

JAN 1978
Ways & Means Calendar

HOUSE FILE 2037

BY COMMITTEE ON WAYS AND MEANS

Sub for SF 1040 1/27

Passed House, Date 1-12-78 (p. 68) Passed Senate, Date 1-27-78 (p. 174)

Vote: Ayes 97 Nays 13 Vote: Ayes 41 Nays 0

Approved 2-16-78

*Repassed House for Senate amendment 5179
2-2-78 (p. 311)
91-0*

A BILL FOR

1 An Act relating to the references to the internal revenue
2 code in the computation of individual and corporate income
3 tax and 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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1 Section 1. Section four hundred twenty-two point four
2 (422.4), subsection seventeen (17), Code 1977, as amended
3 by Acts of the Sixty-seventh General Assembly, 1977 Session,
4 chapter one hundred nineteen (119), 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, ~~1977~~ 1978.

9 Sec. 2. Section four hundred twenty-two point thirty-two
10 (422.32), subsection four (4), Code 1977, as amended by Acts
11 of the Sixty-seventh General Assembly, 1977 Session, chapter
12 one hundred nineteen (119), section nine (9), is amended to
13 read 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, ~~1977~~ 1978.

17 Sec. 3. Section four hundred twenty-two point sixty-one
18 (422.61), subsection four (4), Code 1977, as amended by Acts
19 of the Sixty-seventh General Assembly, 1977 Session, chapter
20 one hundred nineteen (119), section ten (10), is amended to
21 read 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
25 securities shall not be subtracted and interest and dividends
26 from evidences of indebtedness and securities of this state
27 and its political subdivisions, exempt from federal income
28 tax under the Internal Revenue Code of 1954 as amended to
29 and including January 1, ~~1977~~ 1978, shall not be added.

30 Sec. 4. Sections one (1), two (2), and three (3) of this
31 Act are retroactive to January 1, 1977 for tax years beginning
32 on or after January 1, 1977 and to this extent the provisions
33 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

1 publication in The Record, a newspaper published in Cedar
2 Falls, Iowa, and in the Linn News-Letter, a newspaper published
3 in Central City, Iowa.

4 EXPLANATION

5 The bill is needed to incorporate into the Iowa individual
6 and corporate income tax and the franchise tax the provisions
7 of the 1977 Federal Tax Reduction and Simplification Act.

8 *(Certification of publication 3/8 (p. 371))*
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HOUSE FILE 2037
FISCAL NOTE

Date: January 17, 1978
Requested by: Senator Warren Curtis

In compliance with a written request received January 17, 1978, there is hereby submitted a Fiscal Note for Amendment on House File 2037 pursuant to Joint Rule 16. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

H.F. 2037, Amendment by Senator Warren Curtis and Senator Norman G. Rodgers, An Act to allow married taxpayers who file separate Iowa returns to deduct additional first-year depreciation and capital losses to the same extent as on their joint federal return.

This proposed amendment would allow taxpayers to file a joint federal income tax return and separate state income tax returns without requiring the additional first-year depreciation and capital loss adjustments solely because of different filing status between federal and state. It is estimated that the tax effect would be minimal, since a deduction limited in the current year, would generally be recovered in future years. Thus, the difference in deductions is primarily one of timing.

Source: Department of Revenue
Gerry Rankin
FISCAL DIRECTOR
Legislative Fiscal Bureau

S-5021

1 Amend House File 2037, as passed by the House,
2 as follows:

3 1. Page 1, by inserting after line 8 the following
4 new section:

5 "Sec. . . . Section four hundred twenty-two point
6 seven (422.7), Code 1977, as amended by Acts of the
7 Sixty-seventh General Assembly, 1977 Session, chapter
8 one hundred nineteen (119), sections two (2) and three
9 (3), is amended by adding the following new subsection:

10 NEW SUBSECTION. Married taxpayers who file a joint
11 federal income tax return and who elect to file
12 separate returns or separate filing on a combined
13 return for Iowa income tax purposes, may avail
14 themselves of the additional first-year depreciation
15 and capital loss provisions of sections one hundred
16 seventy-nine a (179(a)) and twelve hundred eleven
17 b (1211(b)) respectively of the Internal Revenue Code
18 of 1954 and shall compute the amount of additional
19 first-year depreciation and capital loss subject to
20 the limitations for joint federal income tax return
21 filers provided by sections one hundred seventy-nine
22 b (179(b)) and twelve hundred eleven b (1211(b))
23 respectively of the Internal Revenue Code of 1954."

24 2. Page 1, line 30, by striking the words and
25 figure "and three (3)" and inserting in lieu thereof
26 the words and figures "three (3) and four (4)".

