, plus 8%  
43 of excess over  
44 \$20,000.  
45 Over \$22,000 but not over \$26,000...\$1,172, plus 8.3%  
46 of excess over  
47 \$22,000.  
48 Over \$26,000 but not over \$32,000...\$1,505, plus 8.8%  
49 of excess over  
50 \$26,000.

1	Over \$32,000 but not over \$38,000...	\$2,035, plus 9.2%
2		of excess over
3		\$32,000.
4	Over \$38,000 but not over \$44,000...	\$2,585, plus 9.7%
5		of excess over
6		\$38,000.
7	Over \$44,000 but not over \$50,000...	\$3,165, plus 10%
8		of excess over
9		\$44,000.
10	Over \$50,000 but not over \$60,000...	\$3,765, plus 10.3%
11		of excess over
12		\$50,000.
13	Over \$60,000 but not over \$70,000...	\$4,798, plus 10.7%
14		of excess over
15		\$60,000.
16	Over \$70,000 but not over \$80,000...	\$5,865, plus 11%
17		of excess over
18		\$70,000.
19	Over \$80,000 but not over \$90,000...	\$6,965, plus 11.3%
20		of excess over
21		\$80,000.
22	Over \$90,000 but not over \$100,000...	\$8,098, plus 11.5%
23		of excess over
24		\$90,000.
25	Over \$100,000.....	\$9,248, plus 11.7%
26		of excess over
27		\$100,000."

H-3711 FILED - *Lost 5/6 (1596)*  
APRIL 30, 1975

BY EGENES of Story  
JUNKER of Woodbury  
BENNETT of Ida  
CLARK of Lee  
DANKER of Pottawattamie

H-3710

1 Amend House File 764 by striking from page 6,  
2 lines 21 through 35, and from page 7, lines 1 through  
3 34, and inserting in lieu thereof the following:  
4 "Not over \$500.....2.3% of the  
5 taxable in-  
6 come.  
7 Over \$500 but not over \$1,000.....\$12, plus 2.5%  
8 of excess over  
9 \$500.  
10 Over \$1,000 but not over \$1,500.....\$24, plus 2.7%  
11 of excess over  
12 \$1,000.  
13 Over \$1,500 but not over \$2,000.....\$38, plus 2.8%  
14 of excess over  
15 \$1,500.  
16 Over \$2,000 but not over \$4,000.....\$52, plus 3.2%  
17 of excess over  
18 \$2,000.  
19 Over \$4,000 but not over \$6,000.....\$115, plus 3.5%  
20 of excess over  
21 \$4,000.  
22 Over \$6,000 but not over \$8,000.....\$185, plus 4% of  
23 excess over  
24 \$6,000.  
25 Over \$8,000 but not over \$10,000.....\$265, plus 4.2%  
26 of excess over  
27 \$8,000.  
28 Over \$10,000 but not over \$12,000.....\$348, plus 4.5%  
29 of excess over  
30 \$10,000.  
31 Over \$12,000 but not over \$14,000.....\$438, plus 4.8%  
32 of excess over  
33 \$12,000.  
34 Over \$14,000 but not over \$16,000.....\$535, plus 5.2%  
35 of excess over  
36 \$14,000.  
37 Over \$16,000 but not over \$18,000.....\$638, plus 5.7%  
38 of excess over  
39 \$16,000.  
40 Over \$18,000 but not over \$20,000.....\$752, plus 6% of  
41 excess over  
42 \$18,000.  
43 Over \$20,000 but not over \$22,000.....\$872, plus 6.3%  
44 of excess over  
45 \$20,000.  
46 Over \$22,000 but not over \$26,000.....\$998, plus 6.7%  
47 of excess over  
48 \$22,000.  
49 Over 26,000 but not over \$32,000.....\$1,265, plus 7.5%  
50 of excess over

1		\$26,000.
2	Over \$32,000 but not over \$38,000....	\$1,715, plus
3		8.3% of excess
4		over \$32,000.
5	Over \$38,000 but not over \$44,000....	\$2,215, plus
6		9.2% of excess
7		over \$38,000.
8	Over \$44,000 but not over \$50,000....	\$2,765, plus
9		10% of excess
10		over \$44,000.
11	Over \$50,000 but not over \$60,000....	\$3,365, plus
12		10.3% of excess
13		over \$50,000.
14	Over \$60,000 but not over \$70,000....	\$4,398, plus
15		10.7% of excess
16		over \$60,000.
17	Over \$70,000 but not over \$80,000....	\$5,465, plus
18		11% of excess
19		over \$70,000.
20	Over \$80,000 but not over \$90,000....	\$6,565, plus
21		11.3% of excess
22		over \$80,000.
23	Over \$90,000 but not over \$100,000....	\$7,698, plus
24		11.5% of excess
25		over \$90,000.
26	Over \$100,000.....	\$8,848, plus
27		11.7% of excess
28		over \$100,000."

H-3710 FILED - *Lost 5/6 (1593)*  
APRIL 30, 1975

BY EGENES of Story  
JUNKER of Woodbury  
CRAWFORD of Story  
TAUKE of Dubuque  
BENNETT of Ida  
CLARK of Lee

H-3709

1 Amend House File 764 as follows:

2 1. By striking everything after the enacting  
3 clause and inserting in lieu thereof the following:

4 "Section 1. Section four hundred twenty-two point  
5 five (422.5), unnumbered paragraphs one (1) and two  
6 (2), Code 1975, are amended to read as follows:

7 A tax is hereby imposed upon every resident of  
8 the state, and upon that part of the taxable income  
9 of any nonresident which is derived from any property,  
10 trust, or other source within this state, including  
11 any business, trade, profession, or occupation carried  
12 on within this state, which tax shall be levied,  
13 collected, and paid annually upon and with respect  
14 to his entire taxable income as herein defined at  
15 rates as follows:

16 1. On the first one thousand dollars of taxable  
17 income, or any part thereof, three-fourths of one  
18 percent.

19 2. On the second thousand dollars of taxable  
20 income, or any part thereof, one and one-half percent.

21 3. On the third thousand dollars of taxable income,  
22 or any part thereof, three percent.

23 4. On the fourth thousand dollars of taxable  
24 income, or any part thereof, four percent.

25 5. On the fifth, sixth, and seventh thousand  
26 dollars of taxable income, or any part thereof, five  
27 percent.

28 6. On the eighth and ninth thousand dollars of  
29 taxable income, or any part thereof, six percent.

30 ~~7. On all taxable income over nine thousand~~  
31 ~~dollars, seven percent~~ On the tenth through the  
32 eighteenth thousand dollars of taxable income, or  
33 any part thereof, seven percent.

34 8. On the nineteenth through the twenty-fifth  
35 thousand dollars of taxable income, or any part  
36 thereof, eight percent.

37 9. On the twenty-sixth through the fiftieth  
38 thousand dollars of taxable income, or any part  
39 thereof, nine percent.

40 10. On the fifty-first through the one-hundredth  
41 thousand dollars of taxable income, or any part  
42 thereof, ten percent.

43 11. On all taxable income over one hundred thousand  
44 dollars, eleven percent.

45 However, no tax shall be imposed on any resident  
46 or nonresident whose net income, as defined in section  
47 422.7, is ~~four~~ five thousand dollars or less; but  
48 in the event that the payment of tax under this  
49 division would reduce the net income to less than  
50 ~~four~~ five thousand dollars, then the tax shall be

1 reduced to that amount which would result in allowing  
2 the taxpayer to retain a net income of ~~four~~ five  
3 thousand dollars. The preceding sentence does not  
4 apply to estates or trusts. For the purpose of this  
5 paragraph, the entire net income, including any part  
6 thereof not allocated to Iowa, shall be taken into  
7 account. If the combined net income of a husband  
8 and wife exceeds ~~four~~ five thousand dollars, neither  
9 of them shall receive the benefit of this paragraph,  
10 and it is immaterial whether they file a joint return  
11 or separate returns. An unmarried child under twenty-  
12 one years of age who is a dependent of his parent  
13 or parents as defined in section 422.12, shall not  
14 receive the benefit of this paragraph if such parent's  
15 net income exceeds ~~four~~ five thousand dollars or if  
16 the combined net income of such parents exceeds ~~four~~  
17 five thousand dollars.

18 Sec. 2. Section four hundred twenty-two point  
19 nine (422.9), Code 1975, is amended by striking  
20 subsection one (1) and inserting in lieu thereof the  
21 following:

22 1. An optional standard deduction to be allowed  
23 as follows:

24 a. For every married individual who makes a single  
25 return jointly with a spouse, an optional standard  
26 deduction of fifteen percent of the net income after  
27 deduction of federal income tax, not to exceed eleven  
28 hundred dollars.

29 b. For every individual who is single, an optional  
30 standard deduction of fifteen percent of the net  
31 income after deduction of federal income tax, not  
32 to exceed seven hundred fifty dollars.

33 c. For every married individual who does not make  
34 a single return jointly with a spouse, an optional  
35 standard deduction of fifteen percent of the net  
36 income after deduction of the federal income tax,  
37 not to exceed seven hundred fifty dollars.

38 Sec. 3. Sections one (1) and two (2) of this Act  
39 shall be retroactive to January 1, 1975, for all  
40 taxable years commencing on or after January 1, 1975,  
41 and to this extent sections one (1) and two (2) of  
42 this Act are retroactive."

43 2. Amend the title by striking lines 2 through  
44 7 and inserting in lieu thereof the words "change  
45 in the Iowa individual income tax rates, exemptions  
46 and deductions, and making the Act retroactive".

H-3709 FILED - *Lost 5/2 (15 75)*  
APRIL 30, 1975

BY EGENES of Story  
HARVEY of Scott  
JUNKER of Woodbury  
GENTLEMAN of Polk  
DANKER of Pottawattamie

H-3663

Amend House File 764 as follows:

1. By striking everything after the enacting clause and inserting in lieu thereof the following:  
 "Section 1. Section four hundred twenty-two point five (422.5), unnumbered paragraphs one (1) and two (2), Code 1975, are amended to read as follows:

A tax is hereby imposed upon every resident of the state, and upon that part of the taxable income of any nonresident which is derived from any property, trust, or other source within this state, including any business, trade, profession, or occupation carried on within this state, which tax shall be levied, collected, and paid annually upon and with respect to his entire taxable income as herein defined at rates as follows:

1. On the first one thousand dollars of taxable income, or any part thereof, three-fourths of one percent.

2. On the second thousand dollars of taxable income, or any part thereof, one and one-half percent.

3. On the third thousand dollars of taxable income, or any part thereof, three percent.

4. On the fourth thousand dollars of taxable income, or any part thereof, four percent.

5. On the fifth, sixth, and seventh thousand dollars of taxable income, or any part thereof, five percent.

6. On the eighth and ninth thousand dollars of taxable income, or any part thereof, six percent.

~~7. On all taxable income over nine thousand dollars, seven percent~~ On the tenth through the twentieth thousand dollars of taxable income, or any part thereof, seven percent.

8. On the twenty-first through the thirtieth thousand dollars of taxable income, or any part thereof, eight percent.

9. On the thirty-first through the fiftieth thousand dollars of taxable income, or any part thereof, nine percent.

10. On the fifty-first through the one-hundredth thousand dollars of taxable income, or any part thereof, ten percent.

11. On all taxable income over one hundred thousand dollars, eleven percent.

However, no tax shall be imposed on any resident or nonresident whose net income, as defined in section 422.7, is ~~four~~ five thousand dollars or less; but in the event that the payment of tax under this division would reduce the net income to less than ~~four~~ five thousand dollars, then the tax shall be

1 reduced to that amount which would result in allowing  
2 the taxpayer to retain a net income of ~~four~~ five  
3 thousand dollars. The preceding sentence does not  
4 apply to estates or trusts. For the purpose of this  
5 paragraph, the entire net income, including any part  
6 thereof not allocated to Iowa, shall be taken into  
7 account. If the combined net income of a husband  
8 and wife exceeds ~~four~~ five thousand dollars, neither  
9 of them shall receive the benefit of this paragraph,  
10 and it is immaterial whether they file a joint return  
11 or separate returns. An unmarried child under twenty-  
12 one years of age who is a dependent of his parent  
13 or parents as defined in section 422.12, shall not  
14 receive the benefit of this paragraph if such parent's  
15 net income exceeds ~~four~~ five thousand dollars or if  
16 the combined net income of such parents exceeds ~~four~~  
17 five thousand dollars.

18 Sec. 2. Section four hundred twenty-two point  
19 nine (422.9), subsection one (1), Code 1975, is amended  
20 to read as follows:

21 1. An optional standard deduction of ~~ten~~ fifteen  
22 percent of the net income after deduction of federal  
23 income tax, not to exceed five seven hundred fifty  
24 dollars.

25 Sec. 3. The provisions of this Act shall be retro-  
26 active to January 1, 1975, for all taxable years  
27 commencing on or after January 1, 1975, and to this  
28 extent the provisions of this Act are retroactive."

29 2. Amend the title by striking lines 2 through  
30 7 and inserting in lieu thereof the words "change  
31 in Iowa individual income tax rates, exemptions and  
32 deductions, subject to penalties provided by law,  
33 and making the Act retroactive."

FISCAL NOTE  
HOUSE FILE 764

Date Prepared May 5, 1975

Requested by Representative Egenes

Prepared in regard to amendment H-3710 to H.F. 764, An Act relating to Iowa Income Tax. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16:

The fiscal impact of amendment 3710 would be a decrease in revenues of approximately \$13.7 million when compared to revenues from 1973 tax returns. When compared to the original version of House File 764 the fiscal impact would be a decrease of approximately \$6.2 million

Under this proposal the percentage of federal is expected to grow at a faster rate because of the more progressive tax rates. Therefore, future tax receipts will increase and will not show as great a tax loss as in the first year of implementation.

Source: Department of Revenue

FILED  
MAY 6, 1975

GERRY D. RANKIN  
Legislative Fiscal Director

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Amend House File 764 as follows:

1. Page 13, by inserting after line 12, the following new section:

Sec. 5. NEW SECTION. INFLATION CORRECTION FACTOR.

1. On or before October 31 in each calendar year the director shall establish an inflation correction factor to be applied to income tax liabilities calculated for that calendar year under sections three (3) and four (4) of this Act.

