

FILED APR 23 1979

SENATE FILE

494

By COMMITTEE ON WAYS AND MEANS

Approved 4/23 (p. 1360)

Passed Senate, Date 4-30-79 (p. 1458) Passed House, Date _____

Vote: Ayes 50 Nays 0 Vote: Ayes _____ Nays _____

Approved _____

Motion to reconsider 5/1 (1450) 7/15 5/2 (1514) (1517)

A BILL FOR

1 An Act relating to the state individual income tax by
 2 increasing the minimum filing requirements, increasing
 3 the standard deduction and the personal exemption
 4 credits, providing for an interim study of income tax
 5 indexation, and making certain provisions of the Act
 6 retroactive.

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

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SENATE FILE 494

S-3631

1 Amend Senate File 494 as follows:

2 1. Page 2, line 1, by striking the word "or" and
 3 inserting in lieu thereof the words "or two thousand
 4 dollars for".

S-3631 FILED *Order of order 4/30*
APRIL 25, 1979 *(p. 1452)*

BY NORMAN G. RODGERS
EARL M. WILLITS

1 Section 1. Section four hundred twenty-two point five
2 (422.5), unnumbered paragraph two (2), Code 1979, is amended
3 to read as follows:

4 However, no tax shall be imposed on any resident or non-
5 resident whose net income, as defined in section 422.7, is
6 ~~four~~ five thousand dollars or less; but in the event that
7 the payment of tax under this division would reduce the net
8 income to less than ~~four~~ five thousand dollars, then the tax
9 shall be reduced to that amount which would result in allowing
10 the taxpayer to retain a net income of ~~four~~ five thousand
11 dollars. The preceding sentence does not apply to estates
12 or trusts. For the purpose of this paragraph, the entire
13 net income, including any part thereof not allocated to Iowa,
14 shall be taken into account. If the combined net income of
15 a husband and wife exceeds ~~four~~ five thousand dollars, neither
16 of them shall receive the benefit of this paragraph, and it
17 is immaterial whether they file a joint return or separate
18 returns. ~~An unmarried child under twenty-one years of age
19 who is a dependent of his parent or parents as defined in
20 section 422.12, shall not receive the benefit of this paragraph
21 if such parent's net income exceeds four thousand dollars
22 or if the combined net income of such parents exceeds four
23 thousand dollars.~~ A person who is claimed as a dependent
24 by another person as defined in section four hundred twenty-
25 two point twelve (422.12) of the Code shall not receive the
26 benefit of this paragraph if the person claiming the dependent
27 has net income exceeding five thousand dollars or the person
28 claiming the dependent and the person's spouse have combined
29 net income exceeding five thousand dollars.

30 Sec. 2. Section four hundred twenty-two point nine (422.9),
31 subsection one (1), Code 1979, is amended to read as follows:

32 1. An optional standard deduction of ~~ten~~ fifteen percent
33 of the net income after deduction of federal income tax, not
34 to exceed ~~five~~ seven hundred fifty dollars for a married
35 person who files separately, or one thousand five hundred

1 dollars for a single person or a husband and wife who file
2 a joint return.

3 Sec. 3. Section four hundred twenty-two point twelve
4 (422.12), subsection one (1), paragraphs a, b, c, d, and e,
5 Code 1979, are amended to read as follows:

6 a. For a single individual, or a married person filing
7 a separate return, ~~fifteen~~ twenty dollars.

8 b. For a head of household, or a husband and wife filing
9 a joint return, ~~thirty~~ forty dollars.

10 c. For each dependent, an additional ~~ten~~ fifteen dollars.
11 As used in this section, the term "dependent" shall have the
12 same meaning as provided by the Internal Revenue Code of 1954.

13 d. For a single individual, husband, wife or head of
14 household, an additional exemption of ~~fifteen~~ twenty dollars
15 for each of said individuals who has attained the age of
16 sixty-five years before the close of the tax year or on the
17 first day following the end of the tax year.

18 e. For a single individual, husband, wife or head of
19 household, an additional exemption of ~~fifteen~~ twenty dollars
20 for each of said individuals who is blind at the close of
21 the tax year. For the purposes of this paragraph, an
22 individual is blind only if the individual's central visual
23 acuity does not exceed twenty-two hundredths in the better
24 eye with correcting lenses, or if the individual's visual
25 acuity is greater than twenty-two hundredths but is accompanied
26 by a limitation in the fields of vision such that the widest
27 diameter of the visual field subtends an angle no greater
28 than twenty degrees.

29 Sec. 4. Section four hundred twenty-two point thirteen
30 (422.13), subsections one (1) and two (2), Code 1979, are
31 amended by striking the subsections and inserting in lieu
32 thereof the following:

33 1. Every resident of this state shall make and sign a
34 return if any of the following are applicable:

35 a. The resident is required to file a federal income tax

1 return under the Internal Revenue Code of 1954.

2 b. The resident has net income of four thousand dollars
3 or more for the tax year from sources taxable under this
4 division.

5 c. The resident is claimed as a dependent on another
6 person's return and has net income of three thousand dollars
7 or more for the tax year from sources taxable under this
8 division.

9 2. Every nonresident shall make and sign a return if
10 either of the following are applicable:

11 a. The nonresident is required to file a federal income
12 tax return under the Internal Revenue Code of 1954 and has
13 net income of four thousand dollars or more for the tax year
14 from sources taxable under this division.

15 b. The nonresident is claimed as a dependent on another
16 person's return and is required to file a federal income tax
17 return under the Internal Revenue Code of 1954 and has net
18 income of three thousand dollars or more for the tax year
19 from sources taxable under this division.

20 Sec. 5. The legislative council is directed to create
21 a ten-member study committee made up of five members each
22 from the standing committees on ways and means of the senate
23 and house of representatives representing both political
24 parties, which committee shall conduct during the 1979
25 legislative interim a study on the state income tax structure.
26 The study shall include, but not be limited to, indexing,
27 the effects which indexing will have on state revenues and
28 the continuation of existing state programs and other aspects
29 of the state income tax structure. Expenses of the study
30 committee shall be paid from funds available under section
31 two point twelve (2.12) of the Code.

32 The study committee shall transmit copies of its final
33 report to the governor and the members of the Sixty-eighth
34 General Assembly, 1980 Session, not later than January 31,
35 1980. The final report shall include the study committee's

1 findings and recommendations.

2 Sec. 6. The provisions of sections one (1) through four
3 (4) of this Act are retroactive to January 1, 1979 for tax
4 years beginning on or after January 1, 1979.

5 EXPLANATION

6 Under the 1979 Code taxpayers are exempt from the income
7 tax if their Iowa net income is \$4,000 or less. The provision
8 is limited to the extent that a single filer must not have
9 been claimed as a dependent on his or her parents' return.
10 Also, the limitation applies to the total income of married
11 taxpayers filing separately. The bill expands the limitation
12 to any single person claimed on any other person's return.
13 Also, current statutes provide that individuals must file
14 an income tax return if their Iowa net income is greater than
15 \$2,000 or if a federal tax return is required. The minimum
16 income provision applies to each married individual filing
17 a separate return. The bill increases the minimum income
18 level for filing to \$4,000 although a return would still be
19 required if the federal return is filed. However, individuals
20 with an income over \$3,000 who were claimed as a dependent
21 on another person's return would be required to file a return
22 and be subject to tax.

23 The bill increases the standard deduction from ten to
24 fifteen percent of net income after deduction of federal in-
25 come tax not to exceed \$750 for a married person who files
26 separately or \$1,500 for a single person and a husband and
27 wife who file a joint return.

28 The bill also increases personal exemption credits by five
29 dollars.

30 The bill also provides for an interim study on indexing
31 and its impact on state revenues and state programs funded
32 with those dollars.

33 The bill will be effective July first following enactment,
34 retroactive to January first.

35

LSB 1813S 68

bk/jw/5.2

SENATE FILE 494
FISCAL NOTE

DATE: APRIL 30, 1979
REQUESTED BY: SENATOR ORR

In compliance with a written request received April 30, 19 79, there is hereby submitted a Fiscal Note for S.F. 494, Amend. S-3636 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.

Amendment S-3636 to Senate File 494

S-3636 provides for an individual income tax credit for the installation of renewable home energy source systems.

The fiscal impact is not known. It would depend on the number and value of the systems installed by individuals.

FILED
APRIL 30, 1979

BY GERRY S. RANKIN, DIRECTOR
LEGISLATIVE FISCAL BUREAU

SENATE FILE 494
FISCAL NOTE

DATE: APRIL 23, 1979
REQUESTED BY: SENATOR CRAFT

In compliance with a written request received April 23, 19 79, there is hereby submitted a Fiscal Note for Senate File 494 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.

Senate File 494, An Act relating to the state individual income tax by increasing the minimum filing requirements, increasing the standard deduction and the personal exemption credits, providing for an interim study of income tax indexation, and making certain provisions of the Act retroactive.

The impact of changes in the individual income tax is estimated by applying the changed tax structure to 1977 individual returns and recalculating tax liability. If Senate File had been in effect in 1977, the tax liability would have been reduced by approximately \$22,285,000, a 5% loss.

SOURCE: IOWA DEPARTMENT OF REVENUE

FILED
APRIL 23, 1979

BY GERRY S. RANKIN, DIRECTOR
LEGISLATIVE FISCAL BUREAU

SENATE FILE 494

FISCAL NOTE

DATE: APRIL 30, 1979
REQUESTED BY: SENATOR TAYLOR

In compliance with a written request received April 27, 19 79, there is hereby submitted a Fiscal Note for S-3652 to S.F. 494 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.

S-3652, An Amendment to S.F. 494.

S-3652 provides, in addition to the provisions of S.F. 494, a one-time indexation of the individual income tax brackets. The indexation factor used to be based on one-half of the increase in the consumer price index (or a comparable index) from the end of the 3rd quarter of calendar 1978 to the end of the third quarter of calendar 1979.