27 3. Amend the title, lines 1 and 2, by striking
28 the words "the references to the internal revenue
29 code in".

30 4. Amend the title, line 3, by inserting after
31 the words "franchise tax" the words "by updating the
32 references to the internal revenue code, by providing
33 for the computation of depreciation and capital loss
34 by certain taxpayers".

35 5. Renumber sections and correct internal
36 references as are necessary by this amendment.

S-5021 FILED - *Waltham 1/17/78* BY WARREN E. CURTIS
JANUARY 17, 1978 NORMAN G. RODGERS

HOUSE FILE 2037
FISCAL NOTE

Date: January 17, 1978
Requested by: Senator Warren Curtis

In compliance with a written request received January 17, 1978, there is hereby submitted a Fiscal Note for Amendment on House File 2037 pursuant to Joint Rule 16. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the Legislature upon request.

H.F. 2037, Amendment by Senator Warren Curtis and Senator Norman G. Rodgers, An Act to allow married taxpayers who file separate Iowa returns to deduct additional first-year depreciation and capital losses to the same extent as on their joint federal return.

This proposed amendment would allow taxpayers to file a joint federal income tax return and separate state income tax returns without requiring the additional first-year depreciation and capital loss adjustments solely because of different filing status between federal and state. It is estimated that the tax effect would be minimal, since a deduction limited in the current year, would generally be recovered in future years. Thus, the difference in deductions is primarily one of timing.

Source: Department of Revenue
Gerry Rankin
FISCAL DIRECTOR
Legislative Fiscal Bureau

S-5021

1 Amend House File 2037, as passed by the House,
2 as follows:

3 1. Page 1, by inserting after line 8 the following
4 new section:

5 "Sec. 422.7. Section four hundred twenty-two point
6 seven (422.7), Code 1977, as amended by Acts of the
7 Sixty-seventh General Assembly, 1977 Session, chapter
8 one hundred nineteen (119), sections two (2) and three
9 (3), is amended by adding the following new subsection:

10 NEW SUBSECTION. Married taxpayers who file a joint
11 federal income tax return and who elect to file
12 separate returns or separate filing on a combined
13 return for Iowa income tax purposes, may avail
14 themselves of the additional first-year depreciation
15 and capital loss provisions of sections one hundred
16 seventy-nine a (179(a)) and twelve hundred eleven
17 b (1211(b)) respectively of the Internal Revenue Code
18 of 1954 and shall compute the amount of additional
19 first-year depreciation and capital loss subject to
20 the limitations for joint federal income tax return
21 filers provided by sections one hundred seventy-nine
22 b (179(b)) and twelve hundred eleven b (1211(b))
23 respectively of the Internal Revenue Code of 1954."

24 2. Page 1, line 30, by striking the words and
25 figure "and three (3)" and inserting in lieu thereof
26 the words and figures "three (3) and four (4)".

27 3. Amend the title, lines 1 and 2, by striking
28 the words "the references to the internal revenue
29 code in".

30 4. Amend the title, line 3, by inserting after
31 the words "franchise tax" the words "by updating the
32 references to the internal revenue code, by providing
33 for the computation of depreciation and capital loss
34 by certain taxpayers".

35 5. Renumber sections and correct internal
36 references as are necessary by this amendment.

S-5021 FILED - *Withdrawn 1/27/78* BY WARREN E. CURTIS
JANUARY 17, 1978 NORMAN G. RODGERS

1 Amend House File 2037, as passed by the House,
2 as follows:
3 1. Page 1, by inserting after line 8 the following
4 new section:

5 "Sec. _____. Section four hundred twenty-two point
6 seven (#22.7), Code 1977, as amended by Acts of the
7 Sixty-seventh General Assembly, 1977 Session, chapter
8 one hundred nineteen (119), sections two (2) and three
9 (3), is amended by adding the following new subsection:
10 NEW SUBSECTION. Married taxpayers who file a joint
11 federal income tax return and who elect to file
12 separate returns or separate filing on a combined
13 return for Iowa income tax purposes, may avail
14 themselves of the additional first-year depreciation
15 and capital loss provisions of sections one hundred
16 seventy-nine a (179(a)) and twelve hundred eleven
17 b (1211(b)) respectively of the Internal Revenue Code
18 of 1954 and shall compute the amount of additional
19 first-year depreciation and capital loss subject to
20 the limitations for joint federal income tax return
21 filers provided by sections one hundred seventy-nine
22 b (179(b)) and twelve hundred eleven b (1211(b))
23 respectively of the Internal Revenue Code of 1954.

24 NEW SUBSECTION. Subtract the amount of the new
25 jobs tax credit allowable for the tax year under
26 section forty-four B (#4B) of the Internal Revenue
27 Code of 1954 to the extent that the credit increased
28 federal adjusted gross income."