2. In calculating the correction factor, the director shall first establish an effective inflation rate for consumer prices for the calendar year based on price movements for the twelve month period ending September 30 of that year. The basis for the determination shall be the consumer price index published by the United States Bureau of Labor Statistics. The effective inflation rate shall be expressed as a percentage, either positive or negative.

3. Based on the effective inflation rate, the director shall calculate an inflation correction factor expressed as a percentage. The factor shall be calculated by dividing 10,000 by the sum of 100 plus the cumulative total of the effective inflation rates established for all tax years this Act has been in effect. In no instance shall the factor adopted exceed 100%.

4. Taxes calculated under sections three (3) and four (4) of this Act shall be multiplied by the inflation correction factor to determine taxes due. Taxpayers using a tax year other than the calendar year shall use a weighted average inflation correction factor based on the factors established by the director for each of the two applicable calendar years.

2. By renumbering the remaining sections.

H-3636 FILED - *Lost 5/7(1627)*  
APRIL 23, 1975

BY EVANS of Grundy  
VARLEY of Adair  
KREAMER of Polk  
NEALSON of Muscatine  
HALVORSON of Clayton  
BITTLE of Polk  
BRANSTAD of Winnebago

H-3749

- 1 Amend House File 764 as follows:  
2 1. Page 12, line 4, by striking the word "four"  
3 and inserting in lieu thereof the word "six".  
4 2. Page 12, line 6, by striking the word "four"  
5 and inserting in lieu thereof the word "six".  
6 3. Page 12, line 9, by striking the word "four"  
7 and inserting in lieu thereof the word "six".  
8 4. Page 12, line 14, by striking the word "four"  
9 and inserting in lieu thereof the word "six".  
10 5. Page 12, line 19, by striking the word "four"  
11 and inserting in lieu thereof the word "six".  
12 6. Page 12, line 21, by striking the word "four"  
13 and inserting in lieu thereof the word "six".

H-3749 FILED - *Lat 5/7 (1625)*  
MAY 5, 1975

BY BENNETT of Ida  
TAUKE of Dubuque  
TOFTE of Winneshiek

FISCAL NOTE  
HOUSE FILE 764

Date Prepared May 5, 1975

Requested by Representative Egenes

Prepared in regard to amendment H-3710 to H.F. 764, An Act relating to Iowa Income Tax. Following is the fiscal effect in dollars of the legislative proposal as required by Joint Rule 16:

The fiscal impact of amendment 3710 would be a decrease in revenues of approximately \$13.7 million when compared to revenues from 1973 tax returns. When compared to the original version of House File 764 the fiscal impact would be a decrease of approximately \$6.2 million

Under this proposal the percentage of federal is expected to grow at a faster rate because of the more progressive tax rates. Therefore, future tax receipts will increase and will not show as great a tax loss as in the first year of implementation.

Source: Department of Revenue

FILED  
MAY 6, 1975

GERRY D. RANKIN  
Legislative Fiscal Director

H-3755

1 Amend the Egenes et al. amendment, H-3709, to  
 2 House File 764, page 2, by inserting after line 17  
 3 the following new section:  
 4 "Sec. \_\_\_\_ . Section four hundred twenty-two point  
 5 five (422.5), Code 1975, is amended by adding the  
 6 following new unnumbered paragraph:  
 7 NEW UNNUMBERED PARAGRAPH. Notwithstanding the  
 8 provisions of this section, each taxpayer subject  
 9 to the tax imposed by this section shall be subject  
 10 to a minimum tax computed on the adjusted gross  
 11 income in excess of twenty thousand dollars as  
 12 properly computed for federal income tax purposes  
 13 under the Internal Revenue Code of 1954 at rates  
 14 as follows:  
 15 1. On the first twenty thousand dollars of  
 16 adjusted gross income, one-half of one percent.  
 17 2. On the twenty-first through the thirtieth  
 18 thousand dollars of adjusted gross income, or any  
 19 part thereof, one percent.  
 20 3. On the thirty-first through the fortieth  
 21 thousand dollars of adjusted gross income, or any  
 22 part thereof, one and one-half percent.  
 23 4. On all adjusted gross income over forty  
 24 thousand dollars, two percent."

H-3755 FILED, ADOPTED (1574)  
 MAY 6, 1975

BY EGENES of Story

H-3753

1 Amend the Committee on Ways and Means amendment  
 2 H-3751 to pages 10, 11 and 12 of House File 764 as  
 3 follows:  
 4 1. Page 3, by striking lines 23 through 34 and  
 5 inserting in lieu thereof the following:  
 6 "f. Deduct the amount of benefits received under  
 7 the Iowa public employees retirement system for any  
 8 taxable year beginning on or after January 1, 1981,  
 9 and the amount of benefits received under the federal  
 10 civil service employees retirement annuities system,  
 11 the state peace officers retirement system, and the  
 12 state retirement system for policemen and firemen,  
 13 to the extent any of these benefits are included in  
 14 taxable income, subject to a maximum deduction equal  
 15 to the difference between the maximum amount of  
 16 federal social security benefits available to any  
 17 eligible person on July first of the taxable year,  
 18 other than special benefits under supplementary  
 19 security income, and any federal railroad retirement".  
 20 2. Page 3, line 36, by inserting after the period  
 21 the words "However, the deduction of benefits re-  
 22 ceived under the federal civil service employees  
 23 retirement annuities system does not apply to a  
 24 person who is less than sixty-two years of age un-  
 25 less the person is disabled."

H-3753 FILED, WITHDRAWN (1589)  
 MAY 6, 1975

BY SPEAR of Lee

H-3664

1 Amend House File 764, page 12, by inserting after  
2 line 1 the following new subsection:  
3 "14. If a taxpayer claims a credit for the in-  
4 vestment tax credit as provided in section forty-  
5 six (46) of the Internal Revenue Code against the  
6 taxpayer's federal income tax liability for the  
7 taxable year, the taxpayer shall be entitled to a  
8 credit against the taxpayer's Iowa income tax  
9 liability for the taxable year in an amount equal  
10 to twenty percent of the investment tax credit  
11 allowed against the taxpayer's federal income tax  
12 liability."

H-3664 FILED - *Withdrawn 5/6 (1596)*  
APRIL 25, 1975

BY WEST of Marshall  
BRANSTAD of Winnebago  
READINGER of Polk  
JORDAN of Linn  
BITTLE of Polk  
EVANS of Grundy  
SCHROEDER of Pottawattamie  
BENNETT of Ida  
CLARK of Lee  
KREAMER of Polk  
WELDEN of Hardin  
MCELROY of Fremont  
LINDEEN of Henry  
PELLETT of Cass  
MILLEN of Van Buren  
LIPSKY of Linn  
TOFTE of Winneshiek  
GENTLEMAN of Polk  
STROMER of Hancock  
HALVORSON of Clayton  
HANSEN of O'Brien  
WULFF of Black Hawk  
DEN HERDER of Sioux  
HARVEY of Scott  
DANKER of Pottawattamie  
STEPHENS of Plymouth  
MENKE of O'Brien  
NEALSON of Muscatine  
DAGGETT of Adams  
BORTELL of Madison  
DRAKE of Muscatine  
WYCKOFF of Benton  
CRABB of Crawford  
JUNKER of Woodbury  
FULLERTON of Woodbury  
LAGESCHULTE of Bremer

HOUSE FILE 764

By COMMITTEE ON WAYS AND MEANS

(As Amended and Passed by the House)

Passed House, Date 5-7-75 Passed Senate, Date 6-4-75 (1752)

Vote: Ayes 61 Nays 27 Vote: Ayes 29 Nays 20

Approved 7-16-75

*Passed House per Second  
Conference Committee Report  
6-20-75 (2726)  
60-35*

*Motion to reamend tabled 5-4 (1752)  
Passed Senate per Second Conference Committee  
6-19-75 (2227)*

### A BILL FOR

*28-20*

1 An Act relating to the Iowa income tax by providing a  
2 simplified reporting form for Iowa individual income  
3 taxpayers, making changes in Iowa individual income  
4 tax rates, exemptions, and administrative requirements,  
5 providing for reporting of additional corporate income  
6 tax information, adopting penalties, making necessary  
7 corrective amendments and making the Act retroactive.

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

9 *Conference Committee Appointed*  
10 *Representatives Menninga (Chm.), Svoboda, Anderson, Egner, Harvey 6/10 (2293)*  
11 *Senators Jenkins (Chm.), Culver, Plymat, Schwengel, Van Gild 6/10 (1850)*

12 *Second Conference Committee*  
13 *Representatives Norland (Chm.) Lines, Ken Miller, Readinger, Hart 6/10 (2304)*  
14 *Senators Rodgers (Chm.), Halting, Gluba, Phil Hill, DeKoster 6/10 (1884)*

15  
16 House Amendments \_\_\_\_\_  
17  
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1 Section 1. Chapter four hundred twenty-two (422), Code  
2 1975, is amended by striking sections four hundred twenty-  
3 two point four (422.4) through four hundred twenty-two point  
4 fourteen (422.14), inclusive, and inserting in lieu thereof  
5 sections two (2) through fifteen (15), inclusive, of this Act.

6 Sec. 2. NEW SECTION. DEFINITIONS. As used in this  
7 division, unless the context otherwise requires:

8 1. "Person" means an individual and a fiduciary.

9 2. "Individual" means a natural person.

10 3. "Fiduciary" means a guardian, trustee, executor, ad-  
11 ministrators, receiver, or conservator.

12 4. "Internal Revenue Code" means the United States In-  
13 ternal Revenue Code of 1954, Title twenty-six (26), United  
14 States Code, and the applicable regulations of the Internal  
15 Revenue Service, as amended to and including April 30, 1975.

16 5. "Taxable income" means "taxable income" as defined  
17 in section sixty-three (63) of the Internal Revenue Code,  
18 computed in accordance with all applicable provisions of  
19 subtitle A of chapter one (1) of the Internal Revenue Code.

20 6. "Adjusted gross income" means "adjusted gross income"  
21 as defined in section sixty-two (62) of the Internal Revenue  
22 Code.

23 7. "State taxable income" means taxable income as de-  
24 defined in this section with any adjustments allowed under sec-  
25 tion three (3) of this Act.

26 8. "State adjusted gross income" means adjusted gross  
27 income with any adjustments allowed under section three (3),  
28 subsection five (5), paragraphs a, c, d, e, and f.

29 9. "Resident" means an individual who is domiciled in  
30 the state or who maintains a permanent place of abode within  
31 the state.

32 10. "Resident estate or trust" means:

33 a. The estate of a decedent who at his death was domiciled  
34 in this state.

35 b. A trust created by will of a decedent who at his death

1 was domiciled in this state, or

2 c. A trust created during the lifetime of the donor where  
3 the trust assets and principal office of the trustees are  
4 located in this state.

5 11. "Employer" means and includes one who has a right  
6 to exercise control as to how, when, and where services are  
7 to be performed.

8 12. "Withholding agent" means any individual, fiduciary,  
9 estate, trust, corporation, partnership or association in  
10 whatever capacity acting and including all officers and  
11 employees of the state of Iowa, or any municipal corpora-  
12 tion of the state of Iowa and of any school district or school  
13 board of the state, or of any political subdivision of the  
14 state of Iowa, or any tax-supported unit of government that  
15 is obligated to pay or has control of paying or does pay to  
16 any resident or nonresident of the state of Iowa or his agent  
17 any wages that are subject to the Iowa income tax in the hands  
18 of such resident or nonresident, or any of the above-designated  
19 entities making payment or having control of making such  
20 payment of any taxable Iowa income to any nonresident.

21 13. "Wages" means the same as defined in section three  
22 thousand four hundred one, subsection a (3401a) of the In-  
23 ternal Revenue Code.

24 14. "Other person", when used in relation to withholding  
25 tax, means any person properly empowered to act on behalf  
26 of an individual payee.

27 15. "Paid" means "paid or accrued" or "paid or incurred"  
28 and shall be construed according to the method of accounting  
29 which is used for the computation of income.

30 16. "Received" means "received" or "accrued", according  
31 to the method of accounting which is used for the computation  
32 of income.

33 17. Any term not otherwise defined has the same meaning  
34 as when used in a comparable context in the Internal Revenue  
35 Code.

Sec. 3. NEW SECTION. IMPOSITION-RATES.

1  
2 1. Subject to section **nine (9)** of this Act, an Iowa in-  
3 come tax determined in accordance with the following table  
4 is imposed on the taxable income of every married individual  
5 who makes a single return jointly with his spouse and every  
6 surviving spouse:

7 If the state taxable income in a taxable  
8 year is: The tax is:

9 Not over \$1,000.....	2.8% of the taxable income.
10 Over \$1,000 but not over \$2,000.....	\$28, plus 3% of excess 11 over \$1,000.
12 Over \$2,000 but not over \$3,000.....	\$58, plus 3.2% of excess 13 over \$2,000.
14 Over \$3,000 but not over \$4,000.....	\$90, plus 3.4% of excess 15 over \$3,000.
16 Over \$4,000 but not over \$8,000.....	\$124, plus 3.8% of excess 17 over \$4,000.
18 Over \$8,000 but not over \$12,000.....	\$276, plus 4.4% of excess 19 over \$8,000.
20 Over \$12,000 but not over \$16,000....	\$452, plus 5% of excess 21 over \$12,000.
22 Over \$16,000 but not over \$20,000....	\$652, plus 5.6% of excess 23 over \$16,000.
24 Over \$20,000 but not over \$24,000....	\$876, plus 6.4% of excess 25 over \$20,000.
26 Over \$24,000 but not over \$28,000....	\$1,132, plus 7.2% of excess 27 over \$24,000.
28 Over \$28,000 but not over \$32,000....	\$1,420, plus 7.8% of excess 29 over \$28,000.
30 Over \$32,000 but not over \$36,000....	\$1,732, plus 8.4% of excess 31 over \$32,000.
32 Over \$36,000 but not over \$40,000....	\$2,068, plus 9% of excess 33 over \$36,000.
34 Over \$40,000 but not over \$44,000....	\$2,428, plus 9.6% of excess 35 over \$40,000.

