

FEB 14 1980

WAYS & MEANS CALENDAR

HOUSE FILE 2470

By COMMITTEE ON WAYS AND MEANS

(Formerly Study Bill 675)

Passed House, Date 2-18-80 (p. 557) Passed Senate, Date 3-14-80 (p. 872)

Vote: Ayes 97 Nays 0 Vote: Ayes 43 Nays 0

Approved March 25, 1980

A BILL FOR

1 An Act updating references to the Internal Revenue Code for
2 purposes of computing individual and corporate income taxes
3 and franchise taxes and making the Act retroactive.

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

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I hereby certify that House File 2470, was published in the Farmer-Labor Press, Council Bluffs, Iowa on April 3, 1980, and in The Clinton Herald, Clinton, Iowa on March 31, 1980.

2470

HOUSE FILE 2470

H-5247

1 Amend House File 2470 as follows:
2 1. Page 3, line 2, by inserting after the
3 word "securities" the following: "and any amount
4 of franchise taxes paid or accrued under this divi-
5 sion during the taxable year".

H-5247 FILED
RULED NOT GERMANE - MOTION TO
SUSPEND THE RULES LOST (p. 556)

BY NORLAND of Worth

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1 Section 1. Section four hundred twenty-two point four
2 (422.4), subsection seventeen (17), Code 1979, as amended
3 by Acts of the Sixty-eighth General Assembly, 1979 Session,
4 chapter ninety-two (92), section one (1), and as the section
5 is amended by Acts of the Sixty-eighth General Assembly, 1979
6 Session, chapter ninety-three (93), section one (1), is amended
7 to read as follows:

8 17. "Internal Revenue Code of 1954" means the Internal
9 Revenue Code of 1954, as amended to and including January
10 1, ~~1979~~ 1980.

11 Sec. 2. Section four hundred twenty-two point seven
12 (422.7), subsection nine (9), Code 1979, is amended to read
13 as follows:

14 9. Subtract the amount of the new work incentive programs
15 credit allowable for the taxable year under section forty
16 (40) or the jobs tax credit allowable for the tax year under
17 section 44B of the Internal Revenue Code of 1954 to the extent
18 that the credit increased federal adjusted gross income.

19 Sec. 3. Section four hundred twenty-two point seven
20 (422.7), Code 1979, is amended by adding the following new
21 subsection:

22 NEW SUBSECTION. Married taxpayers, who file a joint federal
23 income tax return and who elect to file separate returns or
24 separate filing on a combined return for state income tax
25 purposes, shall include in net income any unemployment
26 compensation benefits received subject to the limitations
27 for joint federal income tax return filers provided in section
28 eighty-five (85) of the Internal Revenue Code of 1954.

29 Sec. 4. Section four hundred twenty-two point nine (422.9),
30 subsection two (2), paragraph e, Code 1979, as the section
31 is amended by Acts of the Sixty-eighth General Assembly, 1979
32 Session, chapter ninety-three (93), section five (5), is
33 amended by striking the paragraph.

34 Sec. 5. Section four hundred twenty-two point nine (422.9),
35 subsection three (3), paragraph c, Code 1979, as the section

1 is amended by Acts of the Sixty-eighth General Assembly, 1979
2 Session, chapter ninety-three (93), section five (5), is
3 amended to read as follows:

4 c. If the election under section 172(b)(3)~~(B)~~(C) of the
5 Internal Revenue Code of 1954 is made, the Iowa net operating
6 loss shall be carried forward seven taxable years.

7 Sec. 6. Section four hundred twenty-two point thirty-two
8 (422.32), subsection four (4), Code 1979, as amended by Acts
9 of the Sixty-eighth General Assembly, 1979 Session, chapter
10 ninety-two (92), section two (2), is amended to read as
11 follows:

12 4. "Internal Revenue Code of 1954" means the Internal
13 Revenue Code of 1954, as amended to and including January
14 1, ~~1979~~ 1980.

15 Sec. 7. Section four hundred twenty-two point thirty-five
16 (422.35), subsection six (6), Code 1979, is amended to read
17 as follows:

18 6. Subtract the amount of the new work incentive programs
19 credit allowable for the tax year under section forty (40)
20 or the jobs tax credit allowable for the tax year under section
21 44B of the Internal Revenue Code of 1954 to the extent that
22 the credit increased federal taxable income.

23 Sec. 8. Section four hundred twenty-two point thirty-five
24 (422.35), subsection seven (7), paragraph c, Code 1979, is
25 amended to read as follows:

26 c. If the election under section 172(b)(3)~~(B)~~(C) of the
27 Internal Revenue Code of 1954 is made, the Iowa net operating
28 loss shall be carried forward seven taxable years.

29 Sec. 9. Section four hundred twenty-two point sixty-one
30 (422.61), subsection four (4), Code 1979, as amended by Acts
31 of the Sixty-eighth General Assembly, 1979 Session, chapter
32 ninety-two (92), section three (3), is amended to read as
33 follows:

34 4. "Net income" means the net income of the financial
35 institution computed in accordance with section 422.35, with

1 the exception that interest and dividends from federal
2 securities shall not be subtracted and interest and dividends
3 from evidences of indebtedness and securities of this state
4 and its political subdivisions, exempt from federal income
5 tax under the Internal Revenue Code of 1954 as amended to
6 and including January 1, ~~1979~~ 1980, shall not be added.