29 2. Page 1, by inserting after line 16 the following
30 new section:

31 "Sec. _____. Section four hundred twenty-two point
32 thirty-five (#22.35), Code 1977, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. Subtract the amount of the new
35 jobs tax credit allowable for the tax year under
36 section forty-four B (#4B) of the Internal Revenue
37 Code of 1954 to the extent that the credit increased
38 federal taxable income."

39 3. Page 1, line 30, by striking the words and
40 figures "Sections one (1), two (2), and three (3)"
41 and inserting in lieu thereof the words "The
42 provisions".

43 4. Amend the title, lines 1 and 2, by striking
44 the words "the references to the internal revenue
45 code in".

46 5. Amend the title, line 3, by inserting after
47 the words "franchise tax" the words "by updating the
48 references to the internal revenue code, by providing
49 for the computation of depreciation and capital loss
50 by certain taxpayers, by allowing a deduction from

S-5072

PAGE 2

1 income by individuals and corporations for the amount
2 of the allowable federal new jobs tax credit".

3 6. Renumber sections and correct internal
4 references as are necessary by this amendment.

S-5072 FILED. *Adopted 1/24/78*
JANUARY 24, 1978

BY WARREN E. CURTIS
NORMAN G. RODGERS

HOUSE FILE 2037

AN ACT

RELATING TO THE COMPUTATION OF INDIVIDUAL AND CORPORATE INCOME TAX AND THE FRANCHISE TAX BY UPDATING THE REFERENCES TO THE INTERNAL REVENUE CODE, BY PROVIDING FOR THE COMPUTATION OF DEPRECIATION AND CAPITAL LOSS BY CERTAIN TAXPAYERS, BY ALLOWING A DEDUCTION FROM INCOME BY INDIVIDUALS AND CORPORATIONS FOR THE AMOUNT OF THE ALLOWABLE FEDERAL NEW JOBS TAX CREDIT 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 1977, as amended by Acts of the Sixty-seventh General Assembly, 1977 Session, chapter one hundred nineteen (119), 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, ~~1977~~ 1978.

Sec. 2. Section four hundred twenty-two point seven (422.7), Code 1977, as amended by Acts of the Sixty-seventh General Assembly, 1977 Session, chapter one hundred nineteen (119), sections two (2) and three (3), is amended by adding the following new subsections:

NEW SUBSECTION. Married taxpayers who file a joint federal income tax return and who elect to file separate returns or separate filing on a combined return for Iowa income tax purposes, may avail themselves of the additional first-year depreciation and capital loss provisions of sections one hundred seventy-nine a (179(a)) and twelve hundred eleven b (1211(b)) respectively of the Internal Revenue Code of 1954 and shall compute the amount of additional first-year

depreciation and capital loss subject to the limitations for joint federal income tax return filers provided by sections one hundred seventy-nine b (179(b)) and twelve hundred eleven b (1211(b)) respectively of the Internal Revenue Code of 1954.

NEW SUBSECTION. Subtract the amount of the new jobs tax credit allowable for the tax year under section forty-four B (44B) of the Internal Revenue Code of 1954 to the extent that the credit increased federal adjusted gross income.

Sec. 3. Section four hundred twenty-two point thirty-two (422.32), subsection four (4), Code 1977, as amended by Acts of the Sixty-seventh General Assembly, 1977 Session, chapter one hundred nineteen (119), section nine (9), 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, ~~1977~~ 1978.

Sec. 4. Section four hundred twenty-two point thirty-five (422.35), Code 1977, is amended by adding the following new subsection:

NEW SUBSECTION. Subtract the amount of the new jobs tax credit allowable for the tax year under section forty-four B (44B) of the Internal Revenue Code of 1954 to the extent that the credit increased federal taxable income.

Sec. 5. Section four hundred twenty-two point sixty-one (422.61), subsection four (4), Code 1977, as amended by Acts of the Sixty-seventh General Assembly, 1977 Session, chapter one hundred nineteen (119), section ten (10), 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, ~~1977~~ 1978, shall not be added.

Sec. 6. The provisions of this Act are retroactive to January 1, 1977 for tax years beginning on or after January 1, 1977 and to this extent the provisions of this Act are retroactive.

Sec. 7. This Act, being deemed of immediate importance, shall take effect and be in force from and after its publication in The Record, a newspaper published in Cedar Falls, Iowa, and in the Linn News-Letter, a newspaper published in Central City, Iowa.

DALE M. COCHRAN
Speaker of the House

ARTHUR A. NEU
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2037, Sixty-seventh General Assembly.

DAVID L. WRAY
Clerk of the House

Approved Feb 16, 1978

ROBERT D. RAY
Governor