1	Over \$44,000 but not over \$52,000....	\$2,812, plus 10% of excess
2		over \$44,000.
3	Over \$52,000 but not over \$64,000....	\$3,612, plus 10.6% of excess
4		over \$52,000.
5	Over \$64,000 but not over \$76,000....	\$4,884, plus 11% of excess
6		over \$64,000.
7	Over \$76,000 but not over \$88,000....	\$6,204, plus 11.6% of excess
8		over \$76,000.
9	Over \$88,000 but not over \$100,000...	\$7,596, plus 12% of excess
10		over \$88,000.
11	Over \$100,000 but not over \$120,000..	\$9,036, plus 12.4% of excess
12		over \$100,000.
13	Over \$120,000 but not over \$140,000..	\$11,516, plus 12.8% of excess
14		over \$120,000.
15	Over \$140,000 but not over \$160,000..	\$14,076, plus 13.2% of excess
16		over \$140,000.
17	Over \$160,000 but not over \$180,000..	\$16,716, plus 13.6% of excess
18		over \$160,000.
19	Over \$180,000 but not over \$200,000..	\$19,436, plus 13.8% of excess
20		over \$180,000.
21	Over \$200,000.....	\$22,196, plus 14% of excess
22		over \$200,000.

23 2. Subject to section nine (9) of this Act, an Iowa in-  
 24 come tax determined in accordance with the following table  
 25 is imposed on the taxable income of every individual who is  
 26 the head of a household:

27 If the state taxable income in a taxable  
 28 year is:

	The tax is:
29 Not over \$1,000.....	2.8% of the taxable income.
30 Over \$1,000 but not over \$2,000.....	\$28, plus 3.2% of excess
31	over \$1,000.
32 Over \$2,000 but not over \$4,000.....	\$60, plus 3.6% of excess
33	over \$2,000.
34 Over \$4,000 but not over \$6,000.....	\$132, plus 3.8% of excess
35	over \$4,000.

1	Over \$6,000 but not over \$8,000.....	\$208, plus 4.4% of excess
2		over \$6,000.
3	Over \$8,000 but not over \$10,000.....	\$296, plus 4.6% of excess
4		over \$8,000.
5	Over \$10,000 but not over \$12,000.....	\$388, plus 5% of excess
6		over \$10,000.
7	Over \$12,000 but not over \$14,000.....	\$488, plus 5.4% of excess
8		over \$12,000.
9	Over \$14,000 but not over \$16,000.....	\$596, plus 5.6% of excess
10		over \$14,000.
11	Over \$16,000 but not over \$18,000.....	\$708, plus 6.2% of excess
12		over \$16,000.
13	Over \$18,000 but not over \$20,000.....	\$832, plus 6.4% of excess
14		over \$18,000.
15	Over \$20,000 but not over \$22,000.....	\$960, plus 7% of excess
16		over \$20,000.
17	Over \$22,000 but not over \$24,000.....	\$1,100, plus 7.2% of excess
18		over \$22,000.
19	Over \$24,000 but not over \$26,000.....	\$1,244, plus 7.6% of excess
20		over \$24,000.
21	Over \$26,000 but not over \$28,000.....	\$1,396, plus 8.2% of excess
22		over \$26,000.
23	Over \$28,000 but not over \$32,000.....	\$1,560, plus 8.4% of excess
24		over \$28,000.
25	Over \$32,000 but not over \$36,000.....	\$1,896, plus 9% of excess
26		over \$32,000.
27	Over \$36,000 but not over \$38,000.....	\$2,256, plus 9.6% of excess
28		over \$36,000.
29	Over \$38,000 but not over \$40,000.....	\$2,448, plus 10.2% of excess
30		over \$38,000.
31	Over \$40,000 but not over \$44,000.....	\$2,652, plus 10.4% of excess
32		over \$40,000.
33	Over \$44,000 but not over \$50,000.....	\$3,068, plus 11% of excess
34		over \$44,000.
35	Over \$50,000 but not over \$52,000.....	\$3,728, plus 11.2% of excess

1		over \$50,000.
2	Over \$52,000 but not over \$64,000....	\$3,952, plus 11.6% of excess
3		over \$52,000.
4	Over \$64,000 but not over \$70,000....	\$5,344, plus 11.8% of excess
5		over \$64,000.
6	Over \$70,000 but not over \$76,000....	\$6,052, plus 12.2% of ex-
7		cess over \$70,000.
8	Over \$76,000 but not over \$80,000....	\$6,784, plus 12.4% of ex-
9		cess over \$76,000.
10	Over \$80,000 but not over \$88,000....	\$7,280, plus 12.6% of ex-
11		cess over \$80,000.
12	Over \$88,000 but not over \$100,000...	\$8,288, plus 12.8% of ex-
13		cess over \$88,000.
14	Over \$100,000 but not over \$120,000..	\$9,824, plus 13.2% of ex-
15		cess over \$100,000.
16	Over \$120,000 but not over \$140,000..	\$12,464, plus 13.4% of ex-
17		cess over \$120,000.
18	Over \$140,000 but not over \$160,000..	\$15,144, plus 13.6% of ex-
19		cess over \$140,000.
20	Over \$160,000 but not over \$180,000..	\$17,864, plus 13.8% of ex-
21		cess over \$160,000.
22	Over \$180,000.....	\$20,624, plus 14% of excess
23		over \$180,000.

24 3. Subject to section nine (9) of this Act, an Iowa income  
 25 tax determined in accordance with the following table is im-  
 26 posed on the taxable income of every individual who is not  
 27 a married individual, a surviving spouse, or the head of a  
 28 household:

29	If the <u>state</u> taxable income in a taxable	
30	year is:	The tax is:
31	Not over \$500.....	2.8% of the taxable income.
32	Over \$500 but not over \$1,000.....	\$14, plus 3% of excess over
33		\$500.
34	Over \$1,000 but not over \$1,500.....	\$29, plus 3.2% of excess
35		over \$1,000.

- 1 Over \$1,500 but not over \$2,000.....\$45, plus 3.4% of excess  
2 over \$1,500.
- 3 Over \$2,000 but not over \$4,000.....\$62, plus 3.8% of excess  
4 over \$2,000.
- 5 Over \$4,000 but not over \$6,000.....\$138, plus 4.2% of excess  
6 over \$4,000.
- 7 Over \$6,000 but not over \$8,000.....\$222, plus 4.8% of excess  
8 over \$6,000.
- 9 Over \$8,000 but not over \$10,000.....\$318, plus 5% of excess  
10 over \$8,000.
- 11 Over \$10,000 but not over \$12,000....\$418, plus 5.4% of excess  
12 over \$10,000.
- 13 Over \$12,000 but not over \$14,000....\$526, plus 5.8% of excess  
14 over \$12,000.
- 15 Over \$14,000 but not over \$16,000....\$642, plus 6.2% of excess  
16 over \$14,000.
- 17 Over \$16,000 but not over \$18,000....\$766, plus 6.8% of excess  
18 over \$16,000.
- 19 Over \$18,000 but not over \$20,000....\$902, plus 7.2% of excess  
20 over \$18,000.
- 21 Over \$20,000 but not over \$22,000....\$1,046, plus 7.6% of excess  
22 over \$20,000.
- 23 Over \$22,000 but not over \$26,000....\$1,198, plus 8% of excess  
24 over \$22,000.
- 25 Over \$26,000 but not over \$32,000....\$1,518, plus 9% of excess  
26 over \$26,000.
- 27 Over \$32,000 but not over \$38,000....\$2,058, plus 10% of excess  
28 over \$32,000.
- 29 Over \$38,000 but not over \$44,000....\$2,658, plus 11% of excess  
30 over \$38,000.
- 31 Over \$44,000 but not over \$50,000....\$3,318, plus 12% of excess  
32 over \$44,000.
- 33 Over \$50,000 but not over \$60,000....\$4,038, plus 12.4% of ex-  
34 cess over \$50,000.
- 35 Over \$60,000 but not over \$70,000....\$5,278, plus 12.8% of ex-

1					cess over \$60,000.
2	Over \$70,000 but not over \$80,000....	\$6,558,	plus 13.2%	of ex-	
3				cess	over \$70,000.
4	Over \$80,000 but not over \$90,000....	\$7,878,	plus 13.6%	of ex-	
5				cess	over \$80,000.
6	Over \$90,000 but not over \$100,000...	\$9,238,	plus 13.8%	of ex-	
7				cess	over \$90,000.
8	Over \$100,000.....	\$10,618,	plus 14%	of excess	
9				over	\$100,000.

10 4. Subject to section nine (9) of this Act, an Iowa in-  
 11 come tax determined in accordance with the following table  
 12 is imposed on the taxable income of every married individual  
 13 who does not make a single return jointly with his spouse,  
 14 and of every estate and trust:

15 If the state taxable income in a taxable  
 16 year is:

The tax is:

17	Not over \$500.....	2.8%	of the taxable income.
18	Over \$500 but not over \$1,000.....	\$14,	plus 3% of excess
19			over \$500.
20	Over \$1,000 but not over \$1,500.....	\$29,	plus 3.2% of excess
21			over \$1,000.
22	Over \$1,500 but not over \$2,000.....	\$45,	plus 3.4% of excess
23			over \$1,500.
24	Over \$2,000 but not over \$4,000.....	\$62,	plus 3.8% of excess
25			over \$2,000.
26	Over \$4,000 but not over \$6,000.....	\$138,	plus 4.4% of excess
27			over \$4,000.
28	Over \$6,000 but not over \$8,000.....	\$226,	plus 5% of excess
29			over \$6,000.
30	Over \$8,000 but not over \$10,000.....	\$326,	plus 5.6% of excess
31			over \$8,000.
32	Over \$10,000 but not over \$12,000....	\$438,	plus 6.4% of excess
33			over \$10,000.
34	Over \$12,000 but not over \$14,000....	\$566,	plus 7.2% of excess
35			over \$12,000.

- 1 Over \$14,000 but not over \$16,000....\$710, plus 7.8% of excess  
2 over \$14,000.
- 3 Over \$16,000 but not over \$18,000....\$866, plus 8.4% of excess  
4 over \$16,000.
- 5 Over \$18,000 but not over \$20,000....\$1,034, plus 9% of excess  
6 over \$18,000.
- 7 Over \$20,000 but not over \$22,000....\$1,214, plus 9.6% of ex-  
8 cess over \$20,000.
- 9 Over \$22,000 but not over \$26,000....\$1,406, plus 10% of excess  
10 over \$22,000.
- 11 Over \$26,000 but not over \$32,000....\$1,806, plus 10.6% of ex-  
12 cess over \$26,000.
- 13 Over \$32,000 but not over \$38,000....\$2,442, plus 11% of excess  
14 over \$32,000.
- 15 Over \$38,000 but not over \$44,000....\$3,102, plus 11.6% of ex-  
16 cess over \$38,000.
- 17 Over \$44,000 but not over \$50,000....\$3,798, plus 12% of excess  
18 over \$44,000.
- 19 Over \$50,000 but not over \$60,000....\$4,518, plus 12.4% of ex-  
20 cess over \$50,000.
- 21 Over \$60,000 but not over \$70,000....\$5,758, plus 12.8% of ex-  
22 cess over \$60,000.
- 23 Over \$70,000 but not over \$80,000....\$7,038, plus 13.2% of ex-  
24 cess over \$70,000.
- 25 Over \$80,000 but not over \$90,000....\$8,358, plus 13.6% of ex-  
26 cess over \$80,000.
- 27 Over \$90,000 but not over \$100,000....\$9,718, plus 13.8% of ex-  
28 cess over \$90,000.
- 29 Over \$100,000.....\$11,098, plus 14% of ex-  
30 cess over \$100,000.

31 5. In computing the state taxable income of a person,  
32 the following adjustments shall be allowed to taxable income:  
33 a. Deduct any interest and dividend income the taxpayer  
34 receives from federal securities during the taxable year to  
35 the extent included in taxable income.

- 1        b. Deduct the amount by which expenses paid or incurred  
2 in connection with the adoption of a child by the taxpayer  
3 exceed three percent of the state adjusted gross income of  
4 the taxpayer, or of the taxpayer and spouse in the case of  
5 a joint return. The expenses may include medical and hospital  
6 expenses of the natural mother which are incident to the  
7 child's birth and are paid by the taxpayer, welfare agency  
8 fees, legal fees, and all other fees and costs relating to  
9 the adoption of other than a stepchild or stepchildren.
- 10       c. Deduct income received by a resident of this state  
11 for services performed on or after January 1, 1969, while  
12 on active duty for more than six continuous months, in the  
13 armed forces of the United States, as defined in Title ten  
14 (10), United States Code, section one hundred one (101), which  
15 is received during the taxable year to the extent included  
16 in taxable income.
- 17       d. Add interest and dividend income received on state  
18 and municipal bonds and foreign securities exempt from federal  
19 taxation, which is received by the taxpayer during the tax-  
20 able year.
- 21       e. Deduct the amount of benefits received under the Iowa  
22 public employees retirement system to the extent included  
23 in taxable income for taxable years ending on or before  
24 December 31, 1980.
- 25       f. To the extent that the benefits are included in  
26 taxable income, deduct retirement benefits received  
27 during the taxable year under the Iowa public employees  
28 retirement system for any taxable year beginning on or  
29 after January 1, 1981, the federal civil service employees  
30 retirement annuities system, the state peace officers  
31 retirement system and the state retirement system for  
32 policemen and firemen. Deductions under this subsection  
33 are subject to a maximum determined by subtracting any  
34 federal railroad retirement benefits and federal social  
35 security benefits actually received during the taxable

1 year by the taxpayer, and the taxpayer's spouse in the  
2 case of a joint return, from the maximum amount of federal  
3 social security benefits for which the taxpayer would be  
4 eligible during the taxable year, if the taxpayer had made  
5 maximum contributions to the federal social security  
6 system, considering the taxpayer's spouse in the case of  
7 a joint return, and considering the taxpayer's dependents,  
8 but not considering special benefits under the  
9 supplementary security income system.

10 However, the deduction of benefits received under the  
11 federal civil service employees retirement annuities system  
12 does not apply to a person who is less than sixty-two years  
13 of age unless the person is disabled.

14 6. The total amount of the deductions allowed under  
15 subsection five (5) of this section shall not exceed the  
16 amount of the state taxable income of the taxpayer.

17 Sec. 4. NEW SECTION. CONTRIBUTIONS TO CANDIDATES FOR  
18 PUBLIC OFFICE.

19 1. In the case of an individual, there shall be allowed,  
20 subject to the limitations of subsection two (2) of this  
21 section and if a claim is made for the credit on the in-  
22 dividual's federal income tax return for the same taxable  
23 year, as a credit against the tax imposed by this Act for  
24 the taxable year, an amount equal to ten percent of all  
25 political contributions and all newsletter fund contribu-  
26 tions, payment of which is made by the taxpayer within the  
27 taxable year.