The actual revenue impact of S-3652 will be affected by increases in individual income and the actual change in the index used. With the information available at this time, an increase of 10.9% in the index over the 3 quarters provides a 5.45% indexation factor. When a 5.45% indexation factor was applied only to the brackets and the tax liability is computed against the actual 1977 individual returns; the revenue loss is \$10.9 million, a 2.4% decrease.

SOURCE: DEPARTMENT OF REVENUE

FILED
APRIL 30, 1979

BY GERRY S. RANKIN, DIRECTOR
LEGISLATIVE FISCAL BUREAU

SENATE FILE 494

S-3636

1 Amend Senate File 494 as follows:

2 1. Page 2, by inserting after line 2 the following
3 new section:

4 "Sec. 3. Section four hundred twenty-two point
5 twelve (422.12), unnumbered paragraph one (1), Code
6 1979, is amended to read as follows:

7 There shall be deducted from but not to exceed
8 the tax, except as provided in section five (5) of
9 this Act, after the same shall have been computed
10 as provided in this division, the following:"

11 2. Page 2, by inserting after line 28 the following
12 new section:

13 "Sec. 5. Section four hundred twenty-two point
14 twelve (422.12), Code 1979, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. A credit for the installation
17 of a renewable energy source system.

18 a. The credit is available for a functional
19 renewable energy source system installed between
20 January 1, 1979, and December 31, 1986 subject to
21 the limitations of this subsection. The amount of
22 the credit is determined by the date the renewable
23 energy source system or active solar system used to
24 power an ethanol production system is installed as
25 follows:

26 (1) For a system installed prior to January 1,
27 1983, the amount of the credit shall be equal to
28 thirty percent of the cost of the system or three
29 thousand dollars, whichever is less.

30 (2) For a system installed between January 1,
31 1983, and December 31, 1986, the amount of the credit
32 shall be equal to thirty percent of the cost of the
33 system or fifteen hundred dollars, whichever is less.

34 (3) For a system installed after December 31,
35 1986 no credit is allowed.

36 b. No more than one-third of the credit may be
37 used in any one tax year. If the amount of the credit
- 38 allowed in any one tax year exceeds the taxpayer's
39 tax liability the excess shall be refunded to the
40 taxpayer. The balance may be carried over for the
41 two years immediately following the year in which
42 the credit was earned.

43 c. A husband and wife who file separate returns
44 for a taxable year in which they could have filed
45 a joint return may each claim one-half of the tax
46 credit that would be allowed on a joint return.

47 d. As used in this subsection unless the context
48 otherwise requires:

49 (1) "Renewable energy source system" means a
50 passive solar system, active solar system, biomass

PAGE 2

1 solar system, or a wind energy system which is expected
2 to remain in use for at least five years.

3 (2) "Passive solar system" means a system with
4 space or structural components that are specifically
5 designed to retain or circulate heat derived from

S-3636

6 solar energy, including ponds for evaporative cooling,
7 heat pumps and any moving parts that increase heat
8 retention by the system.

9 (3) "Active solar system" means a solar heating,
10 cooling, or heating and cooling system or a solar
11 system used to provide energy for an ethanol production
12 system that requires external mechanical power to
13 move the collected heat or coolant.

14 (4) "Biomass solar system" means an energy system
15 that derives fuels directly or indirectly from
16 nonfossil plant material, including wood-burning
17 stoves and energy-efficient fireplaces.

18 (5) "Wind energy system" means an energy system
19 that uses wind currents to provide energy.

20 (6) "Solar energy" means radiant energy, direct,
21 diffuse, or reflected, received from the sun at
22 wavelengths suitable for conversion into thermal,
23 chemical, or electrical energy.

24 (7) "Cost of a system" means the costs of the
25 component parts and labor costs for onsite preparation,
26 assembly, or original installation minus the amount
27 of an energy credit received from the federal
28 government for the system. Costs are limited to the
29 costs reasonably and necessarily incurred in the
30 installation of the system.

31 e. The director of revenue shall adopt such rules
32 pursuant to chapter seventeen A (17A) of the Code
33 as are necessary to implement the provisions of this
34 subsection."

35 3. Amend the title, line 4, by inserting after
36 the word "credits," the words "providing an individual
37 income tax credit for renewable energy source
38 systems,".

39 4. Renumber sections and correct internal
40 references as are necessary in accordance with this
41 amendment.

S-3636 FILED *Revised out of order* BY JOANN ORR
APRIL 26, 1979 *4/30 (p. 1452)* DAVID M. READINGER

SENATE FILE 494

S-3643

1 Amend the amendment, S-3636, to Senate File 494
2 as follows:

3 1. Page 1, lines 23 and 24, by striking the words
4 "or active solar system used to power an ethanol
5 production system".

S-3643 FILED *Adopted out of order* BY JOANN ORR
APRIL 26, 1979 *4/30 (p. 1452)*

SENATE FILE 494

S-3644

1 Amend Senate File 494 as follows:

2 1. Page 1, by striking line 34 through page 2,
3 line 2, and inserting in lieu thereof the words:
-4 "to exceed five one thousand five hundred dollars for
5 a married person who files separately, or one thousand
-6 five hundred dollars for a single person or a three
7 thousand dollars for a husband and wife who file a
8 joint return."

S-3644 FILED *Adopted 4/30 (p. 1452)* BY ARTHUR L. GRATIAS
APRIL 26, 1979 *Reconsidered, amended*
by 3636 Adopted 4/30 (p. 1452)

SENATE FILE 494

S-3647

- 1 Amend Senate File 494 as follows:
2 1. Page 1, by inserting after line 29 the
3 following new section:
4 "Sec. _____. Section four hundred twenty-two point
5 seven (422.7), Code 1979, is amended by adding the
6 following new subsection:
7 NEW SUBSECTION. Add any amount allowed on the
8 federal return as a farm expense deduction to any
9 taxpayer who lists his or her principal occupation as
10 something other than farming and whose income from
11 sources other than farming exceeds one-half of the
12 taxpayer's adjusted gross income."
13 2. Renumber sections and correct internal
14 references as are necessary in accordance with this
15 amendment.

S-3647 FILED
APRIL 30, 1979
RULED OUT OF ORDER (p. 1457)

BY BASS VAN GILST
C. W. HUTCHINS

SENATE FILE 494

S-3648

- 1 Amend Senate File 494 as follows:
2 1. Page 1, by striking lines 30 through 35 and
3 inserting in lieu thereof the following:
4 "Sec. _____. Section four hundred twenty-two point
5 nine (422.9), subsection one (1), Code 1979, is amended
6 by striking the subsection and inserting in lieu
7 thereof the following:
8 1. An optional standard deduction of one thousand
9 seven hundred dollars for a married person who files
10 separately, or two thousand three hundred dollars
11 for a single person, or three thousand four hundred
12 dollars for a husband and wife who file a joint
13 return."
14 2. Page 2, by striking lines 1 and 2.

S-3648 FILED
APRIL 30, 1979
RULED OUT OF ORDER (p. 1452)

BY BOB RUSH

SENATE FILE 494

S-3654

- 1 Amend the Taylor amendment S-3652, to Senate
2 File 494, as follows:
3 1. Page 1, line 13, by striking the word
4 "one-half" and inserting in lieu thereof the
5 word "one-quarter".

S-3654 FILED & LOST (p. 1456)
APRIL 30, 1979

BY RAY TAYLOR

S-3652

1 Amend Senate File 494 as follows:

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

3 "Sec. 6. As used in this Act, "adjusted inflation
4 factor" means a cumulative index, expressed as a
5 percentage, determined pursuant to section seven (7)
6 of this Act by the director of revenue.

7 Sec. 7. The director of revenue shall determine
8 an adjusted inflation factor by December 31, 1979
9 to be applied to tax years beginning on or after
10 January 1, 1979 and ending prior to December 31, 1980.

11 The adjusted inflation factor, to be expressed as
12 a percentage, shall reflect the purchasing power of
13 the dollar based upon one-half of the change, from
14 the end of the third quarter of the 1978 calendar
15 year to the end of the third quarter of the 1979
16 calendar year, in a consumer price index or comparable
17 index which adequately reflects the purchasing power
18 of the dollar in this state. The adjusted inflation
19 factor determined by the director of revenue is not
20 a rule as defined in section seventeen A point two
21 (17A.2), subsection seven (7), of the Code.

22 Sec. 8. Upon determination of the adjusted
23 inflation factor pursuant to section seven (7) of
24 this Act, the director of revenue shall multiply each
25 dollar amount set forth in subsections one (1) through
26 thirteen (13) of section four hundred twenty-two point
27 five (422.5) of the Code by this adjusted inflation
28 factor, shall round off the resulting product to the
29 nearest one dollar and incorporate the result into
30 the income tax form and instructions for tax years
31 beginning on or after January 1, 1979 and ending prior
32 to December 31, 1980. However, the resulting product
33 shall not reduce the dollar amounts set forth in
34 subsections one (1) through thirteen (13) of section
35 four hundred twenty-two point five (422.5) of the
36 Code below those specified on January 1, 1979."

37 2. Page 4, by inserting after line 4 the following:

38 "Sec. _____. The provisions of sections six (6)
39 through eight (8) of this Act are retroactive to
40 January 1, 1979 for tax years beginning on or after
41 January 1, 1979 and ending prior to December 31, 1980.

42 Sec. _____. The provisions of sections six (6)
43 through eight (8) of this Act shall not be codified
44 in the permanent Code but shall be printed in the
45 session laws only."

46 3. By numbering and renumbering as required by
47 this amendment.

