

RECEIVED JAN 26 1976

SENATE FILE 1060

By COMMITTEE ON WAYS AND MEANS

Passed Senate, Date 1-28-76 (152) Passed House, Date 1-30-76 (p. 123)  
Vote: Ayes 50 Nays 0 Vote: Ayes 92 Nays 0  
Approved 2-6-76

### A BILL FOR

1 An Act relating to references to the internal revenue code in  
2 the computation of individual and corporate income tax and  
3 the franchise tax and making the Act retroactive.

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

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S-5037

1 Amend Senate File 1060 as follows:  
2 1. Page 2, by striking the lines 1 through 3,  
3 and inserting in lieu thereof the words "tion  
4 in Cherokee Daily Times, <sup>2/12/76</sup> a newspaper published in  
5 Cherokee, Iowa, and in West Des Moines Express, <sup>2/12/76</sup> a  
6 newspaper published in West Des Moines, Iowa."

S-5037 FILED & ADOPTED (152)  
JANUARY 28, 1976

BY PHILIP B. HILL

1 Section 1. Section four hundred twenty-two point four  
2 (422.4), subsection seventeen (17), Code 1975, as amended  
3 by Acts of the Sixty-sixth General Assembly, 1975 Session,  
4 chapter two hundred six (206), section one (1), is amended  
5 to read as follows:

6 17. "Internal Revenue Code of 1954" means the Internal  
7 Revenue Code of 1954, as amended to and including January  
8 1, ~~1975~~ 1976.

9 Sec. 2. Section four hundred twenty-two point thirty-two  
10 (422.32), subsection four (4), Code 1975, as amended by Acts  
11 of the Sixty-sixth General Assembly, 1975 Session, chapter  
12 two hundred six (206), section two (2), is amended to read  
13 as follows:

14 4. "Internal Revenue Code of 1954" means the Internal  
15 Revenue Code of 1954, as amended to and including January  
16 1, ~~1975~~ 1976.

17 Sec. 3. Section four hundred twenty-two point sixty-one  
18 (422.61), subsection four (4), Code 1975, as amended by Acts  
19 of the Sixty-sixth General Assembly, 1975 Session, chapter  
20 two hundred six (206), section three (3), is amended to read  
21 as follows:

22 4. "Net income" means the net income of the financial  
23 institution computed in accordance with section 422.35, with  
24 the exception that interest and dividends from federal securi-  
25 ties shall not be subtracted and interest and dividends from  
26 evidences of indebtedness and securities of this state and  
27 its political subdivisions, exempt from federal income tax  
28 under the Internal Revenue Code of 1954 as amended to and  
29 including January 1, ~~1975~~ 1976, shall not be added.

30 Sec. 4. Sections one (1), two (2) and three (3) of this  
31 Act are retroactive to January 1, 1975 for tax years begin-  
32 ning on or after January 1, 1975 and to this extent the pro-  
33 visions of this Act are retroactive.

34 Sec. 5. This Act, being deemed of immediate importance,  
35 shall take effect and be in force from and after its publica-

1 tion in \_\_\_\_\_, a newspaper published  
 2 in \_\_\_\_\_, Iowa, and in \_\_\_\_\_,  
 3 a newspaper published in \_\_\_\_\_, Iowa.

## EXPLANATION

*Proof of Publication 2/23 (p. 573)*

5 The bill changes the references to the Internal Revenue  
 6 Code in the tax laws to include amendments to January 1, 1976,  
 7 so as to incorporate the 1975 changes in the Internal Revenue  
 8 Code, and makes the changes effective for 1975 taxes paid  
 9 in 1976.

10 Several changes were made in the Tax Reduction Act of 1975  
 11 which affect the Iowa tax base. These changes include  
 12 increasing the adjusted gross income limit above which the  
 13 \$4,800 maximum deduction for child care expenses is no longer  
 14 allowed, extending the period during which a gain from a sale  
 15 of a residence may be deferred for tax purposes, and repealing  
 16 the 22 percent depletion allowance for major oil producers.

17 A taxpayer who itemizes his deductions may deduct expenses  
 18 incurred for employment-related household services, child  
 19 care, disabled dependent care and disabled spouse care. Under  
 20 the Tax Reduction Act of 1975 the adjusted gross income maximum  
 21 level at which no reduction of these expenses is made was  
 22 increased from \$18,000 to \$35,000. For each dollar of income  
 23 earned above \$35,000, the qualified expenses are reduced by  
 24 50 cents. The maximum deduction of \$400 per month is phased  
 25 out at \$44,600. The previous upper limit was \$27,600.

26 If a new principal residence is purchased and the previous  
 27 residence sold, the taxpayer must, to avoid immediately paying  
 28 tax on the gain from sale of the former residence, occupy  
 29 the new residence within 18 months before or after the sale  
 30 of the old residence. The period of time under the prior  
 31 law was 12 months.

32 The 22 percent depletion allowance has been repealed for  
 33 major oil producers effective for years ending after December  
 34 31, 1974. The depletion allowance for these large corporations  
 35 will generally be limited to cost depletion only. For inde-

1 pendent producers and royalty owners the depletion percentage  
2 is being decreased from 22 percent to 15 percent over a ten-  
3 year period.

4 If the Code is not updated to reflect the 1975 federal  
5 changes, the federal and Iowa tax bases will vary substantially  
6 and will require certain adjustments which would increase  
7 the complexity of the Iowa returns for 1975 and subsequent  
8 years.

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SENATE FILE 1060

AN ACT

RELATING TO REFERENCES TO THE INTERNAL REVENUE CODE IN THE COMPUTATION OF INDIVIDUAL AND CORPORATE INCOME TAX AND THE FRANCHISE TAX 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 four (422.4), subsection seventeen (17), Code 1975, as amended by Acts of the Sixty-sixth General Assembly, 1975 Session, chapter two hundred six (206), section one (1), is amended to read as follows:

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, 1975 1976.

Sec. 2. Section four hundred twenty-two point thirty-two (422.32), subsection four (4), Code 1975, as amended by Acts of the Sixty-sixth General Assembly, 1975 Session, chapter two hundred six (206), section two (2), is amended to read as follows:

4. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, 1975 1976.

Sec. 3. Section four hundred twenty-two point sixty-one (422.61), subsection four (4), Code 1975, as amended by Acts of the Sixty-sixth General Assembly, 1975 Session, chapter two hundred six (206), section three (3), is amended to read as follows:

4. "Net income" means the net income of the financial institution computed in accordance with section 422.35, with the exception that interest and dividends from federal securities shall not be subtracted and interest and dividends from evidences of indebtedness and securities of this state and

its political subdivisions, exempt from federal income tax under the Internal Revenue Code of 1954 as amended to and including January 1, 1975 1976, shall not be added.

Sec. 4. Sections one (1), two (2) and three (3) of this Act are retroactive to January 1, 1975 for tax years beginning on or after January 1, 1975 and to this extent the provisions of this Act are retroactive.

Sec. 5. This Act, being deemed of immediate importance, shall take effect and be in force from and after its publication in the Cherokee Daily Times, a newspaper published in Cherokee, Iowa, and in the West Des Moines Express, a newspaper published in West Des Moines, Iowa.

ARTHUR A. NEU  
President of the Senate

DALE M. COCHRAN  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 1060, Sixty-sixth General Assembly.

STEVEN C. CROSS  
Secretary of the Senate

Approved  1976

ROBERT D. RAY  
Governor