28 2. a. The credit allowed by subsection one (1) of this  
29 section for a taxable year shall not exceed five dollars,  
30 or ten dollars in the case of a joint return.

31 b. The credit allowed by subsection one (1) of this sec-  
32 tion shall not exceed the amount of the tax imposed by this  
33 Act for the taxable year.

34 c. The credit allowed by subsection one (1) of this section  
35 shall be allowed, with respect to any political contribution

1 or newsletter fund contribution only if such contribution  
2 is verified in such manner as the director or his delegate  
3 shall prescribe by regulations.

4 3. For purposes of this section:

5 a. "Political contribution" means a contribution or gift  
6 of money to any of the following:

7 (1) An individual who is a candidate for nomination or  
8 election to any federal, state, or local elective public  
9 office in any election as defined in section thirty-nine point  
10 three (39.3), subsection eight (8), of the Code, for use by  
11 such individual to further his candidacy for nomination or  
12 election to such office.

13 (2) Any committee, association, or organization, whether  
14 or not incorporated, organized and operated exclusively for  
15 the purpose of influencing, or attempting to influence, the  
16 nomination or election of one or more individuals who are  
17 candidates for nomination or election to any federal, state,  
18 or local elective public office, for use by such committee,  
19 association, or organization to further the candidacy of such  
20 individual or individuals for nomination or election to such  
21 office.

22 (3) The national committee of a national political party.

23 (4) The state committee of a national political party as  
24 designated by the national committee of such party.

25 (5) A local committee of a national political party as  
26 designated by the state committee of such party designated  
27 under subparagraph four (4) of this paragraph.

28 b. "Candidate" means, with respect to any federal, state,  
29 or local elective public office, an individual who publicly  
30 announces before the close of the calendar year following  
31 the calendar year in which the contribution or gift is made  
32 that he is a candidate for nomination or election to such  
33 office, and who meets the qualifications prescribed by law  
34 to hold such office.

35 c. "National political party" means either of the

1 following:

2 (1) In the case of contributions made during a taxable  
3 year of the taxpayer in which the electors of president and  
4 vice president are chosen, a political party presenting  
5 candidates or electors for such offices on the official  
6 election ballot of ten or more states.

7 (2) In the case of contributions made during any other  
8 taxable year of the taxpayer, a political party which met  
9 the qualifications described in subparagraph one (1) of this  
10 paragraph in the last preceding election of a president and  
11 vice president.

12 d. "State" means the various states and the District  
13 of Columbia, and "local" means a political subdivision or  
14 part thereof, or two or more political subdivisions or parts  
15 thereof, of a state.

16 e. "Newsletter fund contribution" means a contribution  
17 or gift of money to a fund established and maintained by an  
18 individual who holds, has been elected to, or is a candidate  
19 for nomination or election to, any federal, state, or local  
20 elective public office for use by such individual exclusively  
21 for the preparation and circulation of a newsletter.

22 Sec. 5. NEW SECTION. IMPOSITION OF TAX.

23 1. In addition to the other taxes imposed by this Act,  
24 there is hereby imposed for each taxable year, with respect  
25 to the income of every person, a tax equal to two percent  
26 of the amount, if any, by which the sum of the items of tax  
27 preference as defined in section fifty-seven (57) of the In-  
28 ternal Revenue Code in excess of thirty thousand dollars is  
29 greater than the sum of the taxes imposed by this Act for  
30 the taxable year computed without regard to this section,  
31 and the tax carryovers to the taxable year.

32 2. a. If for any taxable year a person has a net oper-  
33 ating loss any portion of which, under section one hundred  
34 seventy-two (172) of the Internal Revenue Code remains as  
35 a net operating loss carryover to a succeeding taxable year,

1 and has items of tax preference in excess of thirty thousand  
2 dollars, then an amount equal to the lesser of the tax imposed  
3 by subsection one (1) of this section or two percent of the  
4 amount of the net operating loss carryover shall be treated  
5 as tax liability not imposed for the taxable year, but as  
6 imposed for the succeeding taxable year or years pursuant  
7 to paragraph b of this subsection.

8 b. In any taxable year in which any portion of the net  
9 operating loss carryover attributable to the excess described  
10 in paragraph a of this subsection reduces taxable income,  
11 the amount of tax liability described in paragraph a of this  
12 subsection shall be treated as tax liability imposed in such  
13 taxable year in an amount equal to ten percent of such  
14 reduction.

15 c. For purposes of paragraph b of this subsection, if  
16 any portion of the net operating loss carryover described  
17 in paragraph a of this subsection is not attributable to the  
18 excess described in paragraph a of this subsection, such  
19 portion shall be considered as being applied in reducing  
20 taxable income before such other portion.

21 3. If for any taxable year the taxes imposed by this Act  
22 computed without regard to this section exceed the sum of  
23 the items of tax preference in excess of thirty thousand  
24 dollars, then the excess of the taxes imposed by this Act  
25 over the sum of the items of tax preference in excess of  
26 thirty thousand dollars shall be a tax carryover to each of  
27 the seven taxable years following such year. The entire  
28 amount of the excess for a taxable year shall be carried to  
29 the first of such seven taxable years, and then to each of  
30 the other such taxable years to the extent that such excess  
31 is not used to reduce the amount subject to tax under sub-  
32 section one (1) of this section for a prior taxable year to  
33 which excess may be carried.

34 Sec. 6. NEW SECTION. ALTERNATIVE CAPITAL GAINS TAX.

35 1. If for any taxable year a taxpayer has a net gain under

1 section one thousand two hundred one (1201) of the Internal  
2 Revenue Code, then, in lieu of the tax imposed by section  
3 three (3) of this Act, there is hereby imposed a tax, if such  
4 tax is less than the tax imposed by section three (3) of this  
5 Act which shall consist of the sum of the following:

6 a. A tax computed on the state taxable income reduced  
7 by an amount equal to fifty percent of the net gain.

8 b. A tax of five percent of the lesser of the following:

9 (1) The amount of the gain determined under subsection  
10 three (3) of this section.

11 (2) The amount of the net gain under section one thousand  
12 two hundred one (1201) of the Internal Revenue Code.

13 c. If the amount of the net gain exceeds the amount of  
14 the gain computed under subsection three (3) of this section,  
15 a tax computed as provided in subsection two (2) of this  
16 section on such excess.

17 2. The tax computed for purposes of subsection one (1),  
18 paragraph c of this section shall be the amount by which a  
19 tax determined under section three (3) of this Act on an  
20 amount equal to the state taxable income but not less than  
21 fifty percent of the net gain under section one thousand two  
22 hundred one (1201) of the Internal Revenue Code for the taxable  
23 year exceeds a tax determined under section three (3) of this  
24 Act on an amount equal to the sum of the amount subject to  
25 tax under subsection one (1), paragraph a of this section  
26 plus an amount equal to fifty percent of the gain under  
27 subsection three (3) of this section.

28 3. For purposes of this section, the term "gain" under  
29 subsection three (3) of this section means the sum of long-  
30 term capital gains for the taxable year arising from any  
31 source, but the amount taken into account for the purposes  
32 of this subsection shall be limited to an amount equal to  
33 the excess of fifty thousand dollars, or twenty-five thousand  
34 dollars in the case of a married individual filing a separate  
35 return over the sum of the gains to which subsections one

1 (1) and two (2) of this section apply.

2 Sec. 7. NEW SECTION. LIMITATION ON TAX.

3 1. If an eligible individual has averageable income for  
4 the computation year, and if the amount of such income exceeds  
5 three thousand dollars, then the tax imposed by section three  
6 (3) of this Act for the computation year which is attributable  
7 to averageable income shall be five times the increase in  
8 tax under such section which would result from adding twenty  
9 percent of such income to one hundred twenty percent of average  
10 base period income.

11 2. For purposes of this section:

12 a. "Averageable income" means the amount by which state  
13 taxable income for the computation year, reduced as provided  
14 in this subsection exceeds one hundred twenty percent of  
15 average base period income. The state taxable income for  
16 the computation year shall be reduced by the amount to which  
17 section seventy-two (72), subsection m, paragraph five (5),  
18 of the Internal Revenue Code applies, and the amounts included  
19 in the income of a beneficiary of a trust under this Act.

20 b. "Average base period income" means one-fourth of the  
21 sum of the base period incomes for the base period.

22 c. "Computation year" means the taxable year for which  
23 the taxpayer chooses the benefits of this section.

24 d. "Base period" means the four taxable years immediately  
25 preceding the computation year.

26 e. "Base period year" means any of the four taxable years  
27 immediately preceding the computation year.

28 f. "Joint return" means the return of a husband and wife  
29 made under section thirteen (13) of this Act.

30 g. "Eligible individual" means any individual who is a  
31 citizen or resident of the United States throughout the  
32 computation year.

33 3. The base period income for any taxable year is the  
34 state taxable income for such year.

35 4. For purposes of this section, an individual shall not

1 be an eligible individual for the computation year if, at  
2 any time during such year or the base period, such individual  
3 was a nonresident alien or not a resident of this state.

4 5. An individual shall not be an eligible individual  
5 for the computation year if, for any base period year, such  
6 individual and spouse furnished less than one-half of the  
7 individual's support.

8 However, this subsection shall not apply to any compu-  
9 tation year if any of the following are true:

10 a. Such year ends after the individual attained age twenty-  
11 five and, during at least four of his taxable years beginning  
12 after he attained age twenty-one and ending with his  
13 computation year, he was not a full-time student.

14 b. More than one-half of the individual's state taxable  
15 income for the computation year is attributable to work  
16 performed by him in substantial part during two or more of  
17 the base period years.

18 c. The individual makes a joint return for the computation  
19 year and not more than twenty-five percent of the aggregate  
20 state adjusted gross income of such individual and his spouse  
21 for the computation year is attributable to such individual.

22 6. For purposes of this section, "student" means, with  
23 respect to a taxable year, an individual who during each of  
24 five calendar months during such taxable year was a full-time  
25 student at an educational institution as defined in section  
26 one hundred fifty-one (151), subsection e, paragraph four  
27 (4), of the Internal Revenue Code or was pursuing a full-time  
28 course of institutional on-farm training under the supervision  
29 of an accredited agent of an educational institution as defined  
30 in section one hundred fifty-one (151), subsection e, paragraph  
31 four (4), of the Internal Revenue Code or of a state or  
32 political subdivision of a state.

33 7. This subsection shall apply to the taxable year only  
34 if the taxpayer chooses to have the benefits of this subsection  
35 for such taxable year. Such choice may be made or changed

1 at any time before the expiration of the period prescribed  
2 for making a claim for credit or refund of the tax imposed  
3 by this Act for the taxable year.

4 8. If the taxpayer chooses the benefits of this part for  
5 the taxable year, the provisions relating to the alternative  
6 capital gains tax and the ten percent maximum rate on earned  
7 income shall not apply to him for such year.

8 Sec. 8. NEW SECTION. TEN PERCENT MAXIMUM RATE ON EARNED  
9 INCOME.

10 1. If for any taxable year an individual has earned state  
11 taxable income which exceeds the amount of state taxable  
12 income specified in paragraph a of this subsection, the tax  
13 imposed by section three (3) of this Act for such year shall,  
14 unless the taxpayer chooses the benefits of sections one  
15 thousand three hundred one (1301) through one thousand three  
16 hundred four (1304) of the Internal Revenue Code, be the sum  
17 of:

18 a. The tax imposed by section three (3) of this Act on  
19 the lowest amount of taxable income on which the rate of tax  
20 under section three (3) of this Act exceeds ten percent.

21 b. Ten percent of the amount by which his earned state  
22 taxable income exceeds the lowest amount of taxable income  
23 on which the rate of tax under section three (3) of this Act  
24 exceeds ten percent.

25 c. The excess of the tax computed under section three  
26 (3) of this Act without regard to this section over the tax  
27 so computed with reference solely to his earned taxable income.

28 2. For purposes of this section, "earned income" means  
29 any income which is earned income within the meaning of  
30 sections four hundred one (401), subsection c, paragraph two  
31 (2), subparagraph c or section nine hundred eleven (911),  
32 subsection b, of the Internal Revenue Code, except that such  
33 term does not include any distribution to which section  
34 seventy-two (72), subsection m, paragraph five (5), section  
35 four hundred two (402), subsection a, paragraph two (2),

1 section four hundred two (402), subsection e, or section four  
2 hundred three (403), subsection a, paragraph two (2),  
3 subparagraph A, of the Internal Revenue Code applies or any  
4 deferred compensation within the meaning of section four  
5 hundred four (404) of the Internal Revenue Code. For purposes  
6 of this subsection, deferred compensation does not include  
7 any amount received before the end of the taxable year  
8 following the first taxable year of the recipient in which  
9 his right to receive such amount is not subject to a  
10 substantial risk of forfeiture within the meaning of section  
11 eighty-three (83), subsection c, paragraph one (1) of the  
12 Internal Revenue Code.

13 3. The earned state taxable income of an individual is  
14 the excess of the amount which bears the same ratio, but not  
15 in excess of one hundred percent, to his state taxable income  
16 as his earned net income bears to his state adjusted gross  
17 income, over the amount by which the greater of one-fifth  
18 of the sum of the taxpayer's items of tax preference referred  
19 to in section fifty-seven (57) of the Internal Revenue Code  
20 for the taxable year and the four preceding taxable years,  
21 or the sum of the items of tax preference for the taxable  
22 year, exceeds thirty thousand dollars. For purposes of this  
23 subsection, "earned net income" means earned income reduced  
24 by any deductions allowable under section three (3), subsection  
25 five (5) of this Act which are properly allocable to or  
26 chargeable against such earned income.

27 4. This section shall apply to a married individual only  
28 if such individual and spouse make a single return jointly  
29 for the taxable year.