BY RAY TAYLOR
DAVID READINGER
ARNE WALDSTEIN
ELIZABETH MILLER
RICHARD COMITO
JACK HESTER
SUE YENGER

STEPHEN W. BIL
NORMAN J. GOO
ARTHUR A. SMA
DALE L. TIEDE
FORREST V. SO

SENATE FILE 494

S-3649

1 Amend the amendment, S-3636, to Senate File 494 as
2 follows:
3 1. Page 1, lines 23 and 24, by striking the words
4 "or active solar system used to power an ethanol
5 production system".
6 2. Page 1, line 50, by striking the word "biomass".
7 3. Page 2, line 1, by striking the word "solar"
8 and inserting in lieu thereof the word "woodburning".
9 4. Page 2, by striking lines 14 through 17 and
10 inserting in lieu thereof the following:
11 "(4) "Woodburning system" means an energy efficient
12 system that derives fuels directly or indirectly from
13 nonfossil plant material including, but not limited to,
14 woodburning stoves, and fireplaces with heat recovery
15 or heat retention devices."

S-3649 FILED

BY JOANN ORR

APRIL 30, 1979

RULED OUT OF ORDER (p. 1452)

SENATE FILE 494

S-3650

1 Amend Senate File 494 as follows:
2 1. Page 3, by inserting after line 19 the following
3 new subsection:
4 "_____. For purposes of determining the requirement
5 for filing a return under subsections one (1) and
6 two (2) of this section, the combined net income of
7 a husband and wife from sources taxable under this
8 division shall be considered."

S-3650 FILED & ADOPTED (p. 1455)

BY ROLF V. CRAFT

SENATE FILE 494

S-3651

1 Amend Senate File 494 as follows:
2 1. Page 1, by inserting after line 29 the following
3 new section:
4 "Sec. _____. Section four hundred twenty-two point
5 seven (422.7), Code 1979, is amended by adding the
6 following new subsection:
7 NEW SUBSECTION. Subtract, to the extent included
8 in the adjusted gross income, the amount of the first
9 six thousand dollars of retirement pay or disability
10 retirement pay received by a taxpayer who was sixty
11 years of age or older during the tax year for former
12 service as a member of any of the armed forces of
13 the United States."
14 2. Renumber sections and correct internal
15 references as are necessary in accordance with this
16 amendment.

BY BOB RUSH

JOE BROWN

C. W. HUTCHINS

JAMES CALHOON

JOHN SCOTT

S-3651 FILED, RULED OUT OF ORDER

APRIL 30, 1979 (p. 1451)

S-3656

1 Amend Senate File 494 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section four hundred twenty-two point
5 four (422.4), Code 1979, is amended by adding the
6 following new subsection:

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7 NEW SUBSECTION. "Adjusted inflation factor" means
8 a cumulative index, expressed as a percentage,
9 determined pursuant to section four hundred twenty-
10 two point twenty-one (422.21) of the Code by the
11 director to reflect the purchasing power of the dollar
12 as a result of inflation or deflation since January
13 1, 1979."

14 2. Page 1, by striking line 32 through page 2,
15 line 2 and inserting in lieu thereof the following:

B

16 "1. An optional standard deduction of ~~ten~~ twenty
17 percent of the net income after deduction of federal
18 income tax, not to exceed ~~five-hundred~~ one thousand
19 dollars for a married person who files separately,
20 ~~or one two thousand~~ dollars for a single person or
21 three thousand dollars for a husband and wife who
22 file a joint return.

23 Upon determination of the latest adjusted inflation
24 factor, the director shall multiply each dollar amount
25 set forth in the preceding paragraph of this subsection
26 by that adjusted inflation factor and shall round
27 off the resulting product to the nearest one dollar."

A

28 3. Page 2, by inserting after line 28 the
29 following:

30 "Sec. 5. Section four hundred twenty-two point
31 twelve (422.12), subsection one (1), Code 1979, is
32 amended by adding the following new unnumbered
33 paragraph:

34 NEW UNNUMBERED PARAGRAPH. Upon determination of
35 the latest adjusted inflation factor, the director
36 shall multiply each dollar amount set forth in this
37 subsection by that adjusted inflation factor and shall
38 round off the resulting product to the nearest one
39 dollar."

40 4. Page 3, by inserting after line 19 the
41 following:

42 "Sec. 7. Section four hundred twenty-two point
43 twenty-one (422.21), Code 1979, is amended by adding
44 the following new unnumbered paragraphs:

45 NEW UNNUMBERED PARAGRAPH. The director shall
46 determine the adjusted inflation factor by December
47 thirty-first of each calendar year to be applied to
48 tax years ending on or after December thirty-first.
49 The adjusted inflation factor, to be expressed as
50 a percentage, shall reflect the purchasing power of

A

1 the dollar as a result of inflation or deflation from
2 January 1, 1979, to the end of the third quarter of
3 the applicable calendar year. The director shall
4 base the determination on any consumer price index
5 or comparable index which adequately reflects the
6 purchasing power of the dollar in the state. The
7 adjusted inflation factor determined by the director
8 is not a rule as defined in section seventeen A point
9 two (17A.2), subsection seven (7), of the Code.

10 NEW UNNUMBERED PARAGRAPH. The director shall
11 compute the new dollar amounts as required in sections
12 four hundred twenty-two point nine (422.9), subsection
13 one (1) and four hundred twenty-two point twelve
14 (422.12), subsection one (1) of the Code by multiplying
15 the dollar amounts specified therein to be adjusted
16 by the adjusted inflation factor, rounding off the
17 result to the nearest one dollar, and incorporating
18 the result into the income tax forms and instructions
19 for each tax year. However, the resulting product
20 shall not reduce the specified dollar amounts below
21 those specified on January 1, 1979."

22 5. Page 4, lines 2 and 3, by striking the word
23 and figure "four (4)" and inserting in lieu thereof
24 the word and figure "seven (7)".

25 6. By numbering and renumbering sections and
26 correcting internal references as required by this
27 amendment.

BY NORMAN RODGERS
LOWELL L. JUNKINS
C. W. HUTCHINS
BOB RUSH
C. JOSEPH COLEMAN
JOANN ORR
JAMES CALHOON
TOM SLATER
BOB CARR
JOHN SCOTT

JOE BROWN
JAMES GALLAGHER
WILLIAM D. PALMER
BERL E. PRIEBE
ARTHUR SMALL, JR.
CHARLES MILLER
PATRICK J. DELUHERY
BASS VAN GILST
GEORGE R. KINLEY

DIVISION A--LOST (p 1454)
DIVISION B--OUT OF ORDER (p 1458)
S-3656 FILED
APRIL 30, 1979

SENATE FILE 494

S-3653

1 Amend Senate File 494 as follows:
2 1. Page 3, line 28, by inserting after the word
3 "programs" the words ", the effects of allowing a
4 deduction for losses incurred in a farming operation
5 by a taxpayer whose principal occupation is not
6 farming,".

S-3653 FILED & LOST (p 1455)
APRIL 30, 1979

BY C. W. HUTCHINS

S-3658

1 Amend Senate File 494 as follows:

2 1. Page 1, line 29, by inserting after the word
3 "dollars." the words "Upon determination of the latest
4 adjusted inflation factor, the director shall multiply
5 each dollar amount set forth in this paragraph by
6 that adjusted inflation factor and shall round off
7 the resulting product to the nearest one hundred
8 dollars."

9 2. Page 1, line 34, by inserting after the word
10 "dollars" the words "multiplied by the adjusted
11 inflation factor".

12 3. Page 2, line 1, by inserting after the word
13 "dollars" the words "multiplied by the adjusted
14 inflation factor".

15 4. Page 2, line 7, by inserting after the word
16 "dollars" the words "multiplied by the adjusted
17 inflation factor".

18 5. Page 2, line 9, by inserting after the word
19 "dollars" the words "multiplied by the adjusted
20 inflation factor".

21 6. Page 2, line 10, by inserting after the word
22 "dollars" the words "multiplied by the adjusted
23 inflation factor".

24 7. Page 2, line 14, by inserting after the word
25 "dollars" the words "multiplied by the adjusted
26 inflation factor".

27 8. Page 2, line 19, by inserting after the word
28 "dollars" the words "multiplied by the adjusted
29 inflation factor".

30 9. Page 3, line 2, by inserting after the word
31 "dollars" the words "multiplied by the adjusted
32 inflation factor".

33 10. Page 3, line 6, by inserting after the word
34 "dollars" the words "multiplied by the adjusted
35 inflation factor".

36 11. Page 3, line 13, by inserting after the word
37 "dollars" the words "multiplied by the adjusted
38 inflation factor".

39 12. Page 3, line 18, by inserting after the word
40 "dollars" the words "multiplied by the adjusted
41 inflation factor".

42 13. Page 3, by inserting after line 19 the
43 following:

44 "Sec. ____ . Section four hundred twenty-two point
45 twenty-one (422.21), Code 1979, is amended by adding
46 the following new unnumbered paragraphs:

47 NEW UNNUMBERED PARAGRAPH. "Adjusted inflation
48 factor" as used in this division means a cumulative
49 index, expressed as a percentage, determined pursuant
50 to this paragraph by the director to reflect the

1 purchasing power of the dollar as a result of inflation
2 or deflation since January 1, 1980. The director
3 shall determine the adjusted inflation factor by
4 December thirty-first of each calendar year beginning
5 with the 1980 calendar year to be applied to tax years
6 ending on or after December thirty-first of that
7 calendar year. The adjusted inflation factor, to
8 be expressed as a percentage, shall reflect the
9 purchasing power of the dollar as a result of inflation
10 or deflation from January 1, 1980, to the end of the
11 third quarter of the applicable calendar year. The
12 director shall base the determination on any consumer
13 price index or comparable index which adequately
14 reflects the purchasing power of the dollar in the
15 state. The adjusted inflation factor determined by
16 the director is not a rule as defined in section
17 seventeen A point two (17A.2), subsection seven (7),
18 of the Code. The adjusted inflation factor for tax
19 years beginning prior to January 1, 1980, is one
20 hundred percent.

