

*See House Journal 4/2, De. Journal 1/2-8 (p. 81)*

HOUSE FILE 415

Ways and Means  
Van Gilst, Chairperson  
Hultman  
Junions

77

HOUSE FILE 415

By COMMITTEE ON WAYS AND MEANS

WAYS AND MEANS (AMEND)

Formerly Study Bill 96

Passed House, Date 3-31-77 (p. 1134) Passed Senate, Date 2-10-78 (271)

Vote: Ayes 88 Nays 1 Vote: Ayes 47 Nays 0

Approved 3-22-78

*Referred to House for Senate amendment 5-2-78  
2-22-78 (p. 601)  
78-2*

# A BILL FOR

1 An Act relating to the deduction of debts and property taxes  
2 for inheritance tax purposes.

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

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415

1 Section 1. Section four hundred fifty point twelve  
2 (450.12), subsection one (1), Code 1977, is amended to read  
3 as follows:

4 1. From the estate of such decedent who at the time of  
5 his death was domiciled within this state, there shall be  
6 deducted the debts owing by the decedent at the time of his  
7 death, the local and state taxes due from the estate ~~in January~~  
8 of-the-year-of-his-death and payable during the fiscal year  
9 beginning July first in which the decedent's death occurs,  
10 and federal taxes owing by the decedent or paid from the  
11 estate on Iowa property, a reasonable sum for funeral expenses,  
12 temporary allowances as provided in sections 633.374 to  
13 633.377, and as granted by the probate court or judge thereof,  
14 court costs, the cost of appraisal made for the purpose  
15 of assessing the inheritance tax, the fee of executors,  
16 administrators, or trustees as allowed by order of court,  
17 the amount paid by the executor or administrator for a bond,  
18 the attorney fee in a reasonable amount to be approved by  
19 the court for the probate proceedings in said estate the costs  
20 of the sale of real estate or personal property in the estate,  
21 including the real estate agent's commission, and expenses  
22 for abstracting, documentary stamps, and title correction  
23 expenses, and no other sum; provided, however, that the debt  
24 of such decedent owing for or secured by property outside  
25 of this state, shall not be deducted before estimating the  
26 tax, except when the property for which the debt is owing  
27 or by which it is secured is subject to the tax imposed by  
28 this chapter, or when the foreign debt exceeds the value of  
29 the property securing it or for which it was contracted, when  
30 the excess may be deducted, provided that satisfactory proof  
31 of the value of the foreign property and the amount of such  
32 debt is furnished to the director of revenue.

33 Said debts shall not be deducted unless the same are  
34 approved and allowed by the court within eighteen months from  
35 the death of the decedent, unless otherwise ordered by the

1 judge or court of the proper county.

2 Sec. 2. Section four hundred fifty point twelve (450.12),  
3 subsection two (2), Code 1977, is amended to read as follows:

4 2. From the estate of such decedent who at the time of  
5 his death is domiciled outside of this state, the director  
6 of revenue shall deduct such debts and expenses as are  
7 chargeable to the property under the laws of this state,  
8 provided that in the event that the executor, administrator,  
9 or trustee of such foreign estate files with the clerk of  
10 the court having ancillary jurisdiction and with the depart-  
11 ment of revenue, or with the department of revenue in case  
12 there is no administration of the estate within this state,  
13 a duly certified statement exhibiting the true market value  
14 of the entire estate of the decedent owner, and the indebt-  
15 edness for which the said estate has been adjudged liable,  
16 which statement shall be duly attested by the judge of the  
17 court having original jurisdiction, the beneficiaries of the  
18 said estate shall then be entitled to have deducted such  
19 proportion of the said indebtedness of the decedent from the  
20 value of the property as the value of the property within  
21 this state bears to the value of the entire estate. However,  
22 a debt as defined in this section shall not be allowed as  
23 a deduction under subsections one (1) and two (2) of this  
24 section if attributable to, or paid, secured, or set off by  
25 property not subject to taxation under this chapter, except  
26 to the extent of the excess of the debt, over the value or  
27 amount of the exempt property, or the proportions of the debt  
28 not attributable to the exempt property.