7 Sec. 10. This Act is retroactive to January 1, 1979 for
8 tax years beginning on or after January 1, 1979 and to this
9 extent the provisions of this Act are retroactive.

10 Sec. 11. This Act, being deemed of immediate importance,
11 takes effect from and after its publication in the Farmer^{1/3}
12 Labor Press, a newspaper published in Council Bluffs, Iowa,
13 and in The Clinton Herald, a newspaper published in Clinton,
14 Iowa.

15 EXPLANATION

16 Sections 1, 6, and 9 update the individual, fiduciary,
17 corporation, and franchise tax references to the Internal
18 Revenue Code up to and including January 1, 1980 to eliminate
19 any potential disparities between federal and state tax laws.

20 Sections 2 and 7 are needed because the Revenue Act of
21 1978 revised the federal work incentive program so that it
22 is similar in many respects to the jobs tax credit.

23 Section 3 is necessary because the Revenue Act of 1978
24 provides that individuals receiving unemployment compensation
25 benefits may be required to include all or part of the benefits
26 in gross income.

27 Section 4 is necessary because child care expenses are
28 no longer allowed as a deduction. Currently child and
29 dependent care expenses are allowed as a credit.

30 Sections 5 and 8 correct internal references to federal
31 law which were changed by the Revenue Act of 1978.

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FISCAL NOTE
House File 2470
Requested by Representative West
February 8, 1980

In compliance with a written request there is hereby submitted a Fiscal Note for House File 2470 pursuant to Joint Rule 16.

H.F. 2470, An Act relating to the computation of the individual and corporate income tax and the franchise tax by updating references to the Internal Revenue Code, providing technical corrections, and making the Act retroactive.

H.F. 2470 updates Iowa Internal Revenue Code references to the individual and corporate income and franchise taxes to January 1, 1980; provides that in computing taxable income, taxpayers may deduct an amount equal to the federal work incentive tax credit; and provides that in determining the taxability of unemployment insurance that a married taxpayer shall be treated as if they filed as married joint taxpayer for federal purposes.

The purposes of the changes are to eliminate possible disparities between federal and state income tax laws. The fiscal impact of the changes, if any, is expected to be minimal. No specific estimate is available.

Source: Department of Revenue
FILED FEBRUARY 18, 1980

BY GERRY D. RANKIN
Legislative Fiscal Bureau

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, 1979 1980.

Sec. 2. Section four hundred twenty-two point seven (422.7), subsection nine (9), Code 1979, is amended to read as follows:

9. Subtract the amount of the new work incentive programs credit allowable for the taxable year under section forty (40) or the jobs tax credit allowable for the tax year under section 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 seven (422.7), Code 1979, is amended by adding the following new subsection:

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 state income tax purposes, shall include in net income any unemployment compensation benefits received subject to the limitations for joint federal income tax return filers provided in section eighty-five (85) of the Internal Revenue Code of 1954.

Sec. 4. Section four hundred twenty-two point nine (422.9), subsection two (2), paragraph c, Code 1979, as the section is amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter ninety-three (93), section five (5), is amended by striking the paragraph.

Sec. 5. Section four hundred twenty-two point nine (422.9), subsection three (3), paragraph c, Code 1979, as the section is amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter ninety-three (93), section five (5), is amended to read as follows:

c. If the election under section 172(b)(3)(~~K~~)(C) of the Internal Revenue Code of 1954 is made, the Iowa net operating loss shall be carried forward seven taxable years.

Sec. 6. Section four hundred twenty-two point thirty-two (422.32), subsection four (4), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter

HOUSE FILE 2470

AN ACT

UPDATING REFERENCES TO THE INTERNAL REVENUE CODE FOR
PURPOSES OF COMPUTING INDIVIDUAL AND CORPORATE INCOME
TAXES AND FRANCHISE TAXES 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 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter ninety-two (92), section one (1), and as the section is amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter ninety-three (93), section one (1), is amended to read as follows:

ninety-two (92), 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, ~~1979~~ 1980.

Sec. 7. Section four hundred twenty-two point thirty-five (422.35), subsection six (6), Code 1979, is amended to read as follows:

6. Subtract the amount of the new work incentive programs credit allowable for the tax year under section forty (40) or the jobs tax credit allowable for the tax year under section 44B of the Internal Revenue Code of 1954 to the extent that the credit increased federal taxable income.

Sec. 8. Section four hundred twenty-two point thirty-five (422.35), subsection seven (7), paragraph c, Code 1979, is amended to read as follows:

c. If the election under section 172(b)(3)~~(E)~~(C) of the Internal Revenue Code of 1954 is made, the Iowa net operating loss shall be carried forward seven taxable years.

Sec. 9. Section four hundred twenty-two point sixty-one (422.61), subsection four (4), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter ninety-two (92), 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, ~~1979~~ 1980, shall not be added.

Sec. 10. This Act is retroactive to January 1, 1979 for tax years beginning on or after January 1, 1979 and to this extent the provisions of this Act are retroactive.

Sec. 11. This Act, being deemed of immediate importance, takes effect from and after its publication in the Farmer-

^{4/3}
Labor Press, a newspaper published in Council Bluffs, Iowa, and in The Clinton Herald, a newspaper published in Clinton, Iowa. _{4/1}

.....
WILLIAM H. HARBOR
Speaker of the House

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TERRY E. BRANSTAD
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2470, Sixty-eighth General Assembly.

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DAVID L. WRAY
Chief Clerk of the House

Approved March 25, 1980

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ROBERT D. RAY
Governor