21 NEW UNNUMBERED PARAGRAPH. The director shall
22 compute the new dollars amounts as required in sections
23 four hundred twenty-two point five (422.5), four
24 hundred twenty-two point nine (422.9), subsection
25 one (1), four hundred twenty-two point twelve (422.12),
26 and four hundred twenty-two point thirteen (422.13)
27 of the Code by multiplying the dollar amounts specified
28 therein to be adjusted by the adjusted inflation
29 factor, rounding off the result, and incorporating
30 the result into the income tax forms and instructions
31 for each taxable year. The rounding off shall be
32 as follows: the resulting dollar amounts in sections
33 four hundred twenty-two point five (422.5) and four
34 hundred twenty-two point thirteen (422.13) of the
35 Code to the nearest one hundred dollars and the
36 resulting dollar amounts in sections four hundred
37 twenty-two point nine (422.9), subsection one (1),
38 and four hundred twenty-two point twelve (422.12)
39 of the Code to the nearest one dollar."

40 14. Page 3, by inserting before line 20 the
41 following:

42 "Sec. _____. Section four hundred twenty-two point
43 five (422.5), Code 1979, is amended by adding after
44 subsection thirteen (13) the following new unnumbered
45 paragraph:

46 NEW UNNUMBERED PARAGRAPH. Upon determination of
47 the latest adjusted inflation factor, the director
48 shall multiply each dollar amount set forth in
49 subsections one (1) through thirteen (13) of this
50 section by that adjusted inflation factor and shall

1 round off the resulting product to the nearest one
2 hundred dollars.

3 Sec. _____. Section four hundred twenty-two point
4 twenty-one (422.21), Code 1979, is amended by adding
5 the following new unnumbered paragraphs:

6 NEW UNNUMBERED PARAGRAPH. "Adjusted inflation
7 factor" as used in this division means a cumulative
8 index, expressed as a percentage, determined pursuant
9 to this paragraph by the director to reflect the
10 purchasing power of the dollar as a result of inflation
11 or deflation since January 1, 1980. The director
12 shall determine the adjusted inflation factor by
13 December thirty-first of each calendar year beginning
14 with the 1980 calendar year to be applied to tax years
15 ending on or after December thirty-first of that
16 calendar year. The adjusted inflation factor, to
17 be expressed as a percentage, shall reflect the
18 purchasing power of the dollar as a result of inflation
19 or deflation from January 1, 1980, to the end of the
20 third quarter of the applicable calendar year. The
21 director shall base the determination on any consumer
22 price index or comparable index which adequately
23 reflects the purchasing power of the dollar in the
24 state. The adjusted inflation factor determined by
25 the director is not a rule as defined in section
26 seventeen A point two (17A.2), subsection seven (7),
27 of the Code. The adjusted inflation factor for tax
28 years beginning prior to January 1, 1980, is one
29 hundred percent.

30 NEW UNNUMBERED PARAGRAPH. The director shall
31 compute the new dollar amounts as required in section
32 four hundred twenty-two point five (422.5) of the
33 Code by multiplying the dollar amounts specified
34 therein to be adjusted by the adjusted inflation
35 factor, rounding off the result, and incorporating
36 the result into the income tax forms and instructions
37 for each taxable year. The rounding off shall be
38 as follows: the resulting dollar amounts in section
39 four hundred twenty-two point five (422.5) of the
40 Code to the nearest one hundred dollars."

41 15. By numbering and renumbering as required by
42 this amendment.

S-3658 FILED
APRIL 30, 1979
DIVISION A - LOST (p. 1454)
DIVISION B - WITHDRAWN

BY ARTHUR A. SMALL, JR.

SENATE FILE 494

S-3657

1 Amend Senate Amendment S-3636 to Senate File 494

2 as follows:

3 1. Page 2, line 30, by inserting the following:

4 "(8) An electric utility shall purchase excess power
5 generated by any of the systems defined in this section
6 at wholesale cost of electricity by the utility company
7 if requested by the owner of the system."

S-3657 FILED

BY C. W. HUTCHINS

APRIL 30, 1979

RULED OUT OF ORDER (p. 1452)

S-3660

1 Amend Senate File 494 as follows:

2 1. Page 3, by inserting after line 19 the following
3 sections:

4 "Sec. ____ . Section fifty-six point eighteen
5 (56.18), Code 1979, is amended to read as follows:

6 56.18 CHECKOFF--INCOME TAX. Any person whose
7 state income tax liability for any taxable year is
8 one dollar or more may designate direct that one
9 dollar of such liability to be paid over to the Iowa
10 election campaign fund for-the-account-of-any-specified
11 political-party, as defined-by-section-43-2 when
12 submitting his or her state income tax return to the
13 department of revenue. In the case of a joint return
14 of husband and wife having a state income tax liability
15 of two dollars or more, each spouse may designate
16 direct that one dollar be paid to any-such-account
17 in the fund. The director of revenue shall revise
18 the income tax form to allow-the-designation-of
19 political-contributions-to-a-political-party provide
20 a space on the face of the tax return and immediately
21 above the signature lines which the taxpayer may use
22 to designate that contributions made under this section
23 be credited to a specified political party as defined
24 by section forty-three point two (43.2) of the Code,
25 or to the Iowa election campaign fund as a con-
26 tribution to be shared by all such political parties
27 in the manner prescribed by section fifty-six point
28 nineteen (56.19) of the Code. The form shall inform
29 the taxpayer that when an individual chooses the
30 latter alternative his or her one dollar contribution
31 is shared by all eligible political parties, but this
32 information may be contained in a footnote or other
33 suitable form if the director of revenue finds it
34 is not feasible to place the information immediately
35 above the signature line.

36 Sec. ____ . Section fifty-six point nineteen (56.19),
37 Code 1979, is amended to read as follows:

38 56.19 FUND CREATED. The "Iowa election campaign
39 fund" is created within the office of the treasurer
40 of state. The fund shall consist of funds paid by
41 persons having an Iowa income tax liability as provided
42 in section 56.18. The treasurer of state shall
43 maintain within the fund a separate account for each
44 political party as defined in section forty-three
45 point two (43.2) of the Code. The director of revenue
46 shall remit funds collected as provided in section
47 56.18 to the treasurer of state who shall deposit
48 such funds in the appropriate account within the Iowa
49 election campaign fund. All contributions directed
50 to the Iowa election campaign fund by taxpayers who

S-3660
PAGE 2

1 do not designate any one political party to receive
2 their contributions shall be divided by the director
3 of revenue equally among each account currently
4 maintained in the fund. However, at any time when
5 more than two accounts are being maintained within
6 the fund contributions to the fund by taxpayers who
7 do not designate any one political party to receive
8 their contributions shall be divided among the accounts
9 in the same proportion as the number of qualified
10 electors declaring affiliation with each political
11 party for which an account is maintained bears to
12 the total number of qualified electors who have de-
13 clared an affiliation with a political party. Any
14 interest income received by the treasurer of state
15 from investment of moneys deposited in the fund shall
16 be deposited in the Iowa election campaign fund.
17 Such funds shall be subject to payment to the
18 chairperson of the specified political party by the
19 state comptroller in the manner provided by section
20 56.22.

21 Sec. ____ Section fifty-six point twenty-five
22 (56.25), Code 1979, is amended to read as follows:
23 56.25 INCOME TAX FORM--CHECKOFF SPACE. The
24 director of revenue shall provide space for this
25 campaign finance income tax checkoff on the most
26 frequently used Iowa income tax form. An explanation
27 shall be included which clearly states that this
28 checkoff does not constitute an additional tax
29 liability. The form shall provide for the taxpayer
30 to designate that the checkoff shall go either to
31 the political party of his or her choice or be divided
32 among all political parties as prescribed by section
33 fifty-six point nineteen (56.19) of the Code."

BY RICHARD DRAKE
JOHN N. NYSTROM
LOWELL L. JUNKINS
TOM SLATER

S-3660 FILED & ADOPTED (p. 1455)
APRIL 30, 1979

SENATE 15
MAY 1, 1979

SENATE FILE 494

S-3663

- 1 Amend the Gratias amendment S-3644, to Senate
- 2 file 494 as follows:
- 3 1. Page 1, line 4 by striking the word "five"
- 4 and inserting in lieu thereof the word "one".
- 5 2. Page 1, line 6 by striking the word "five"
- 6 and inserting in lieu thereof the word "one".
- 7 3. Page 1, lines 6 and 7 by striking the words
- 8 "three thousand dollars" and inserting in lieu
- 9 thereof the words "two thousand two hundred dollars".

S-3663 FILED & ADOPTED (7.1457) BY ARTHUR L. GRATIAS
APRIL 30, 1979

SENATE FILE 494

S-3662

- 1 Amend Senate File 494 as follows:
- 2 1. Page 3, lines 34 and 35, by striking the
- 3 word and figures "January 31, 1980" and inserting
- 4 in lieu thereof the word and figure "December 1,
- 5 1979".

S-3662 FILED & ADOPTED (7.1456) BY FORREST V. SCHWENGELS
RAY TAYLOR
APRIL 30, 1979

SENATE FILE 494

S-3661

- 1 Amend Senate File 494 as follows:
- 2 1. Page 4, by inserting after line 1 the following:
- 3 "Sec. ____ . It is the intent of the general assembly
- 4 that the director of revenue shall provide in the
- 5 state individual income tax instruction booklets for
- 6 tax years beginning on or after January 1, 1979 a
- 7 breakdown of the general revenue tax dollars spent
- 8 during the previous fiscal year. This breakdown
- 9 should be in the form of a pie chart indicating the
- 10 dollar amount and percent of total revenues spent."

BY JOHN SCOTT
TOM SLATER
EARL M. WILLITS
LOWELL L. JUNKINS
WILLIAM D. PALMER
NORMAN G. RODGERS

S-3661 FILED
APRIL 30, 1979
RULED OUT OF ORDER (7.1456)

FISCAL NOTE
SENATE FILE 494 (Amend.H-4325)
Requested by Representative West
May 9, 1979

In compliance with a written request, there is hereby submitted a Fiscal Note for S.F. 494, Amendment H-4325 pursuant to Joint Rule 16.