29 Sec. 3. This Act is effective January 1, 1978.

30 EXPLANATION

31 One of the deductions allowable in computing the inheritance  
32 tax due in an estate is the local and state taxes owing by  
33 the decedent in January of the year of his death. Local  
34 property taxes now become due and payable on a fiscal year  
35 basis. The bill amends the present law to correlate the time

1 for determining the allowability of local taxes as an  
2 inheritance deduction with the time local property taxes now  
3 become due.

4 Under the present law, at least fifty percent of the jointly  
5 held assets of a husband and wife are now exempt from the  
6 inheritance tax. This bill provides that a debt or mortgage  
7 on the jointly held property shall be allowed as a deduction  
8 in the same proportion as the property included for taxation,  
9 unless the debt is in excess of the exempt property, then  
10 the excess is allowable as a deduction against the taxable  
11 portion of the jointly held property.

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HOUSE FILE 415

H-3441

- 1 Amend House File 415 as follows:
- 2 1. Page 2, by striking line 29.

H-3441 FILED - *Adopted 3/5* BY CLARK of Lee  
MARCH 29, 1977 (*p. 1136*) NORLAND of Worth

SENATE AMENDMENT TO  
HOUSE FILE 415

H-5278

- 1 Amend House File 415, as amended and passed by
- 2 the House as follows:
- 3 1. Page 2, by inserting after line 28 the
- 4 following new section:
- 5 "Sec. \_\_\_\_\_. This Act is effective January 1,
- 6 1979."

H-5278 FILED  
RECEIVED FROM SENATE  
FEBRUARY 14, 1978

*House Amendment 2/22 (p. 201)*

HOUSE FILE 415

S-5020

- 1 Amend House File 415, as amended and passed by
- 2 the House as follows:
- 3 1. Page 2, by inserting after line 28 the
- 4 following new section:
- 5 "Sec. \_\_\_\_\_. This Act is effective January 1,
- 6 1979."

S-5020 FILED - *Adopted 2/9 (p. 231)* BY E. KEVIN KELLY  
JANUARY 17, 1978

REVISED  
HOUSE FILE 415  
FISCAL NOTE

Date: January 27, 1978  
Requested by: Senator Norman Rodgers

In compliance with a written request received January 16, 1978, there is hereby submitted a Fiscal Note for House File 415, 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.

House File 415, An Act relating to the deduction of debts and property taxes for inheritance tax purposes.

Section one of the proposal is designed to reflect the fact that property taxes are now payable on a fiscal year basis rather than a calendar year basis. Under current law, only those unpaid property taxes which are due in January of the year of the decedent's death may be deducted for inheritance tax purposes with the result being that in certain instances the second half of the taxes which are due in the succeeding calendar year may not be claimed as a deduction. In the absence of data as to the number of estates not permitted to deduct such property taxes as well as the inheritance tax currently paid by these estates, a reliable estimate of the effects of the proposal may not be given.

Section two of House File 415 would not permit the deduction of certain debts attributable or secured by certain type of property which is not subject to taxation. Due to current filing practices, the section would have minimal or no impact on state inheritance tax collections.

Source: Iowa Department of Revenue  
Gerry Rankin  
Fiscal Director  
Legislative Fiscal Bureau

HOUSE FILE 415  
FISCAL NOTE

Date: January 25, 1978  
Requested by: Senator Norman Rodgers

In compliance with a written request received January 16, 1978, there is hereby submitted a Fiscal Note for House File 415, 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.

House File 415, An Act relating to the deduction of debts and property taxes for inheritance tax purposes.