30 Sec. 9. NEW SECTION. EXEMPTION--ALLOCATION.

31 1. No tax shall be imposed under this division on any  
32 individual taxpayer whose state  
33 adjusted gross income is four thou-  
34 sand dollars or less, but if the payment of tax under this  
35 division would reduce the state adjusted gross income to four

1 thousand dollars or less, then the tax shall be reduced to  
2 that amount which would result in allowing the taxpayer to  
3 retain an state adjusted gross income of four thousand dollars.  
4 This subsection does not apply to an estate or trust. For  
5 the purpose of this subsection, the entire state adjusted gross  
6 income, including any part not allocated to Iowa, shall be  
7 taken into account. If the combined state adjusted gross income  
8 of a husband and wife exceeds four thousand dollars, neither  
9 of them shall receive the benefit of this subsection, whether  
10 they file joint or separate returns. An unmarried child un-  
11 der twenty-one years of age who is a dependent of a parent  
12 or parents shall not receive the benefit of this subsection  
13 if the parent's state adjusted gross income exceeds four thousand  
14 dollars or if the combined state  
15 adjusted gross income of the parents  
16 exceeds four thousand dollars. This section shall apply  
17 except to the tax imposed on items of tax preference as  
18 defined in section fifty-seven (57) of the Internal  
19 Revenue Code and subject to tax under this Act.

20 2. The Iowa income tax as determined under section three  
21 (3) of this Act is subject to an adjustment for income not  
22 allocable to Iowa, as follows:

23 a. In the case of a nonresident individual, estate, or  
24 trust, income derived from sources within this state is al-  
25 locable to Iowa. Income is derived from sources within this  
26 state if it is derived from the ownership, sale, or exchange  
27 or property located within this state, if it is received for  
28 services performed within this state, or if it is derived  
29 from any business or occupation carried on within this state  
30 except that annuities, interest on bank deposits and  
31 interest bearing obligations, and dividends shall be  
32 allocated to Iowa only to the extent to which the same  
33 are derived from a business, trade, profession or  
34 occupation carried on within the state of Iowa. However,  
35 income received by an individual who is a resident of

1 another state shall not be allocated to Iowa if the income  
2 is subject to an income tax imposed by the state where the  
3 individual resides, and if the state of residence allows  
4 a similar exclusion for income received in that state by  
5 residents of Iowa. The director shall designate the  
6 states which allow a similar exclusion for income received  
7 by residents of Iowa, and may enter into agreements with  
8 other states to provide that similar exclusions will be  
9 allowed, and to provide suitable withholding requirements  
10 in each state, in order to implement the exclusions.

11 b. In the case of an individual, estate, or trust which  
12 was a resident for part of the taxable year, income is allo-  
13 cable to Iowa if it is received during the period of Iowa  
14 residency, or if it is received during the period of non-  
15 residency and is derived from sources within this state.

16 c. In the case of a resident individual, estate, or trust,  
17 income is allocable to Iowa unless it is not derived from  
18 sources within this state, and an income tax has been imposed  
19 on it and paid to another state or territory of the United  
20 States, or the District of Columbia.

21 d. The taxpayer shall determine the percentage that in-  
22 come allocable to Iowa is of state adjusted gross income.

23 e. The Iowa income tax as computed under section three  
24 (3) of this Act multiplied by the percentage determined in  
25 paragraph d of this subsection is the net payable Iowa income  
26 tax.

27 **Sec. 10. NEW SECTION. RETURNS.** Every individual who  
28 receives income allocable to Iowa during a taxable year, and  
29 who is required to file a federal income tax return for that  
30 taxable year, shall complete, sign, and file an Iowa individual  
31 income tax return.

32 If an individual is unable to make his own return, the  
33 return shall be made by an agent, guardian, or other person  
34 charged with the care of the person or property of the in-  
35 dividual.

1       Sec. 11. NEW SECTION. FIDUCIARY RETURNS. Every fiduciary  
2 shall complete, sign, and file an Iowa fiduciary income tax  
3 return for any individual, estate, or trust for which he acts,  
4 if the individual, estate, or trust receives income allocable  
5 to Iowa during a taxable year and is required to file a federal  
6 fiduciary tax return for that taxable year.

7       Sec. 12. NEW SECTION. FEDERAL RETURNS. The director may  
8 require any individual or fiduciary required to file an Iowa  
9 individual or fiduciary income tax return for any taxable  
10 year, to also furnish a true copy of any federal income tax  
11 return filed for that taxable year. Every individual and  
12 fiduciary shall notify the director in writing of any  
13 modification of his taxable income upon which a computation  
14 of Iowa income tax has been based. A statement of the facts  
15 shall accompany this notice, which shall be filed within  
16 thirty days after the modification, at which time the taxpayer  
17 shall pay any additional Iowa income tax resulting from a  
18 change in taxable income, or shall be entitled to a refund  
19 of any excess Iowa income tax paid.

20       Sec. 13. NEW SECTION. HUSBAND AND WIFE. If the federal  
21 income tax liability of husband or wife is determined on  
22 separate federal returns, their Iowa tax liabilities imposed  
23 by this division shall be separately determined.

24       If the federal income tax liability of husband and wife  
25 is determined on a joint federal return, their Iowa tax lia-  
26 bility imposed by this division shall be determined on the  
27 basis of their joint federal taxable income.

28       Sec. 14. NEW SECTION. SIMPLIFIED RETURNS. The director  
29 shall provide a simplified return for reporting the Iowa  
30 income tax imposed on individuals by this division. In  
31 addition to the simplified individual income tax return, the  
32 director shall prescribe and supply forms for all necessary  
33 state income tax returns. The director may include in the  
34 information and instructions prepared to assist a taxpayer  
35 in preparing a state income tax return the information that

1 the state income tax liability is twenty percent of the  
2 federal income tax liability with such adjustments as may  
3 be provided by law. State forms shall conform to fed-  
4 eral income tax return forms, so far as practicable. Failure  
5 to receive or obtain a form does not relieve any taxpayer  
6 from the obligation to make a return and pay the tax imposed  
7 by this chapter. The individual income tax return form shall  
8 provide space for indicating the county and the school dis-  
9 trict of the taxpayer's residence, and his adjusted gross  
10 income and income allocable to Iowa. A return which does  
11 not include this information is an incomplete return.

12 A taxpayer may show amounts on his Iowa income tax return  
13 in whole dollar amounts in the same manner as permitted un-  
14 der section six thousand one hundred two (6102) of the In-  
15 ternal Revenue Code, and the regulations issued under that  
16 section.

17 Sec. 15. NEW SECTION. PAYMENT---INTEREST PENALTY. Net  
18 payable Iowa income tax due shall be paid in full at the time  
19 of filing the return. Iowa income tax returns and the net  
20 payable Iowa income tax shall be due and payable on or before  
21 the last day of the fourth month after the expiration of the  
22 taxable year. The Iowa income tax shall become delinquent  
23 after the last day of the fourth month after the expiration  
24 of the taxable year. In case of sickness, absence, or other  
25 disability, or whenever good cause exists, the director may  
26 allow further time for filing returns.

27 Sec. 16. Section fifty-six point two (56.2), subsection  
28 eleven (11), Code 1975, is amended to read as follows:

29 11. "State income tax liability" means the state indi-  
30 vidual income tax imposed under ~~section-422-5-reduced-by-the~~  
31 ~~sum-of-the-deductions-from-the-computed-tax-as-provided-under~~  
32 ~~section-422-42~~ chapter four hundred twenty-two (422) of the  
33 Code.

34 Sec. 17. Section ninety-seven A point twelve (97A.12),  
35 Code 1975, is amended to read as follows:

1 imposed on the state individual income tax for the calendar  
2 year during which the school year begins, or for a taxpayer's  
3 fiscal year ending during that calendar year but after the  
4 date of the election approving the budget, and for subsequent  
5 years as provided in subsections 2 and 3 of this section,  
6 and shall be imposed on all individuals residing in the school  
7 district on December 31 of each calendar year, or on the last  
8 day of their fiscal year. As used in this section, "state  
9 individual tax" means the tax computed under ~~section-422-57~~  
10 ~~less-the-deductions-allowed-in-section-422-42~~ sections one  
11 (1) through fifteen (15) of this Act.

12 Sec. 26. Section four hundred forty-two point seventeen  
13 (442.17), Code 1975, is amended to read as follows:

14 442.17 FORM AND TIME OF RETURN. The school district  
15 income surtax shall be made a part of the Iowa individual  
16 income tax return subject to the conditions and restrictions  
17 set forth in section ~~422-24~~ fourteen (14) of this Act.

18 Sec. 27. Section four hundred fifty point four (450.4),  
19 subsection five (5), Code 1975, is amended to read as follows:

20 5. On the value of that portion of installment payments  
21 which will be includable as ~~net-income-as-defined-in-section~~  
22 ~~422-7-as~~ in state adjusted gross income as defined in section two  
23 (2) of this Act, received by a beneficiary under an annuity  
24 which was purchased under an employees pension or retirement  
25 plan.

26 Sec. 28. Section four hundred fifty-one point one (451.1),  
27 subsection eight (8), Code 1975, is amended to read as follows:

28 8. The term "Internal Revenue Code of 1954" shall have  
29 the same meaning as ~~ascribed-to-it~~ "Internal Revenue Code",  
30 as defined in section ~~422-4~~ two (2), subsection four (4),  
31 of this Act.

32 Sec. 29. Section four hundred twenty-two point twenty-  
33 one (422.21), Code 1975, is repealed.

34 Sec. 30. Section four hundred twenty-two point thirty-  
35 three (422.33), Code 1975, is amended by adding the following

1 new subsections:

2 NEW SUBSECTION. APPORTIONING INCOME. A corporation which  
3 is subject to taxation under this division and which apportions  
4 its income for tax purposes under the provisions of subsection  
5 one (1), paragraph b of this section shall determine the  
6 property factor and payroll factor for this state and shall  
7 report this information to the department of revenue when  
8 it files a tax return for any fiscal year ending on or after  
9 June 30, 1974.

10 Any corporation which has filed a tax return as required  
11 under this division for any fiscal year ending on or after  
12 June 30, 1974 prior to the effective date of this Act shall  
13 file an amended return for purposes of providing the  
14 information required under this Act by October 31, 1975.  
15 However, if a corporation required to file a corporate income  
16 tax return prior to October 31, 1975 is granted an extension  
17 for filing the return by the director of revenue, the  
18 additional report required under this section shall be filed  
19 with the corporate income tax return at the end of the  
20 extension period.

21 NEW SUBSECTION. METHODS OF APPORTIONMENT. A corporation  
22 having income from business activity which is taxable both  
23 within and without this state, other than rendering of purely  
24 personal services by an individual, shall determine the  
25 property factor and payroll factor for this state in the  
26 manner provided by this section.

27 NEW SUBSECTION. PROPERTY FACTOR. The property factor  
28 is a fraction, the numerator of which is the average value  
29 of the taxpayer's real and tangible personal property owned  
30 or rented and used in this state during the tax period and  
31 the denominator of which is the average value of all the tax-  
32 payer's real and tangible personal property owned or rented  
33 and used during the tax period.

34 NEW SUBSECTION. PROPERTY OWNED AND RENTED. Property owned  
35 by the taxpayer is valued at its original cost. Property

1 ~~except where~~ two (2) of this Act unless the context clearly  
2 indicates a different meaning.

3       Sec. 22. Section four hundred twenty-two point thirty-  
4 six (422.36), subsection one (1), Code 1975, is amended to  
5 read as follows:

6       1. Every corporation shall make a return and the same  
7 shall be signed by the president or other duly authorized  
8 officer. Before a corporation shall be dissolved and its  
9 assets distributed it shall make a return for any settlement  
10 of the tax for any income earned in the income year up to  
11 its final date of dissolution. Returns shall be in such form  
12 as the director may, from time to time, prescribe, and shall  
13 be filed with the department on or before the last day of  
14 the fourth month after the expiration of the tax year except  
15 that cooperative associations as defined in section six  
16 thousand seventy-two d (6072(d)) of the Internal Revenue Code  
17 of 1954 shall file their returns on or before the fifteenth  
18 day of the ninth month following the close of the taxable  
19 year. In case of sickness, absence, or other disability,  
20 or whenever good cause exists, the director may allow further  
21 time for filing returns. The director shall cause to be pre-  
22 pared blank forms for said returns and shall cause them to  
23 be distributed throughout the state and to be furnished upon  
24 application, but failure to receive or secure the form shall  
25 not relieve the taxpayer from the obligations of making any  
26 return herein required. The department may as far as  
27 consistent with the provisions of the Code so draft income  
28 tax forms as to conform to the income tax forms of the inter-  
29 nal revenue department of the United States government.

30       Sec. 23. Section four hundred twenty-two point forty-two  
31 (422.42), subsection thirteen (13), Code 1975, is amended  
32 to read as follows:

33       13. "Services" means all acts or services rendered, fur-  
34 nished, or performed, other than services performed on tangible  
35 personal property delivered into interstate commerce, or

1 services used in processing of tangible personal property  
2 for use in taxable retail sales or services, for an "employer"  
3 as defined in section ~~422.47~~ two (2) of this  
4 Act, for a valuable consideration by any person engaged in  
5 any business or occupation specifically enumerated in this  
6 division. The tax shall be due and collectible when the ser-  
7 vice is rendered, furnished, or performed for the ultimate  
8 user thereof.

9 Sec. 24. Section four hundred twenty-five point seven-  
10 teen (425.17), subsection one (1), Code 1975, is amended to  
11 read as follows:

12 1. "Income" means the sum of ~~fewa-net-income-as-defined~~  
13 ~~in-section-422.7~~ state adjusted gross income as defined  
14 in section two (2) of this Act  
15 plus all of the following to  
16 the extent not already included in ~~fewa-net-income~~ state  
17 adjusted gross income: Capital gains, alimony, child support  
18 money, cash public assistance and relief, except property  
19 tax relief granted under this division, the gross amount of  
20 any pension or annuity, including but not limited to railroad  
21 retirement benefits, all payments received under the federal  
22 social security Act, and all military retirement and veterans'  
23 disability pensions, interest received from the state or  
24 federal government or any of its instrumentalities, workmen's  
25 compensation, the gross amount of disability income or "loss  
26 of time" insurance, and that part of net worth considered  
27 as income under subsection 2. "Income" does not include gifts  
28 from nongovernmental sources, or surplus foods or other relief  
29 in kind supplied by a governmental agency.