Amendment H-4325 to Senate File 494

Amendment H-4325 provides the following changes to the individual income tax:

1. Increase the minimum adjusted gross income at which tax liability is incurred from \$4,000 to \$5,000.
2. Increase the minimum filing requirement from \$2,000 to \$4,000, or \$3,000 if claimed as a dependent.
3. Annually increase the personal and dependent tax credits each by one dollar per year for five years.
4. Index the taxable income brackets by utilizing an increasingly greater percent of the annual change in the consumer price index.
5. Adjust the standard deduction as follows:

Percent	<u>Current</u>	<u>Proposed</u>
Maximum	10%	15%
Single	\$1,000	\$1,200
Married-Joint	1,000	3,000
Married-Separate	500	1,200

The future impact of S.F. 494 amended by H-4325 cannot at this time be estimated. If this legislation had been enacted in 1977 the tax liability based on returns for 1977 would have decreased by \$22 to \$24 million from the base liability of \$450 million. This represents an approximate decrease of 4.9% to 5.3%. The revenue impact related to the 1979 tax year is expected to be greater than the 1977 impact due to the increase expected in gross tax liabilities. It is expected that the cost in future years will increase each year provided the percentage increase in the consumer price index exceeds 3% each year.

Source: Department of Revenue

FILED MAY 9, 1979

GERRY D. RANKIN
Legislative Fiscal Bureau

FISCAL NOTE
SENATE FILE 494 (Amend.H-4357)
Requested by Representative Norland
May 9, 1979

In compliance with a written request, there is hereby submitted a Fiscal Note for S.F. 494, Amendment H-4357 pursuant to Joint Rule 16.

Amendment H-4357 to Amendment H-4325 to Senate File 494

Amendment H-4357 provides an increase in the maximum standard deduction for a surviving spouse or an unmarried head of household from \$1,200 to \$3,000. This proposal would result in an additional decrease in tax liability of \$400,000. The decrease is estimated by applying the proposed change to 1977 individual income tax returns. The impact on the 1979 tax liability and future tax liability may vary as the number of such filers and their incomes change.

Source: Department of Revenue

FILED MAY 9, 1979

GERRY D. RANKIN
Legislative Fiscal Bureau

FISCAL NOTE
SENATE FILE 494 (Amend.H-4359)
Requested by Representative Tofte
May 9, 1979

In compliance with a written request, there is hereby submitted a Fiscal Note for S.F. 494, Amendment H-4359 pursuant to Joint Rule 16.

Amendment H-4359 to Senate File 494

This amendment increases the income tax exemption for civil service retirement annuities from \$4,250 to \$7,000 for single taxpayers and married taxpayers filing separate returns and from \$6,500 to \$10,000 for married taxpayers filing joint returns.

The additional exemption is expected to reduce individual income tax revenues by not more than \$400,000 from current levels. A more specific estimate cannot be provided because of a lack of information on other taxable income of individuals receiving civil service annuities and insufficient data on the effect of the reduction of any exemption because of receipt of social security income by individuals receiving civil service annuities.

Source: Department of Revenue

FILED MAY 9, 1979

GERRY D. RANKIN
Legislative Fiscal Bureau

See Ways Means 5/3
Do Pass per 4-3-25 5/8 (p. 2141)

SENATE FILE 494

BY COMMITTEE ON WAYS AND MEANS

(AS AMENDED AND PASSED BY THE SENATE APRIL 30, 1979)

RePassed Senate, Date 5-11-79 (p. 1721) Passed House, Date 5-11-79 (p. 2360)

Vote: Ayes 45 Nays 1 Vote: Ayes 98 Nays 0

Approved June 9, 1979

A BILL FOR

1 An Act relating to the state individual income tax by
2 increasing the minimum filing requirements, increasing
3 the standard deduction and the personal exemption
4 credits, providing for an interim study of income tax
5 indexation, and making certain provisions of the Act
6 retroactive.

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

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_____ = New Language
by the Senate

1 Section 1. Section four hundred twenty-two point five
2 (422.5), unnumbered paragraph two (2), Code 1979, is amended
3 to read as follows:

4 however, no tax shall be imposed on any resident or non-
5 resident whose net income, as defined in section 422.7, is
6 ~~four~~ five thousand dollars or less; but in the event that
7 the payment of tax under this division would reduce the net
8 income to less than ~~four~~ five thousand dollars, then the tax
9 shall be reduced to that amount which would result in allowing
10 the taxpayer to retain a net income of ~~four~~ five thousand
11 dollars. The preceding sentence does not apply to estates
12 or trusts. For the purpose of this paragraph, the entire
13 net income, including any part thereof not allocated to Iowa,
14 shall be taken into account. If the combined net income of
15 a husband and wife exceeds ~~four~~ five thousand dollars, neither
16 of them shall receive the benefit of this paragraph, and it
17 is immaterial whether they file a joint return or separate
18 returns. ~~An unmarried child under twenty-one years of age~~
19 ~~who is a dependent of his parent or parents as defined in~~
20 ~~section 422.12, shall not receive the benefit of this paragraph~~
21 ~~if such parent's net income exceeds four thousand dollars~~
22 ~~or if the combined net income of such parents exceeds four~~
23 ~~thousand dollars.~~ A person who is claimed as a dependent
24 by another person as defined in section four hundred twenty-
25 two point twelve (422.12) of the Code shall not receive the
26 benefit of this paragraph if the person claiming the dependent
27 has net income exceeding five thousand dollars or the person
28 claiming the dependent and the person's spouse have combined
29 net income exceeding five thousand dollars.

30 Sec. 2. Section four hundred twenty-two point nine (422.9),
31 subsection one (1), Code 1979, is amended to read as follows:

32 1. An optional standard deduction of ~~ten~~ fifteen percent
33 of the net income after deduction of federal income tax, not
34 to exceed five one thousand one hundred dollars for a married
35 person who files separately, or one thousand one hundred

1 dollars for a single person or a two thousand two hundred
2 dollars for a husband and wife who file a joint return.

3 Sec. 3. Section four hundred twenty-two point twelve
4 (422.12), subsection one (1), paragraphs a, b, c, d, and e,
5 Code 1979, are amended to read as follows:

6 a. For a single individual, or a married person filing
7 a separate return, fifteen twenty dollars.

8 b. For a head of household, or a husband and wife filing
9 a joint return, thirty forty dollars.

10 c. For each dependent, an additional ~~ten~~ fifteen dollars.
11 AS used in this section, the term "dependent" shall have the
12 same meaning as provided by the Internal Revenue Code of 1954.

13 d. For a single individual, husband, wife or head of
14 household, an additional exemption of ~~fifteen~~ twenty dollars
15 for each of said individuals who has attained the age of
16 sixty-five years before the close of the tax year or on the
17 first day following the end of the tax year.

18 e. For a single individual, husband, wife or head of
19 household, an additional exemption of ~~fifteen~~ twenty dollars
20 for each of said individuals who is blind at the close of
21 the tax year. For the purposes of this paragraph, an
22 individual is blind only if the individual's central visual
23 acuity does not exceed twenty-two hundredths in the better
24 eye with correcting lenses, or if the individual's visual
25 acuity is greater than twenty-two hundredths but is accompanied
26 by a limitation in the fields of vision such that the widest
27 diameter of the visual field subtends an angle no greater
28 than twenty degrees.

29 Sec. 4. Section four hundred twenty-two point thirteen
30 (422.13), subsections one (1) and two (2), Code 1979, are
31 amended by striking the subsections and inserting in lieu
32 thereof the following:

33 1. Every resident of this state shall make and sign a
34 return if any of the following are applicable:

35 a. The resident is required to file a federal income tax

1 return under the Internal Revenue Code of 1954.

2 b. The resident has net income of four thousand dollars
3 or more for the tax year from sources taxable under this
4 division.

5 c. The resident is claimed as a dependent on another
6 person's return and has net income of three thousand dollars
7 or more for the tax year from sources taxable under this
8 division.

9 2. Every nonresident shall make and sign a return if
10 either of the following are applicable:

11 a. The nonresident is required to file a federal income
12 tax return under the Internal Revenue Code of 1954 and has
13 net income of four thousand dollars or more for the tax year
14 from sources taxable under this division.

15 b. The nonresident is claimed as a dependent on another
16 person's return and is required to file a federal income tax
17 return under the Internal Revenue Code of 1954 and has net
18 income of three thousand dollars or more for the tax year
19 from sources taxable under this division.

20 3. For purposes of determining the requirement for filing
21 a return under subsections one (1) and two (2) of this section,
22 the combined net income of a husband and wife from sources
23 taxable under this division shall be considered.

24 Sec. 5. Section fifty-six point eighteen (56.18), Code
25 1979, is amended to read as follows:

26 56.18 CHECKOFF--INCOME TAX. Any person whose state income
27 tax liability for any taxable year is one dollar or more may
28 designate direct that one dollar of such liability to be paid
29 over to the Iowa election campaign fund for the account of
30 any specified political party, as defined by section 43-2
31 when submitting his or her state income tax return to the
32 department of revenue. In the case of a joint return of
33 husband and wife having a state income tax liability of two
34 dollars or more, each spouse may designate direct that one
35 dollar be paid to any such account in the fund. The director

1 of revenue shall revise the income tax form to allow the
2 ~~designation of political contributions to a political party~~
3 provide a space on the face of the tax return and immediately
4 above the signature lines which the taxpayer may use to
5 designate that contributions made under this section be
6 credited to a specified political party as defined by section
7 forty-three point two (43.2) of the Code, or to the Iowa
8 election campaign fund as a contribution to be shared by all
9 such political parties in the manner prescribed by section
10 fifty-six point nineteen (56.19) of the Code. The form shall
11 inform the taxpayer that when an individual chooses the latter
12 alternative his or her one dollar contribution is shared by
13 all eligible political parties, but this information may be
14 contained in a footnote or other suitable form if the director
15 of revenue finds it is not feasible to place the information
16 immediately above the signature line.