Section one of the proposal is designed to reflect the fact that property taxes are now payable on a fiscal year basis rather than a calendar year basis. Under current law, only those unpaid property taxes which are due in January of the year of the decedent's death may be deducted for inheritance tax purposes with the result being that in certain instances the second half of the taxes which are due in the succeeding calendar year may not be claimed as a deduction. In the absence of data as to the number of estates not permitted to deduct such property taxes as well as the inheritance tax currently paid by these estates, a reliable estimate of the effects of the proposal may not be given.

Section two of House File 412 would not permit the deduction of certain debts attributable or secured by certain type of property which is not subject to taxation. Due to current filing practices, the section would have minimal or no impact on state inheritance tax collections.

SOURCE: Iowa Department of Revenue

Gerry Rankin  
Fiscal Director  
Legislative Fiscal Bureau

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## HOUSE FILE 415

## AN ACT

RELATING TO THE DEDUCTION OF DEBTS AND PROPERTY TAXES FOR INHERITANCE TAX PURPOSES.

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

Section 1. Section four hundred fifty point twelve (450.12), subsection one (1), Code 1977, is amended to read as follows:

1. From the estate of such decedent who at the time of his death was domiciled within this state, there shall be deducted the debts owing by the decedent at the time of his death, the local and state taxes due from the estate ~~in January of the year of his death~~ and payable during the fiscal year beginning July first in which the decedent's death occurs, and federal taxes owing by the decedent or paid from the estate on Iowa property, a reasonable sum for funeral expenses, temporary allowances as provided in sections 633.374 to 633.377, and as granted by the probate court or judge thereof, court costs, the cost of appraisal made for the purpose of assessing the inheritance tax, the fee of executors, administrators, or trustees as allowed by order of court, the amount paid by the executor or administrator for a bond, the attorney fee in a reasonable amount to be approved by the court for the probate proceedings in said estate the costs of the sale of real estate or personal property in the estate, including the real estate agent's commission, and expenses for abstracting, documentary stamps, and title correction expenses, and no other sum; provided, however, that the debt of such decedent owing for or secured by property outside of this state, shall not be deducted before estimating the tax, except when the property for which the debt is owing or by which it is secured is subject to the tax imposed by

this chapter, or when the foreign debt exceeds the value of the property securing it or for which it was contracted, when the excess may be deducted, provided that satisfactory proof of the value of the foreign property and the amount of such debt is furnished to the director of revenue.

Said debts shall not be deducted unless the same are approved and allowed by the court within eighteen months from the death of the decedent, unless otherwise ordered by the judge or court of the proper county.

Sec. 2. Section four hundred fifty point twelve (450.12), subsection two (2), Code 1977, is amended to read as follows:

2. From the estate of such decedent who at the time of his death is domiciled outside of this state, the director of revenue shall deduct such debts and expenses as are chargeable to the property under the laws of this state, provided that in the event that the executor, administrator, or trustee of such foreign estate files with the clerk of the court having ancillary jurisdiction and with the department of revenue, or with the department of revenue in case there is no administration of the estate within this state, a duly certified statement exhibiting the true market value of the entire estate of the decedent owner, and the indebtedness for which the said estate has been adjudged liable, which statement shall be duly attested by the judge of the court having original jurisdiction, the beneficiaries of the said estate shall then be entitled to have deducted such proportion of the said indebtedness of the decedent from the value of the property as the value of the property within this state bears to the value of the entire estate. However, a debt as defined in this section shall not be allowed as a deduction under subsections one (1) and two (2) of this section if attributable to, or paid, secured, or set off by property not subject to taxation under this chapter, except to the extent of the excess of the debt, over the value or amount of the exempt property, or the proportions of the debt

not attributable to the exempt property.

Sec. 3. This Act is effective January 1, 1979.

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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 415, Sixty-seventh General Assembly.

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DAVID L. WRAY  
Chief Clerk of the House

Approved March 22, 1978

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ROBERT D. RAY  
Governor