30 Sec. 25. Section four hundred forty-two point fifteen  
31 (442.15), subsection one (1), paragraph c, Code 1975, is  
32 amended to read as follows:

33 c. Divide the total amount of state individual income  
34 tax determined into the excess amount needed. The quotient  
35 is the school district income surtax rate which shall be

1 to be filed or was filed, whichever is the later date. Amounts  
2 less than one dollar shall be refunded to the taxpayer, non-  
3 resident, or other person only upon written application, in  
4 accordance with section 422.74, only if such application is  
5 filed within twelve months after the due date of the return.  
6 Refunds in the amount of one dollar or more provided for by  
7 this subsection shall be paid by the state treasurer by means  
8 of warrants drawn by the comptroller at the direction of the  
9 director, or an authorized employee of the department, and  
10 the taxpayer's return of income shall constitute a claim for  
11 refund for this purpose, except in respect to amounts of less  
12 than one dollar. There is hereby appropriated, out of any  
13 funds in the state treasury not otherwise appropriated, a  
14 sum sufficient to carry out the provisions of this subsec-  
15 tion.

16 11. a. Every person or married couple filing a joint  
17 return shall make a declaration of estimated tax if his or  
18 their Iowa income tax attributable to income other than wages  
19 subject to withholding can reasonably be expected to amount  
20 to fifty dollars or more for the taxable year, except that,  
21 in the cases of farmers and fishermen, the exceptions provided  
22 in the Internal Revenue Code of 1954 with respect to such  
23 declarations shall apply. The declaration ~~provided for herein~~  
24 shall be filed on or before the last day of the fourth  
25 month of the taxpayer's tax year for which such declaration  
26 is filed, in such form as the director may require by  
27 regulations. The estimated tax shall be paid in quarterly  
28 installments. The first installment shall be paid at the  
29 time of filing the declaration. The other installments shall  
30 ~~be paid on or before June 30, September 30, and January 31~~  
31 at the same time as installments are required to be paid under  
32 the Internal Revenue Code. However, at the election of the  
33 person or married couple filing jointly, any installment of  
34 the estimated tax may be paid prior to the date prescribed  
35 for its payment. Whenever a person or married couple filing

1 a joint return have reason to believe that ~~his-or-their~~ the  
2 person's or couple's Iowa income tax may increase or decrease,  
3 either for purposes of meeting the requirement to file a  
4 declaration of estimated tax or for the purpose of increasing  
5 or decreasing such declaration, an amended estimate shall  
6 be filed by ~~him-or-them~~ the person or couple to reflect such  
7 increase or decrease in estimated Iowa income tax.

8 e. Any amount of tax paid on a declaration of estimated  
9 tax shall be a credit against the amount of tax found payable  
10 on a final, completed return, as provided in subsection 9  
11 hereof, relating to the credit for the tax withheld against  
12 the tax found payable on a return properly and correctly pre-  
13 pared under the provisions of ~~section-422.57-to-and-includ-~~  
14 ~~ing-section-422.25~~ this division, and any overpayment of one  
15 dollar or more shall be refunded to the taxpayer and such  
16 return shall constitute a claim for refund for this purpose.  
17 Amounts less than one dollar shall be refunded to the tax-  
18 payer only upon written application in accordance with sec-  
19 tion 422.74, but only if such application is filed within  
20 twelve months after the due date for the return. The civil  
21 penalties provided by the Internal Revenue Code ~~of-1954~~ for  
22 failure to file a declaration or for underpayment of the tax  
23 payable shall apply to persons required to file declarations  
24 and make payments of estimated tax under the provisions of  
25 this section. Underpayment of estimated tax shall be de-  
26 termined in the same manner as provided under the provisions  
27 of the Internal Revenue Code ~~of-1954~~ and the exceptions therein  
28 provided shall also apply.

29 Sec. 21. Section four hundred twenty-two point thirty-  
30 two (422.32), unnumbered paragraph two (2), Code 1975, is  
31 amended to read as follows:

32 The Except as otherwise provided in this section, the  
33 words, terms, and phrases defined in division II, ~~secti~~  
34 ~~422.47-subsections-47-and-3-to-407~~ when used in this division,  
35 shall have the meanings ascribed to them in said section

1 97A.12 EXEMPTION FROM TAXATION AND EXECUTION. The  
2 right of any person to a pension, annuity, or retirement  
3 allowance, to the return of contributions, the pension,  
4 annuity, or retirement allowance itself, any optional  
5 benefit or death benefit, any other right accrued or  
6 accruing to any person under the provisions of this chapter,  
7 and the moneys in the various funds created under this  
8 chapter, are hereby exempt from any tax of the state to  
9 the extent provided in chapter four hundred twenty-two (422)  
10 of the Code and shall not be subject to execution,  
11 garnishment, attachment, or any other process whatsoever,  
12 and shall be unassignable except as in this chapter  
13 specifically provided.

14 Sec. 18. Section one hundred thirty-five D point twenty-  
15 eight (135D.28), unnumbered paragraph one (1), Code 1975,  
16 is amended to read as follows:

17 If the owner of a mobile home is sixty-five years of age  
18 or older and ~~his net income as defined in section 422.7~~ the  
19 owner's state  
20 adjusted gross income as defined in section two (2) of this  
21 Act, plus interest and dividends from federal  
22 securities state and municipal bonds and income from social  
23 security and other tax-exempt retirement or pension plans,  
24 when included with that of ~~this~~ the owner's spouse is less  
25 than thirty-five hundred dollars per year, the owner may apply  
26 for the lower tax rate.

27 Sec. 19. Section four hundred eleven point thirteen  
28 (411.13), Code 1975, is amended to read as follows:

29 411.13 EXEMPTION FROM TAX AND EXECUTION. The right of  
30 any person to a pension, annuity, or retirement allowance,  
31 to the return of contributions, the pension, annuity, or  
32 retirement allowance itself, any optional benefit or death  
33 benefit, any other right accrued or accruing to any person  
34 under the provisions of this chapter, and the moneys in  
35 the various funds created under this chapter, are hereby

1 exempt from any tax of the state to the extent provided  
2 in chapter four hundred twenty-two (422) of the Code and  
3 shall not be subject to execution, garnishment, attachment,  
4 or any other process whatsoever, and shall be unassignable  
5 except as in this chapter specifically provided.

6 Sec. 20. Section four hundred twenty-two point sixteen  
7 (422.16), subsections eight (8) and nine (9), and subsection  
8 eleven (11), paragraphs a and e, Code 1975, are amended to  
9 read as follows:

10 8. An employer or withholding agent shall be liable for  
11 the payment of the tax required to be deducted and withheld  
12 or the amount actually deducted, whichever is greater, under  
13 subsections 1 and 12 of this section; and any amount deducted  
14 and withheld as tax under subsections 1 and 12 of this section  
15 during any calendar year upon the wages of any employee, non-  
16 resident, or other person shall be allowed as a credit to  
17 the employee, nonresident, or other person against the tax  
18 imposed by ~~section-422-5~~ this division, irrespective of whether  
19 or not such tax has been, or will be, paid over by the employer  
20 or withholding agent to the department as provided by this  
21 chapter.

22 9. The amount of any overpayment of the individual in-  
23 come tax liability of the employee taxpayer, nonresident,  
24 or other person which may result from the withholding and  
25 payment of withheld tax by the employer or withholding agent  
26 to the department under subsections 1 and 12 hereof, as com-  
27 pared to the individual income tax liability of the employee  
28 taxpayer, nonresident, or other person properly and correctly  
29 determined under the provisions of ~~section-422-47--to-and-in-~~  
30 ~~cluding-section-422-25~~ this division, may be credited against  
31 any income tax or installment thereof then due the state of  
32 Iowa and any balance of one dollar or more shall be refunded  
33 to the employee taxpayer, nonresident or other person with  
34 interest at six percent per annum, such interest to begin  
35 to accrue forty-five days after the date the return was due

1 rented by the taxpayer is valued at eight times the net annual  
2 rental rate. Net annual rental rate is the annual rental  
3 rate paid by the taxpayer less any annual rental rate received  
4 by the taxpayer from subrentals.

5 NEW SUBSECTION. AVERAGE VALUE OF PROPERTY. The average  
6 value of property shall be determined by averaging the values  
7 at the beginning and ending of the tax period, but the director  
8 of revenue may require the averaging of monthly values during  
9 the tax period if reasonably required to reflect properly  
10 the average value of the taxpayer's property.

11 NEW SUBSECTION. PAYROLL FACTOR. The payroll factor is  
12 a fraction, the numerator of which is the total amount paid  
13 in this state during the tax period by the taxpayer for  
14 compensation, and the denominator of which is the total com-  
15 pensation paid everywhere during the tax period.

16 NEW SUBSECTION. COMPENSATION. Compensation is paid in  
17 this state if:

18 a. The individual's service is performed entirely within  
19 the state; or

20 b. The individual's service is performed both within and  
21 without the state, but the service performed without the state  
22 is incidental to the individual's service within the state;  
23 or

24 c. Some of the service is performed in the state and:

25 (1) The base of operations or, if there is no base of  
26 operations, the place from which the service is directed or  
27 controlled is in the state; or

28 (2) The base of operations or the place from which the  
29 service is directed or controlled is not in any state in which  
30 some part of the service is performed, but the individual's  
31 residence is in this state.

32 For purposes of this subsection and the previous subsec-  
33 tion, "compensation" means wages, salaries, commissions, and  
34 any other form of remuneration paid to employees for personal  
35 services.

1     Sec. 31. The provisions of sections one (1) through twenty-  
2 nine (29), except sections eighteen (18) and twenty-four (24), of  
3 this Act shall be retroactive to January 1, 1975, for all  
4 taxable years commencing on or after January 1, 1975, and  
5 to this extent the provisions of sections one (1) through  
6 twenty-nine (29), except sections eighteen (18) and twenty-four  
7 (24), of this Act are retroactive. The provisions of section  
8 thirty (30) of this Act shall be retroactive to June  
9 30, 1974, for all taxable years ending on or after June 30,  
10 1974, and to this extent the provisions of section thirty  
11 (30) of this Act are retroactive. The provisions of  
12 sections eighteen (18) and twenty-four (24) of this Act shall  
13 become effective January 1, 1976.

14                                   EXPLANATION

15     This bill imposes an Iowa income tax on individuals,  
16 estates, and trusts, which is 20% of the federal tax on the  
17 Iowa taxable income. Taxable income is determined in the  
18 same manner as for federal income tax purposes except that income  
19 allocable to another state is excluded. There is no deduction  
20 for federal income tax paid, but the federal deduction for  
21 state taxes paid is automatically incorporated. Deductions,  
22 itemized or standard, and exemptions are the same as for  
23 federal income tax, and the graduated rate structure is the  
24 same.

25     The present sections of Iowa law relating to withholding,  
26 estimated tax, and administrative powers and procedures are  
27 retained. This plan should permit the use of a simplified  
28 return by most taxpayers.

29     The bill also requires corporations which apportion their  
30 income for tax purposes in other states are required to file  
31 a report regarding apportionment of the property and payroll  
32 factors for this state.

33

34

35

S-4052

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed and  
3 reprinted by the House, as follows:

4 1. Page 1, by inserting after line 4 the following:

5 "Sec. \_\_\_\_ . NEW SECTION. STABILIZATION FUND.

6 1. There is created in the office of the treasurer  
7 of state a fund to be known as the stabilization fund.  
8 Moneys deposited in this fund shall not be expended  
9 or transferred except by a specific appropriation  
10 by the general assembly. Moneys from the general  
11 fund of the state shall be deposited in the  
12 stabilization fund in the manner and to the extent  
13 provided in this section. The stabilization fund  
14 is not part of the general fund, and moneys in the  
15 stabilization fund shall not be considered in computing  
16 the general fund balance.

17 2. As of the end of each fiscal year, commencing  
18 with the fiscal year ending June 30, 1975, there shall  
19 be transferred from the general fund of the state  
20 to the stabilization fund the following amounts,  
21 except as other wise provided in this section:

22 a. The state comptroller shall subtract from the  
23 actual general fund receipts for the fiscal year the  
24 estimated general fund receipts for that fiscal year,  
25 not taking into account any transfer pursuant to this  
26 section. In making this computation, the comptroller  
27 shall, to the extent necessary to assure comparability  
28 of estimated and actual general fund receipts, make  
29 adjustments for changes in tax rates or tax structure.

30 b. If the resulting balance is a positive number,  
31 this amount shall be transferred from the general  
32 fund of the state to the stabilization fund.

33 c. If the resulting balance is a negative number,  
34 the transfer shall not be made.

35 3. For the purposes of this section, "estimated  
36 general fund receipts" means for each odd-numbered  
37 fiscal year the estimated general fund receipts in  
38 dollars as presented to the general assembly by the  
39 governor in his budget proposal during the fiscal  
40 year, and for each even-numbered fiscal year the  
41 estimated general fund receipts in dollars as presented  
42 to the general assembly by the governor in his budget  
43 revision proposal during the fiscal year. However,  
44 the general assembly by law or joint resolution during  
45 a fiscal year may modify the amount of estimated  
46 general fund receipts, and for that fiscal year  
47 "estimated general fund receipts" means the modified  
48 amount determined by the general assembly.

49 4. In no event shall any transfer from the general  
50 fund of the state to the stabilization fund result

1 in a general fund balance of less than twenty-five  
2 million dollars at the end of a fiscal year. Any  
3 transfer under this section shall be limited to the  
4 extent necessary to comply with this subsection.  
5 5. It is the intent of the general assembly that  
6 the stabilization fund created by this section shall  
7 be administered to offset fluctuations in state general  
8 fund receipts from individual income taxes and other  
9 sources, to conserve money during years of above  
10 average revenue growth in order to provide adequate  
11 funds during years of below average revenue growth,  
12 and to help prevent future tax increases. It is also  
13 the intent of the general assembly that moneys in  
14 the stabilization fund should not be expended or  
15 appropriated by the general assembly except in years  
16 when the growth in general fund receipts, adjusted  
17 for changes in tax rates or tax structure, is less  
18 than five and one-half percent.  
19 6. There is appropriated annually from the general  
20 fund of the state to the stabilization fund such  
21 revenues as are required to be transferred under the  
22 provisions of this section."  
23 2. Page 2, line 27, by inserting after the word  
24 "Act" the words "other than the provisions relating  
25 to the stabilization fund".  
26 3. Page 2, line 34, by striking the words "and  
27 making" and inserting in lieu thereof the words "  
28 stabilization of general fund receipts from individual  
29 income taxes and other sources, and making parts of".  
30 4. Renumber sections of the Committee amendment  
31 and correct internal references to conform to this  
32 amendment.