17 Sec. 6. Section fifty-six point nineteen (56.19), Code
18 1979, is amended to read as follows:

19 56.19 FUND CREATED. The "Iowa election campaign fund"
20 is created within the office of the treasurer of state. The
21 fund shall consist of funds paid by persons having an Iowa
22 income tax liability as provided in section 56.18. The
23 treasurer of state shall maintain within the fund a separate
24 account for each political party as defined in section forty-
25 three point two (43.2) of the Code. The director of revenue
26 shall remit funds collected as provided in section 56.18 to
27 the treasurer of state who shall deposit such funds in the
28 appropriate account within the Iowa election campaign fund.
29 All contributions directed to the Iowa election campaign fund
30 by taxpayers who do not designate any one political party
31 to receive their contributions shall be divided by the director
32 of revenue equally among each account currently maintained
33 in the fund. However, at any time when more than two accounts
34 are being maintained within the fund contributions to the
35 fund by taxpayers who do not designate any one political party

1 to receive their contributions shall be divided among the
2 accounts in the same proportion as the number of qualified
3 electors declaring affiliation with each political party for
4 which an account is maintained bears to the total number of
5 qualified electors who have declared an affiliation with a
6 political party. Any interest income received by the treasurer
7 of state from investment of moneys deposited in the fund shall
8 be deposited in the Iowa election campaign fund. Such funds
9 shall be subject to payment to the chairperson of the specified
10 political party by the state comptroller in the manner provided
11 by section 56.22.

12 Sec. 7. Section fifty-six point twenty-five (56.25), Code
13 1979, is amended to read as follows:

14 56.25 INCOME TAX FORM--CHECKOFF SPACE. The director of
15 revenue shall provide space for this campaign finance income
16 tax checkoff on the most frequently used Iowa income tax form.
17 An explanation shall be included which clearly states that
18 this checkoff does not constitute an additional tax liability.
19 The form shall provide for the taxpayer to designate that
20 the checkoff shall go either to the political party of his
21 or her choice or be divided among all political parties as
22 prescribed by section fifty-six point nineteen (56.19) of
23 the Code.

24 Sec. 8. The legislative council is directed to create
25 a ten-member study committee made up of five members each
26 from the standing committees on ways and means of the senate
27 and house of representatives representing both political
28 parties, which committee shall conduct during the 1979
29 legislative interim a study on the state income tax structure.
30 The study shall include, but not be limited to, indexing,
31 the effects which indexing will have on state revenues and
32 the continuation of existing state programs and other aspects
33 of the state income tax structure. Expenses of the study
34 committee shall be paid from funds available under section
35 two point twelve (2.12) of the Code.

1 The study committee shall transmit copies of its final
2 report to the governor and the members of the Sixty-eighth
3 General Assembly, 1980 Session, not later than December 1,
4 1979. The final report shall include the study committee's
5 findings and recommendations.

6 Sec. 9. The provisions of sections one (1) through four
7 (4) of this Act are retroactive to January 1, 1979 for tax
8 years beginning on or after January 1, 1979.

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SF 494
ok/slc/26c

SENATE FILE 494

H-4310

1 Amend Senate File 494 as amended, passed and
2 reprinted by the Senate, as follows:
3 1. Page 3, by striking line 26 and inserting in
4 lieu thereof the following:
5 "56.18 CAMPAIGN FUND CHECKOFF--INCOME TAX.
6 1. Any person whose state income".
7 2. Page 3, by striking line 35 and inserting in
8 lieu thereof the words and figure "dollar be paid
9 to ~~any-such-account-in~~ the fund.
10 2. The director".
11 3. Page 4, line 5, by striking the words "section
12 be" and inserting in lieu thereof the word "section:".
13 4. Page 4, by striking lines 6 and 7 and inserting
14 in lieu thereof the following:
15 "a. Be credited to a specified political party
16 as defined by section forty-three point two (43.2)
17 of the Code.
18 b. Be credited to the Iowa".
19 5. Page 4, line 11, by striking the words "the
20 latter" and inserting in lieu thereof the word "this".
21 6. Page 4, by inserting after line 16 the
22 following:
23 "c. Be credited to any nonparty political
24 organization designated by the taxpayer which is
25 eligible under this section to receive the
26 contribution.
27 3. A nonparty political organization is eligible
28 to receive contributions under this section if it
29 has both:
30 a. Filed in the office of the state commissioner,
31 at the time and in the manner required by chapter
32 forty-four (44) of the Code, the nomination of at
33 least one candidate for an office to be filled at
34 the most recent general election.
35 b. Since filing the nomination referred to in
36 paragraph a of this subsection, filed with the
37 commission periodic disclosure reports at the time
38 and in the manner required by section fifty-six point
39 six (56.6) of the Code.
40 4. The executive secretary of the commission
41 shall, at the latest date he or she and the director
42 of revenue conclude is practicable, provide to the
43 director a list of each nonparty political organization
44 which is eligible to receive checkoff funds under
45 this section. The director of revenue shall enclose
46 a copy of the list with the material provided by the
47 department of revenue to persons who it is anticipated
48 will file Iowa individual income tax returns. That
49 material shall include instructions, in reasonable
50 detail, explaining the manner and effect of indicating

Page Two
H-4310

1 a contribution to the Iowa election campaign fund
2 when completing an Iowa individual income tax return."

3 7. Page 4, line 25, by inserting after the word
4 "Code" the words ", and for each eligible nonparty
5 political organization to which funds are contributed
6 under section fifty-six point eighteen (56.18) of
7 the Code".

8 8. Page 4, by striking line 33 and inserting in
9 lieu thereof the words "in the fund for a political
10 party. However, at any time when more than two such
11 accounts".

12 9. Page 5, line 11, by inserting after the figure
13 "56.22." the words and figures "Funds so designated
14 to a nonparty political organization under section
15 fifty-six point eighteen (56.18) of the Code shall
16 be remitted to and used by the nonparty political
17 organization so designated, in the same manner and
18 for the same purposes as provided for political parties
19 under sections fifty-six point twenty (56.20) through
20 fifty-six point twenty-four (56.24) of the Code."

21 10. Page 5, line 20, by striking the word "either".

22 11. Page 5, line 21, by striking the words "choice
23 or" and inserting in lieu thereof the word "choice,".

24 12. Page 5, line 23, by inserting after the word
25 "Code" the words and figures ", or go to a nonparty
26 political organization which is eligible under section
27 fifty-six point eighteen (56.18), subsection four
28 (4) of the Code and is designated by the taxpayer
29 to receive the contribution".

H-4310 FILED *H/Drawn 5/11 (p. 2355)* BY BRUNER of Story
MAY 7, 1979

SENATE FILE 494

H-4346

1 Amend Senate File 494 as follows:

2 1. Page 3, line 28, by striking the word "to" and
3 inserting in lieu thereof the word "te".

H-4346 FILED *Adopted 5/11 (p. 2355)* BY WEST of Marshall
MAY 8, 1979

SENATE FILE 494

4325

1 Amend Senate File 494 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section four hundred twenty-two point
5 four (422.4), Code 1979, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION.

8 a. "Annual inflation factor" means an index,
9 expressed as a percentage, determined by the department
10 on or before May first of each year to reflect the
11 purchasing power of the dollar as a result of inflation
12 or deflation during the preceding calendar year,
13 except that in the 1979 calendar year the department
14 has thirty days after the effective date of this Act
15 to determine the annual inflation factor. In
16 determining the annual inflation factor, the department
17 shall use the annual percent change in the consumer
18 price index produced by the bureau of labor statistics
19 of the United States department of labor and shall
20 add one-fourth for the 1979 calendar year, two-fourths
21 for the 1980 calendar year, three-fourths for the
22 1981 calendar year, and four-fourths for calendar
23 years thereafter of that percent change to one hundred
24 percent, except that the amount of the percent change
25 added to the one hundred percent shall not exceed
26 the greater of zero or the difference between the
27 percent change and three percent. The annual inflation
28 factor and the cumulative inflation factor shall each
29 be expressed as a percentage rounded to the nearest
30 one-tenth of one percent.

31 b. "Cumulative inflation factor" means the product
32 of the annual inflation factor for the 1978 calendar
33 year and all annual inflation factors for subsequent
34 calendar years as determined pursuant to this
35 subsection. The cumulative inflation factor shall
36 apply to all tax years beginning on or after January
37 first of the calendar year in which the latest annual
38 inflation factor has been determined.

39 c. The annual inflation factor for the 1978
40 calendar year is one hundred percent."

41 2. Page 1, by inserting after line 29 the
42 following:

43 "Sec. 2. Section four hundred twenty-two point
44 five (422.5), Code 1979, is amended by adding the
45 following new unnumbered paragraph:

46 NEW UNNUMBERED PARAGRAPH. Upon determination of
47 the latest cumulative inflation factor, the director
48 of revenue shall multiply each dollar amount set forth
49 in subsections one (1) through thirteen (13) of this
50 section by this cumulative inflation factor, shall

1 round off the resulting product to the nearest one
2 dollar and incorporate the result into the income
3 tax forms and instructions for each tax year. However,
4 the resulting product shall not reduce the dollar
5 amounts set forth in subsections one (1) through
6 thirteen (13) of section four hundred twenty-two point
7 five (422.5) of the Code below those specified on
8 January 1, 1979."

9 3. Page 1, line 34, by striking the words "one
10 thousand one" and inserting in lieu thereof the words
11 "one thousand two".

12 4. Page 1, line 35, by striking the word "one"
13 and inserting in lieu thereof the word "two".

14 5. Page 2, line 1, by striking the words "two
15 thousand two hundred" and inserting in lieu thereof
16 the words "three thousand".

17 6. Page 2, by striking lines 3 through 28 and
18 inserting in lieu thereof the following:

19 "Sec. _____. Section four hundred twenty-two point
20 twelve (422.12), subsection one (1), Code 1979, is
21 amended by adding the following new lettered paragraph:

22 NEW LETTERED PARAGRAPH. For tax years beginning
23 on or after January 1, 1979 and for each of the next
24 four succeeding tax years, the amount of the personal
25 exemption credits provided in this subsection shall
26 be increased in the amount of one dollar for each
27 tax year, except that the personal exemption credit
28 allowed under paragraph b of this subsection shall
29 be increased in the amount of two dollars for each
30 tax year. The personal exemption credits determined
31 pursuant to this paragraph for tax years beginning
32 on or after January 1, 1983 shall continue for
33 succeeding tax years."

34 7. Page 3, by inserting after line 23 the
35 following:

36 "Sec. _____. Section four hundred twenty-two point
37 twenty-one (422.21), Code 1979, is amended by adding
38 the following new unnumbered paragraph:

39 NEW UNNUMBERED PARAGRAPH. The director shall
40 determine by May first of each year the annual and
41 cumulative inflation factors for each calendar year
42 to be applied to tax years beginning on or after
43 January first of that calendar year. The director
44 shall compute the new dollar amounts as specified
45 therein to be adjusted in section four hundred twenty-
46 two point five (422.5) of the Code by the latest
47 cumulative inflation factor and round off the result
48 to the nearest one dollar. The annual and cumulative
49 inflation factors determined by the director are not
50 rules as defined in section seventeen A point two

Page 3!

1 (17A.2), subsection seven (7), of the Code."

2 8. Amend the title, line 4, by inserting after
3 the word "credits," the words "indexing the tax
4 brackets,".

5 9. By numbering, renumbering and correcting
6 internal references as required by this amendment.

SENATE FILE 494

H-4353

- 1 Amend amendment H-4325 to Senate File 494 as
- 2 follows:
- 3 1. Page 1, by striking lines 2 through 50.
- 4 2. Page 2, by striking lines 1 through 8.
- 5 3. Page 2, by striking lines 34 through 50.
- 6 4. Page 3, by striking lines 1 through 4.

H-4353 FILED
MAY 9, 1979
LOST (p. 2204)

BY POFFENBERGER of Dallas HALVORSON of Webster
TYRRELL of Iowa KREWSON of Polk
MULLINS of Kossuth

SENATE FILE 494

H-4355

- 1 Amend the committee amendment H-4325 to Senate
- 2 File 494, as passed by the Senate and reprinted,
- 3 as follows:
- 4 1. Page 2, line 13, by striking the word "two"
- 5 and inserting in lieu thereof the word "five".

H-4355 FILED BY BRUNER of Story KREWSON of Polk
MAY 9, 1979 LLOYD-JONES of Johnson HIBBS of Johnson
Halvorson 5/11/79 HALVORSON of Webster

SENATE FILE 494

H-4323

1 Amend Senate File 494 as amended, passed and
2 reprinted by the Senate, as follows:

3 1. Page 4, line 31, by inserting after the word
4 "be" the words "held in escrow by the director of
5 revenue until after the canvass of the next succeeding
6 general election has verified whether any political
7 organizations in this state have gained or lost the
8 status of political parties as defined by section
9 forty-three point two (43.2) of the Code, and the
10 number of accounts maintained within the fund has
11 been adjusted accordingly. The accumulated
12 nondesignated contributions shall then be".

13 2. Page 5, by inserting after line 11 the
14 following:

15 "Sec. ____ . Section fifty-six point twenty-two
16 (56.22), Code 1979, is amended to read as follows:

17 56.22 DISTRIBUTION OF CAMPAIGN FUND --RESTRICTIONS
18 ON USE.

19 1. The money accumulated in the Iowa election
20 campaign fund to the account of each political party
21 in the state shall be remitted to the party on the
22 first business day of each month by warrant of the
23 state comptroller drawn upon the fund in favor of
24 the state chairperson of that party. The money
25 received by each political party under this section
26 shall be used as directed by the party's state
27 statutory political committee, within the limitations
28 imposed by subsection two (2) of this section.

29 2. Funds distributed to statutory political
30 committees pursuant to this chapter shall not be used
31 to support or oppose the nomination of any candidate.
32 Nothing in this subsection shall be construed to
33 prohibit a statutory political committee from using
34 such funds to pay expenses incurred in arranging and
35 holding a nominating convention. Subject to the
36 foregoing limitations, money distributed to each state
37 statutory political committee shall be used as follows:

38 a. At least twenty-five percent shall be
39 distributed to candidates for the general assembly.

40 b. At least twenty-five percent shall be
41 distributed to candidates for state offices filled
42 by the voters of the entire state.

43 c. At least twenty-five percent shall be
44 distributed to candidates for federal offices filled
45 by voters of this state.

46 d. Not more than twenty-five percent may be
47 retained to help pay the costs of operating the state
48 statutory political committee's office and staff."

Loat 5/11 (pp. 2359-60)

SENATE FILE 494

H-4361

1 Amend the Committee amendment, H-4325, to Senate
2 File 494 as follows:
3 1. Page 1, by striking lines 20 through 23 and
4 inserting in lieu thereof the words "add that percent
5 change to one hundred".
6 2. Page 1, by inserting after line 40 the
7 following:
8 "d. The annual inflation factor and the cumulative
9 inflation factor shall only be computed for the 1979
10 and 1980 calendar years."
11 3. Page 2, line 3, by inserting after the word
12 "year." the words "The director shall not alter the
13 dollar amounts specified in subsections one (1) through
14 thirteen (13) of this section for any tax year
15 beginning on or after January 1, 1981."
16 4. Page 2, by striking lines 40 and 41 and
17 inserting in lieu thereof the words and figures
18 "determine for the 1979 and 1980 calendar years the
19 annual and cumulative inflation factors for those
20 calendar years".
21 5. Page 2, line 48, by inserting after the word
22 "dollar." the words "The director shall not compute
23 new dollar amounts specified in subsections one (1)
24 through thirteen (13) of section four hundred twenty-
25 two point five (422.5) of the Code for any tax year
26 beginning on or after January 1, 1981."

H-4361 FILED *H. K. ...* BY SCHNEKLOTH of Scott
MAY 9, 1979

SENATE FILE 494

H-4357

1 Amend the Committee on Ways and Means amendment,
2 H-4325, to Senate File 494, as amended, passed, and
3 reprinted by the Senate, as follows:
4 1. Page 2, by inserting after line 16 the
5 following:
6 "____. Page 2, line 2, by inserting after the word
7 "return" the words and figures "a surviving spouse
8 as defined in section two (2) of the Internal Revenue
9 Code of 1954, or an unmarried head of household as
10 defined in the Internal Revenue Code of 1954".

H-4357 FILED *Adopted ...* BY WEST of Marshall
MAY 9, 1979 NORLAND of Worth
CONLON of Muscatine
BRUNER of Story

SENATE FILE 494

H-4359

1 Amend Senate File 494 as follows:

2 1. Page 1, by inserting after line 29 the following
3 section:

4 "Sec. _____. Section four hundred twenty-two point
5 five (422.5), unnumbered paragraph six (6), Code 1979,
6 is amended to read as follows:

7 A person who is disabled or is sixty-two years
8 of age or older and receives an annuity or annuities
9 from the United States civil service retirement and
10 disability trust fund, and whose net income, as defined
11 in section 422.7, is sufficient to require that the
12 tax be imposed upon it under this section, may
13 determine final taxable income for purposes of
14 imposition of the tax by excluding the amount of an
15 annuity or annuities received from the United States
16 civil service retirement and disability trust fund,
17 which are not already excluded in determining net
18 income, as defined in section 422.7, up to a maximum
19 each tax year of ~~four~~ seven thousand ~~two-hundred-fifty~~
20 dollars for a person who files a separate state income
21 tax return and ~~six~~ ten thousand ~~five-hundred~~ dollars
22 total for a husband and wife who file a joint state
23 income tax return. The amount of the exemption shall
24 be reduced by the amount of any social security
25 benefits received. For the purpose of this section,
26 the amount of an annuity or annuities received from
27 the United States civil service retirement and
28 disability trust fund taxable under the Internal
29 Revenue Code of 1954 shall be included in net income
30 for purposes of determining eligibility under the
31 four thousand dollar or less exclusion."

BY CRABB of Crawford
CONNORS of Polk
DOYLE of Woodbury
RAPP of Black Hawk

H-4359 FILED *W/Drawn 5/11 (p. 2354)*
MAY 9, 1979

SENATE FILE 494

H-4358

1 Amend amendment H-4310 to Senate File 494 on
2 page 1, line 33, by striking the word "an" and
3 inserting in lieu thereof the words "a state-
4 wide elective".

H-4358 FILED *W/Drawn 5/11 (p. 2355)* BY BRUNER of Story
MAY 9, 1979

SENATE FILE 494

H-4363

1 Amend the Committee amendment, H-4325, to Senate
2 File 494 as follows:

3 1. Page 1, by striking lines 20 through 23 and
4 inserting in lieu thereof the words "add one-fourth
5 for the 1979 calendar year and two-fourths for the
6 1980 calendar year of that percent change to one
7 hundred".

8 2. Page 1, by inserting after line 40 the
9 following:

10 "d. The annual inflation factor and the cumulative
11 inflation factor shall only be computed for the 1979
12 and 1980 calendar years."

13 3. Page 2, line 3, by inserting after the word
14 "year." the words "The director shall not alter the
15 dollar amounts specified in subsections one (1) through
16 thirteen (13) of this section for any tax year
17 beginning on or after January 1, 1981."