S-4052 FILED  
JUNE 4, 1975  
RULES NOT GERMANE (1742)

BY WILLIAM P. WINKELMAN  
RICHARD R. RAMSEY  
WILLARD R. HANSEN  
RAY TAYLOR

S-4055

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed, and  
3 reprinted by the House, as follows:

4 1. Page 2, by inserting after line 26 the follow-  
5 ing new section:

6 "Sec. \_\_\_\_ Chapter four hundred twenty-two (422),  
7 Code 1975, is amended by adding the following new  
8 section:

9 NEW SECTION. All general fund revenue which  
10 exceeds the state comptroller's budgetary estimate  
11 as reported in the governor's budget, as presented  
12 to the general assembly, by more than ten percent at  
13 the end of the fiscal year, shall be appropriated  
14 and transferred to a tax refund account hereby  
15 created in the office of the treasurer of state.  
16 Within sixty days after the close of the fiscal  
17 year, the department of revenue shall compute a refund  
18 from the tax refund account for each individual tax-  
19 payer based on a pro rata amount of the account in  
20 the proportion that the taxpayer's state income tax  
21 liability for the last preceding calendar year or the  
22 taxpayer taxable year which ended during the calendar  
23 year is of the total tax liability of all taxpayers  
24 for the last preceding calendar year and taxable years  
25 ending during that calendar year. No refund shall be  
26 paid if the amount of the refund is less than one  
27 dollar. The director of revenue shall certify the  
28 amounts of the refunds to be made to the state  
29 comptroller who shall issue warrants for each refund  
30 to be paid within ninety days following the close  
31 of the fiscal year."

32 2. Page 2, line 34, by inserting after the word  
33 "deductions" the words "allowing certain refunds,".

S-4055 FILED & LOST(1748)  
JUNE 4, 1975

BY WILLARD R. HANSEN  
RICHARD R. RAMSEY  
JOHN N. NYSTROM  
RAY TAYLOR  
CALVIN O. HULTMAN  
WILLIAM P. WINKELMAN  
FORREST V. SCHWENGELS

REPORT OF THE CONFERENCE COMMITTEE  
ON HOUSE FILE 764

To the President of the Senate and the Speaker of the  
House of Representatives:

We, the undersigned members of the conference committee  
appointed to consider the differences between the Senate and  
House of Representatives on House File 764, a bill for an Act  
relating to the Iowa income tax and making changes in individual  
income tax rates, exemptions, and administrative requirements,  
respectfully submit the following report:

1. That the Senate and House conferees failed to reach an  
agreement.

ON THE PART OF THE HOUSE:

Jay Mennenga, Chairman  
Linda A. Svoboda  
Robert T. Anderson

ON THE PART OF THE SENATE:

Lowell L. Junkins, Chairman  
Louis P. Culver  
William N. Plymat  
Forrest V. Schwengels  
Bass Van Gilst

FILED  
JUNE 10, 1975

S-4050

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed, and  
3 reprinted by the House, page 2, by inserting after  
4 line 26 the following new section:  
5 "Sec. \_\_\_\_ . Section four hundred twenty-two point  
6 nine (422.9), subsection two (2), Code 1975, is amended  
7 by adding the following new paragraph:  
8 NEW PARAGRAPH. Add one-half of the amount paid  
9 by the taxpayer for tuition and textbooks required  
10 for any course of instruction at a postsecondary  
11 educational institution in which the taxpayer, the  
12 taxpayer's spouse in the case of married persons  
13 filing a joint return, or a dependent of the taxpayer  
14 is enrolled."

S-4050 FILED  
JUNE 4, 1975  
WITHDRAWN (1751)

BY FORREST V. SCHWENGELS  
CALVIN O. HULTMAN  
ELIZABETH R. MILLER  
CLIFF BURROUGHS  
JAMES BRILES  
JAMES W. GRIFFIN, SR.  
W. R. RABEDEAUX  
WILLARD R. HANSEN  
JOHN N. NYSTROM  
RICHARD R. RAMSEY  
JOHN S. MURRAY

S-4051

1 Amend the Committee on Ways and Means amendment,  
2 S-3959, to House File 764, as amended, passed and  
3 reprinted by the House as follows:  
4 1. Page 2, by inserting after line 26, the  
5 following new section:  
6 Sec. \_\_\_\_ . Section four hundred twenty-two point  
7 twelve (422.12), Code 1975, is amended by adding the  
8 following new paragraph:  
9 NEW PARAGRAPH. After deducting the personal  
10 exemption as authorized under subsections one through  
11 five of this section, there shall be further deducted  
12 an amount equal to one percent (1%) of the computed  
13 tax. The provisions of this paragraph shall be  
14 effective only for the taxable year beginning on or  
15 after January first, 1975 and before January first,  
16 1976.  
17 2. By renumbering the sections and correcting  
18 internal references as may be necessary.

S-4051 FILED - *Withdrawn 6/4*  
JUNE 4, 1975 (1750)

BY JOHN S. MURRAY  
ELIZABETH R. MILLER  
FORREST SCHWENGELS  
JAMES BRILES

S-4048

1 Amend the Committee on Ways and Means amendment,  
 2 S-3989, to House File 764, as amended, passed, and  
 3 reprinted by the House, as follows:  
 4 1. Page 2, by inserting after line 26 the  
 5 following:  
 6 "Sec. \_\_\_\_ Chapter four hundred twenty-two (422),  
 7 Code 1975, is amended by adding the following new  
 8 section:  
 9 NEW SECTION. TAX ON INVESTED INCOME. For purposes  
 10 of applying the tax rates in section four hundred  
 11 twenty-two point five (422.5) of the Code:  
 12 1. A taxpayer may determine taxable income by  
 13 deducting from net income for the taxable year  
 14 commencing in 1975 the total amount of the taxpayer's  
 15 income invested during the taxable year in any of  
 16 the following:  
 17 a. A financial institution, as defined in section  
 18 four hundred twenty-two point sixty-one (422.61),  
 19 subsection one (1) of the Code, located in Iowa.  
 20 b. A domestic corporation, as defined in section  
 21 four hundred twenty-two point thirty-two (422.32),  
 22 subsection two (2) of the Code, taxable under division  
 23 three (III) of this chapter.  
 24 c. A foreign corporation, as defined in section  
 25 four hundred twenty-two point thirty-two (422.32),  
 26 subsection three (3) of the Code, which is taxable  
 27 under division three (III) of this chapter and which  
 28 employs more than ten Iowa residents.  
 29 d. A business enterprise conducted by the taxpayer  
 30 or another Iowa resident, the income from which is  
 31 taxable under division two (II) of this chapter.  
 32 e. Real property located in Iowa.  
 33 2. A taxpayer may determine taxable income by  
 34 deducting from net income for each taxable year  
 35 commencing after 1975, only the amount of income  
 36 invested during the taxable year in the manner  
 37 described in subsection one (1) of this section, which  
 38 is in addition to the largest amount of such invested  
 39 income deducted in any previous taxable year.  
 40 3. However, a tax shall be imposed on the amounts  
 41 deducted under subsections one (1) or two (2) of this  
 42 section at the highest rate applicable to any portion  
 43 of the taxpayer's taxable income for the taxable year  
 44 after the deduction permitted by this section."  
 45 2. Renumber sections and correct internal  
 46 references as required in accordance with this  
 47 amendment.

S-4048 FILED

BY ROGER J. SHAFF

JUNE 4, 1975

WITHDRAWN (1748)

S-3989

1 Amend House File 764, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. By striking everything after the enacting  
4 clause and inserting in lieu thereof the following:  
5 "Section 1. Section four hundred twenty-two point  
6 five (422.5), unnumbered paragraph one (1), Code 1975,  
7 is amended to read as follows:

8 A tax is hereby imposed upon every resident of  
9 the state, and upon that part of the taxable income  
10 of any nonresident which is derived from any property,  
11 trust, or other source within this state, including  
12 any business, trade, profession, or occupation carried  
13 on within this state, which tax shall be levied,  
14 collected, and paid annually upon and with respect  
15 to his entire taxable income as herein defined at  
16 rates as follows:

17 1. On the first one thousand dollars of taxable  
18 income, or any part thereof, ~~three-fourths~~ one-half  
19 of one percent.

20 2. On the second thousand dollars of taxable  
21 income, or any part thereof, one and ~~one-half~~ one-  
22 fourth percent.

23 3. On the third thousand dollars of taxable income,  
24 or any part thereof, ~~three~~ two and three-fourths  
25 percent.

26 4. On the fourth thousand dollars of taxable  
27 income, or any part thereof, ~~four~~ three and one-half  
28 percent.

29 5. On the fifth, sixth, and seventh thousand  
30 dollars of taxable income, or any part thereof, five  
31 percent.

32 6. On the eighth and ninth thousand dollars of  
33 taxable income, or any part thereof, six percent.

34 7. On the tenth through the fifteenth thousand  
35 dollars of taxable income or any part thereof, seven  
36 percent.

37 8. On the sixteenth through the twentieth thousand  
38 dollars of taxable income or any part thereof, eight  
39 percent.

40 9. On the twenty-first through the twenty-fifth  
41 thousand dollars of taxable income or any part thereof,  
42 nine percent.

43 10. On the twenty-sixth through the thirtieth  
44 thousand dollars of taxable income or any part thereof,  
45 ten percent.

46 11. On the thirty-first through the fortieth  
47 thousand dollars of taxable income or any part thereof,  
48 eleven percent.

49 12. On the forty-first through the seventy-fifth  
50 thousand dollars of taxable income or any part thereof,

1 twelve percent.

2 7 13. On all taxable income over nine seventy-  
3 five thousand dollars, seven thirteen percent.

4 Sec. 2. Section four hundred twenty-two point  
5 nine (422.9), subsection one (1), Code 1975, is amended  
6 to read as follows:

7 1. An optional standard deduction of ten percent  
8 of the net income after deduction of federal income  
9 tax, not to exceed five hundred dollars for a married  
10 person who files separately, or one thousand dollars  
11 for a single person or a husband and wife who file  
12 a joint return.

13 Sec. 3. Section four hundred twenty-two point  
14 nine (422.9), subsection two (2), paragraph b, Code  
15 1975, is amended to read as follows:

16 b. Add the amount of federal income taxes paid  
17 or accrued as the case may be, during the tax year,  
18 adjusted by any federal income tax refunds. Provided,  
19 however, that where married persons, who have filed  
20 a joint federal income tax return, file separately,  
21 such total shall be divided between them according  
22 to the portion thereof paid or accrued, as the case  
23 may be, by each; ~~and provided further that where a~~  
24 ~~taxpayer has used an optional standard deduction on~~  
25 ~~his federal return, he shall use the optional standard~~  
26 ~~deduction provided for above.~~

27 Sec. 4. The provisions of this Act shall be  
28 retroactive to January 1, 1975, for all taxable years  
29 commencing on or after January 1, 1975, and to this  
30 extent the provisions of this Act are retroactive."

31 2. Amend the title by striking everything after  
32 the word "Act" in line 1 and inserting in lieu thereof  
33 the words "relating to individual income tax rates  
34 and deductions and making the Act retroactive."

S-3989 FILED - *Adopted 6/4* BY COMMITTEE ON WAYS & MEANS  
MAY 30, 1975 (*1751*) NORMAN RODGERS, CHAIRMAN

S-4024

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed, and  
3 reprinted by the House, page 2, line 18, by striking  
4 the words "adjusted by" and inserting in lieu thereof  
5 the words "adjusted by less any federal income tax  
6 paid or accrued on interest and dividends from federal  
7 securities and".

S-4024 FILED - *Lost 6/4 (1747)* BY ROGER J. SHAFF  
JUNE 3, 1975

S-4012

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed, and  
3 reprinted by the House, as follows:

4 1. By striking everything after line 4 on page  
5 1 and inserting in lieu thereof the following:

6 "Section 1. Section four hundred twenty-two point  
7 five (422.5), unnumbered paragraphs one (1) and two  
8 (2), Code 1975, are amended to read as follows:

9 A tax is hereby imposed upon every resident of  
10 the state, and upon that part of the taxable income  
11 of any nonresident which is derived from any property,  
12 trust, or other source within this state, including  
13 any business, trade, profession, or occupation carried  
14 on within this state, which tax shall be levied,  
15 collected, and paid annually upon and with respect  
16 to his entire taxable income as herein defined at  
17 rates as follows:

18 1. On the first one thousand dollars of taxable  
19 income, or any part thereof, three-fourths of one  
20 percent.

21 2. On the second thousand dollars of taxable  
22 income, or any part thereof, one and one-half percent.

23 3. On the third thousand dollars of taxable income,  
24 or any part thereof, three percent.

25 4. On the fourth thousand dollars of taxable  
26 income, or any part thereof, four percent.

27 5. On the fifth, sixth, and seventh thousand  
28 dollars of taxable income, or any part thereof, five  
29 percent.

30 6. On the eighth and ninth thousand dollars of  
31 taxable income, or any part thereof, six percent.

32 ~~7. On all taxable income over nine thousand~~  
33 ~~dollars, seven percent~~ On the tenth through the  
34 twentieth thousand dollars of taxable income, or any  
35 part thereof, seven percent.

36 8. On the twenty-first through the thirtieth  
37 thousand dollars of taxable income, or any part  
38 thereof, eight percent.

39 9. On the thirty-first through the fiftieth  
40 thousand dollars of taxable income, or any part  
41 thereof, nine percent.

42 10. On the fifty-first through the one-hundredth  
43 thousand dollars of taxable income, or any part  
44 thereof, ten percent.

45 11. On all taxable income over one hundred thousand  
46 dollars, eleven percent.

47 However, no tax shall be imposed on any resident  
48 or nonresident whose net income, as defined in section  
49 422.7, is ~~four~~ five thousand dollars or less; but  
50 in the event that the payment of tax under this

1 division would reduce the net income to less than  
2 ~~four~~ five thousand dollars, then the tax shall be  
3 reduced to that amount which would result in allowing  
4 the taxpayer to retain a net income of ~~four~~ five  
5 thousand dollars. The preceding sentence does not  
6 apply to estates or trusts. For the purpose of this  
7 paragraph, the entire net income, including any part  
8 thereof not allocated to Iowa, shall be taken into  
9 account. If the combined net income of a husband  
10 and wife exceeds ~~four~~ five thousand dollars, neither  
11 of them shall receive the benefit of this paragraph,  
12 and it is immaterial whether they file a joint return  
13 or separate returns. An unmarried child under twenty-  
14 one years of age who is a dependent of his parent  
15 or parents as defined in section 422.12, shall not  
16 receive the benefit of this paragraph if such parent's  
17 net income exceeds ~~four~~ five thousand dollars or if  
18 the combined net income of such parents exceeds ~~four~~  
19 five thousand dollars.

20 Sec. 2. Section four hundred twenty-two point  
21 nine (422.9), subsection one (1), Code 1975, is amended  
22 to read as follows:

23 1. An optional standard deduction of ~~ten~~fifteen  
24 percent of the net income after deduction of federal  
25 income tax, not to exceed five seven hundred fifty  
26 dollars.

27 Sec. 3. The provisions of this Act shall be retro-  
28 active to January 1, 1975, for all taxable years  
29 commencing on or after January 1, 1975, and to this  
30 extent the provisions of this Act are retroactive."

31 2. Amend the title by striking lines 2 through  
32 7 and inserting in lieu thereof the words "change  
33 in Iowa individual income tax rates, exemptions and  
34 deductions, subject to penalties provided by law,  
35 and making the Act retroactive."

S-4012 FILED *Post 6/4 (1745)*  
JUNE 2, 1975

BY ROGER J. SHAFF  
CLIFTON C. LAMBORN  
FORREST V. SCHWENGELS  
LUCAS J. DE KOSTER

1 Amend House File 764, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. By striking everything after the enacting  
4 clause and inserting in lieu thereof the following:

5 "Section 1. Section four hundred twenty-two point  
6 five (422.5), unnumbered paragraph one (1), Code 1975,  
7 is amended to read as follows:

8 A tax is hereby imposed upon every resident of  
9 the state, and upon that part of the taxable income  
10 of any nonresident which is derived from any property,  
11 trust, or other source within this state, including  
12 any business, trade, profession, or occupation carried  
13 on within this state, which tax shall be levied,  
14 collected, and paid annually upon and with respect  
15 to his entire taxable income as herein defined at  
16 rates as follows:

17 1. On the first one thousand dollars of taxable  
18 income, or any part thereof, ~~three-fourths~~ one-half  
19 of one percent.

20 2. On the second thousand dollars of taxable  
21 income, or any part thereof, one and ~~one-half~~ one-  
22 fourth percent.

23 3. On the third thousand dollars of taxable income,  
24 or any part thereof, ~~three two and three-fourths~~  
25 percent.

26 4. On the fourth thousand dollars of taxable  
27 income, or any part thereof, ~~four~~ three and one-half  
28 percent.

29 5. On the fifth, sixth, and seventh thousand  
30 dollars of taxable income, or any part thereof, five  
31 percent.

32 6. On the eighth and ninth thousand dollars of  
33 taxable income, or any part thereof, six percent.

34 7. On the tenth through the fifteenth thousand  
35 dollars of taxable income or any part thereof, seven  
36 percent.

37 8. On the sixteenth through the twentieth thousand  
38 dollars of taxable income or any part thereof, eight  
39 percent.

40 9. On the twenty-first through the twenty-fifth  
41 thousand dollars of taxable income or any part thereof,  
42 nine percent.

43 10. On the twenty-sixth through the thirtieth  
44 thousand dollars of taxable income or any part thereof,  
45 ten percent.

46 11. On the thirty-first through the fortieth  
47 thousand dollars of taxable income or any part thereof,  
48 eleven percent.

49 12. On the forty-first through the seventy-fifth  
50 thousand dollars of taxable income or any part thereof.

1 twelve percent.

2 7 13. On all taxable income over nine seventy-  
3 five thousand dollars, seven thirteen percent.

4 Sec. 2. Section four hundred twenty-two point  
5 nine (422.9), subsection one (1), Code 1975, is amended  
6 to read as follows:

7 1. An optional standard deduction of ten percent  
8 of the net income after deduction of federal income  
9 tax, not to exceed five hundred dollars for a married  
10 person who files separately, or one thousand dollars  
11 for a single person or a husband and wife who file  
12 a joint return.

13 Sec. 3. Section four hundred twenty-two point  
14 nine (422.9), subsection two (2), paragraph b, Code  
15 1975, is amended to read as follows:

16 b. Add the amount of federal income taxes paid  
17 or accrued as the case may be, during the tax year,  
18 adjusted by any federal income tax refunds. Provided,  
19 however, that where married persons, who have filed  
20 a joint federal income tax return, file separately,  
21 such total shall be divided between them according  
22 to the portion thereof paid or accrued, as the case  
23 may be, by each; ~~and provided further that where a~~  
24 ~~taxpayer has used an optional standard deduction on~~  
25 ~~his federal return, he shall use the optional standard~~  
26 ~~deduction provided for above.~~

27 Sec. 4. The provisions of this Act shall be  
28 retroactive to January 1, 1975, for all taxable years  
29 commencing on or after January 1, 1975, and to this  
30 extent the provisions of this Act are retroactive."

31 2. Amend the title by striking everything after  
32 the word "Act" in line 1 and inserting in lieu thereof  
33 the words "relating to individual income tax rates  
34 and deductions and making the Act retroactive."

H-4079 FILED, RECEIVED FROM THE SENATE  
JUNE 5, 1975

*House referred to Finance 6/6 (2225)  
Motion to reconsider filed 6/6 (2225) & d. 6/9 (2225)  
Senate inserted 6/10 (1850)*

S-4042

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed, and  
3 reprinted by the House, as follows:

4 1. Page 1, line 18, by striking the words "~~three-~~  
5 ~~fourths one-half~~" and inserting in lieu thereof the  
6 word "three-fourths".

7 2. Page 1, lines 21 and 22, by striking the words  
8 "~~one-half one-fourth~~" and inserting in lieu thereof  
9 the word "one-half".

10 3. Page 1, line 24, by striking the words "~~three~~  
11 ~~two and three-fourths~~" and inserting in lieu thereof  
12 the word "three".

13 4. Page 1, line 27, by striking the words "~~four~~  
14 ~~three and one-half~~" and inserting in lieu thereof  
15 the word "four".

16 5. Page 1, by striking lines 37 through 50.

17 6. Page 2, by striking line 1.

18 7. Page 2, lines 2 and 3, by striking the word  
19 "~~seventy-five~~" and inserting in lieu thereof the word  
20 "fifteen".

21 8. Page 2, line 3, by striking the word "thirteen"  
22 and inserting in lieu thereof the word "eight".

23 9. Renumber sections and subsections and correct  
24 internal references as necessary.

S-4042 FILED & LOST (1743) BY ROGER J. SHAFF  
JUNE 4, 1975

S-4047

1 Amend the Committee on Ways and Means  
2 amendment, S-3989, to House File 764, as amended  
3 passed and reprinted by the House, page 2, by  
4 inserting after line 26 the following new  
5 section:

6 "Sec. \_\_\_\_ . Section four hundred twenty-two  
7 point twelve (422.12), Code 1975, is amended  
8 by adding the following new paragraph:

9 NEW PARAGRAPH. After deducting the per-  
10 sonal exemption, as authorized under subsections  
11 one (1) through five (5) of this section, there  
12 shall be further deducted an amount equal to  
13 three percent of the difference between the  
14 computed tax after deduction of the personal  
15 exemption, and the amount of tax withheld from  
16 the taxpayer under subsections one (1) and  
17 twelve (12) of section four hundred twenty-  
18 two point sixteen (422.16), of the Code, when  
19 the amount withheld exceeds the computed tax."

S-4047 FILED  
JUNE 4, 1975  
WITHDRAWN (1748)

BY RAY TAYLOR

S-4014

1 Amend the Committee on Ways and Means amendment,  
2 S-3989, to House File 764, as amended, passed, and  
3 reprinted by the House, as follows:  
4 1. Page 1, by striking lines 43 through 50.  
5 2. Page 2, by striking line 1.  
6 3. Page 2, lines 2 and 3, by striking the word  
7 "seventy-five" and inserting in lieu thereof the word  
8 "twenty-five".  
9 4. Page 2, line 3, by striking the word "thirteen"  
10 and inserting in lieu thereof the word "ten".  
11 5. Renumber sections and subsections and correct  
12 internal references as may be necessary.

S-4014 FILED - *Look 6/4 (1746)*  
JUNE 3, 1975

BY FORREST V. SCHWENGELS  
CALVIN O. HULTMAN  
ELIZABETH R. MILLER  
CLIFTON C. LAMBORN  
CLIFF BURROUGHS

S-4039

1 Amend Committee on Ways and Means amend-  
2 ment S-3989 to House File 764 as amended passed  
3 and reprinted by the House as follows:  
4 1. Page 2, by inserting after line 26 the  
5 following:  
6 "Sec. 422.9. Section four hundred twenty-two point  
7 nine (422.9) subsection 2, Code 1975, is amended  
8 by adding the following new paragraph:  
9 NEW PARAGRAPH. Add the amount equal to the  
10 actual purchase price of personal property or  
11 improvements to real property used to convert  
12 solar energy, wind or water into mechanical,  
13 electrical or heat energy except an electric  
14 heat pump unless installed as an integral part  
15 of solar, wind or water conversion equipment."  
16 2. By changing section numbers and internal  
17 references to conform to this amendment.

S-4039 FILED  
JUNE 4, 1975  
WITHDRAWN (1749)

BY CALVIN O. HULTMAN

1 Amend Committee on Ways and Means amend-  
2 ment S-3989 to House File 764 as amended passed  
3 and reprinted by the House as follows:

4 1. Page 2, by inserting after line 26 the  
5 following:

6 "Sec. \_\_\_\_ . Section four hundred twenty-two  
7 point nine (422.9) subsection 2, Code 1975, is  
8 amended by adding the following new paragraph:

9 NEW PARAGRAPH. Add an amount equal to the  
10 amount paid by the taxpayer, the taxpayer's  
11 spouse in the case of a joint return, or a de-  
12 pendent of the taxpayer for textbooks required  
13 for any course of instruction, offered by a  
14 postsecondary educational institution, for which  
15 the taxpayer, taxpayer's apouse or dependent is  
16 enrolled."

17 2. By changing section numbers and internal  
18 references to conform to this amendment.

S-4045 FILED  
JUNE 4, 1975  
WITHDRAWN (1758)

BY CALVIN O. HULTMAN  
WILLARD R. HANSEN

Report on the Conference Committee (Second)  
on House File 764

To the President of the Senate and the Speaker of the House  
Representatives:

We, the undersigned members of the second conference committee appointed to consider the differences between the Senate and the House of Representatives on House File 764, a bill for an Act relating to the Iowa income tax by providing a simplified reporting form for Iowa individual income tax rates, exemptions, and administrative requirements, providing for reporting of additional corporate income tax information, adopting penalties, making necessary corrective amendments and making the Act retroactive, respectfully make the following report:

1. That the House concur in the Senate amendment, H-4079, to House File 764, as amended, passed, and reprinted by the House.

ON THE PART OF THE SENATE:

Norman Rodgers, Chairman  
William E. Gluba  
Fred W. Nolting

ON THE PART OF THE HOUSE:

Lowell E. Norland, Chairman  
Neal Hines  
Kenneth D. Miller

FILED  
JUNE 19, 1975

*Senate adopted 6/10 (2226)  
House adopted 6/20 (2733)*

## AN ACT

RELATING TO INDIVIDUAL INCOME TAX RATES AND DEDUCTIONS  
AND MAKING THE ACT RETROACTIVE.

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

Section 1. Section four hundred twenty-two point five (422.5), unnumbered paragraph one (1), Code 1975, is amended to read as follows:

A tax is hereby imposed upon every resident of the state, and upon that part of the taxable income of any nonresident which is derived from any property, trust, or other source within this state, including any business, trade, profession, or occupation carried on within this state, which tax shall be levied, collected, and paid annually upon and with respect to his entire taxable income as herein defined at rates as follows:

1. On the first one thousand dollars of taxable income, or any part thereof, ~~three-fourths~~ one-half of one percent.
2. On the second thousand dollars of taxable income, or any part thereof, one and ~~one-half~~ one-fourth percent.
3. On the third thousand dollars of taxable income, or any part thereof, ~~three~~ two and three-fourths percent.
4. On the fourth thousand dollars of taxable income, or any part thereof, ~~four~~ three and one-half percent.
5. On the fifth, sixth, and seventh thousand dollars of taxable income, or any part thereof, five percent.
6. On the eighth and ninth thousand dollars of taxable income, or any part thereof, six percent.
7. On the tenth through the fifteenth thousand dollars of taxable income or any part thereof, seven percent.
8. On the sixteenth through the twentieth thousand dollars of taxable income or any part thereof, eight percent.
9. On the twenty-first through the twenty-fifth thousand dollars of taxable income or any part thereof, nine percent.

10. On the twenty-sixth through the thirtieth thousand dollars of taxable income or any part thereof, ten percent.

11. On the thirty-first through the fortieth thousand dollars of taxable income or any part thereof, eleven percent.

12. On the forty-first through the seventy-fifth thousand dollars of taxable income or any part thereof, twelve percent.

~~7~~ 13. On all taxable income over nine seventy-five thousand dollars, seven thirteen percent.

Sec. 2. Section four hundred twenty-two point nine (422.9), subsection one (1), Code 1975, is amended to read as follows:

1. An optional standard deduction of ten percent of the net income after deduction of federal income tax, not to exceed five hundred dollars for a married person who files separately, or one thousand dollars for a single person or a husband and wife who file a joint return.

Sec. 3. Section four hundred twenty-two point nine (422.9), subsection two (2), paragraph b, Code 1975, is amended to read as follows:

b. Add the amount of federal income taxes paid or accrued as the case may be, during the tax year, adjusted by any federal income tax refunds. Provided, however, that where married persons, who have filed a joint federal income tax return, file separately, such total shall be divided between them according to the portion thereof paid or accrued, as the case may be, by each; ~~and provided further that where a taxpayer has used an optional standard deduction on his federal return, he shall use the optional standard deduction provided for above.~~

Sec. 4. The provisions of this Act shall be retroactive to January 1, 1975, for all taxable years commencing on or

after January 1, 1975, and to this extent the provisions of this Act are retroactive.

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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 764, Sixty-sixth General Assembly.

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DAVID L. WRAY  
Chief Clerk of the House

Approved 7/16, 1975

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ROBERT D. RAY  
Governor