18 4. Page 2, by striking lines 40 and 41 and
19 inserting in lieu thereof the words and figures
20 "determine for the 1979 and 1980 calendar years the
21 annual and cumulative inflation factors for those
22 calendar years".

23 5. Page 2, line 48, by inserting after the word
24 "dollar." the words "The director shall not compute
25 new dollar amounts specified in subsections one (1)
26 through thirteen (13) of section four hundred twenty-
27 two point five (422.5) of the Code for any tax year
28 beginning on or after January 1, 1981."

H-4363 FILED *Adopted 5/11 (2353)* BY SCHNEKLOTH of Scott
MAY 9, 1979

SENATE FILE 494

H-4364

1 Amend Senate File 494 as follows:

2 1. Page 3, by inserting after line 23 the
3 following:

4 "Sec. 5. Section four hundred fifty point four
5 (450.4), subsection one (1), Code 1979, is amended
6 to read as follows:

7 1. When the entire estate of the decedent does
8 not exceed the sum of one ten thousand dollars after
9 deducting the debts, as defined in this chapter.

10 Sec. 5. Section four hundred fifty point nine
11 (450.9), Code 1979, is amended to read as follows:

12 450.9 INDIVIDUAL EXEMPTIONS. In computing the
13 tax on the net estate passing to the surviving spouse,
14 heirs or beneficiaries of the deceased the following
15 credits or exemptions shall be allowed:

16 1. Surviving spouse, eighty one hundred twenty
17 thousand dollars.

18 2. Each son and daughter, including legally adopted
19 sons and daughters, or illegitimate sons and daughters
20 entitled to inherit under the law of this state,
21 thirty sixty thousand dollars.

22 3. Father or mother, ten fifteen thousand dollars.

23 4. Any other lineal descendant of the deceased,
24 ten fifteen thousand dollars."

25 2. Page 6, line 8, by inserting after the figure
26 "1979" the words and figures "and the provisions of
27 sections five (5) and six (6) of this Act are effective
28 July 1, 1979 for the estates of decedents dying on
29 or after July 1, 1979".

30 3. Amend the title, line 5, by inserting after
31 the word "indexation," the words "and relating to
32 the state inheritance tax by increasing the amount
33 of the estate under which no tax is owed, and
34 increasing the personal exemptions,".

35 4. By renumbering and correcting internal
36 references as required by this amendment.

H-4364 FILED *4/2/79* BY PERKINS of Greene
MAY 9, 1979 DAVITT of Warren

SENATE FILE 494

H-4362

1 Amend the committee amendment H-4325 to Senate
2 File 494, as passed by the Senate and reprinted, as
3 follows:

4 1. Page 2, line 28, by striking the words
5 "paragraph b" and inserting in lieu thereof the words
6 "paragraphs b and c".

H-4362 FILED *4/2/79* BY GROTH of Buena Vista
MAY 9, 1979

SENATE FILE 494

H-4431

1 Amend the Committee amendment, H-4325, to Senate
2 File 494 as follows:

3 1. Page 1, line 10, by striking the words "on
4 or before May first of".

5 2. Page 1, line 12, by striking the comma and
6 inserting in lieu thereof a period.

7 3. Page 1, by striking lines 13 through 15 and
8 inserting in lieu thereof the words "In".

9 4. Page 1, by inserting after line 40 the follow-
10 ing:

11 " . Notwithstanding the computation of the
12 annual inflation factor under paragraph a of this
13 subsection, the annual inflation factor is one hundred
14 percent for any calendar year in which the unobligated
15 state general fund balance on June thirtieth as
16 certified by the state comptroller by September tenth
17 of the fiscal year beginning in that calendar year
18 is less than sixty million dollars."

19 5. Page 2, line 40, by striking the words "by
20 May first of".

21 6. By lettering and relettering as required by
22 this amendment.

BY CONLON of Muscatine
WEST of Marshall
NORLAND of Worth
LURA of Marshall

H-4431 FILED, ADOPTED (7 2354)
MAY 11, 1979

SENATE FILE 494

H-4393

1 Amend the Committee amendment, H-4325, to Senate
2 File 494 as amended, passed and reprinted by the
3 Senate as follows:

4 1. Page 1, by inserting after line 42 the
5 following:

6 "Sec. _____. Section four hundred twenty-two point
7 five (422.5), unnumbered paragraph six (6), Code 1979,
8 is amended to read as follows:

9 A person who is disabled or is sixty-two years
10 of age or older and receives an annuity or annuities
11 from the United States civil service retirement and
12 disability trust fund, and whose net income, as defined
13 in section 422.7, is sufficient to require that the
14 tax be imposed upon it under this section, may
15 determine final taxable income for purposes of
16 imposition of the tax by excluding the amount of an
17 annuity or annuities received from the United States
18 civil service retirement and disability trust fund,
19 which are not already excluded in determining net
20 income, as defined in section 422.7, up to a maximum
21 each tax year of ~~four~~ five thousand ~~two-hundred-fifty~~
22 five hundred dollars for a person who files a separate
23 state income tax return and ~~six~~ eight thousand ~~five~~
24 hundred dollars total for a husband and wife who file
25 a joint state income tax return. The amount of the
26 exemption shall be reduced by the amount of any social
27 security benefits received. For the purpose of this
28 section, the amount of an annuity or annuities received
29 from the United States civil service retirement and
30 disability trust fund taxable under the Internal
31 Revenue Code of 1954 shall be included in net income
32 for purposes of determining eligibility under the
33 four thousand dollar or less exclusion."

34 2. Page 1, line 50, by inserting after the word
35 "section" the words "and each dollar amount specified
36 in unnumbered paragraph six (6) of this section as
37 the maximum amount of annuities received which may
38 be excluded in determining final taxable income".

39 3. Page 2, line 6, by inserting after the figure
40 "(13)" the words and figure "and unnumbered paragraph
41 six (5)".

42 4. Page 3, line 4, by inserting after the word
43 "brackets" the words "and increasing and indexing
44 certain exclusions from income".

H-4393 FILED
MAY 10, 1979

Adopted 5/11/79 BY CRABB of Crawford
RAPP of Black Hawk
DOYLE of Woodbury
CONNORS of Polk

1 Amend Senate File 494 as follows:

2 1. Page 3, by inserting after line 23 the
3 following:

4 "Sec. 5. Section four hundred fifty point four
5 (450.4), subsection one (1), Code 1979, is amended
6 to read as follows:

7 1. When the entire estate of the decedent does
8 not exceed the sum of ~~one~~ ten thousand dollars after
9 deducting the debts, as defined in this chapter.

10 Sec. 6. Section four hundred fifty point nine
11 (450.9), Code 1979, is amended to read as follows:

12 450.9 INDIVIDUAL EXEMPTIONS. In computing the
13 tax on the net estate passing to the surviving spouse,
14 heirs or beneficiaries of the deceased the following
15 credits or exemptions shall be allowed:

16 1. Surviving spouse, eighty one hundred twenty
17 thousand dollars.

18 2. Each son and daughter, including legally adopted
19 sons and daughters, or ~~illegitimate~~ sons and daughters
20 born out of wedlock entitled to inherit under the law
21 of this state, thirty sixty thousand dollars.

22 3. Father or mother, ten fifteen thousand dollars.

23 4. Any other lineal descendant of the deceased,
24 ten fifteen thousand dollars."

25 2. Page 6, line 8, by inserting after the figure
26 "1979" the words and figures "and the provisions of
27 sections five (5) and six (6) of this Act are effective
28 January first following their enactment for the estates
29 of decedents dying on or after the effective date
30 of those provisions".

31 3. Amend the title, line 5, by inserting after
32 the word "indexation," the words "and relating to
33 the state inheritance tax by increasing the amount
34 of the estate under which no tax is owed, and
35 increasing the personal exemptions,".

36 4. By renumbering and correcting internal
37 references as required by this amendment.

H-4432 FILED, RULED NOT
GERMANE, MOTION TO SUSPEND
THE RULES, LOST (p. 2259)
MAY 11, 1979

BY PERKINS of Greene
DAVITT of Warren

House Amendment to Senate File 494

S-3816

1 Amend Senate File 494 as reprinted as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section four hundred twenty-two point
5 four (422.4), Code 1979, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION.

8 a. "Annual inflation factor" means an index,
9 expressed as a percentage, determined by the department
10 each year to reflect the purchasing power of the
11 dollar as a result of inflation or deflation during
12 the preceding calendar year. In determining the
13 annual inflation factor, the department shall use
14 the annual percent change in the consumer price index
15 produced by the bureau of labor statistics of the
16 United States department of labor and shall add one-
17 fourth for the 1979 calendar year and two-fourths
18 for the 1980 calendar year of that percent change
19 to one hundred percent, except that the amount of
20 the percent change added to the one hundred percent
21 shall not exceed the greater of zero or the difference
22 between the percent change and three percent. The
23 annual inflation factor and the cumulative inflation
24 factor shall each be expressed as a percentage rounded
25 to the nearest one-tenth of one percent.

26 b. "Cumulative inflation factor" means the product
27 of the annual inflation factor for the 1978 calendar
28 year and all annual inflation factors for subsequent
29 calendar years as determined pursuant to this
30 subsection. The cumulative inflation factor shall
31 apply to all tax years beginning on or after January
32 first of the calendar year in which the latest annual
33 inflation factor has been determined.

34 c. The annual inflation factor for the 1978
35 calendar year is one hundred percent.

36 d. The annual inflation factor and the cumulative
37 inflation factor shall only be computed for the 1979
38 and 1980 calendar years.

39 e. Notwithstanding the computation of the annual
40 inflation factor under paragraph a of this subsection,
41 the annual inflation factor is one hundred percent
42 for any calendar year in which the unobligated state
43 general fund balance on June thirtieth as certified
44 by the state comptroller by September tenth of the
45 fiscal year beginning in that calendar year is less
46 than sixty million dollars."

47 2. Page 1, by inserting after line 29 the
48 following:

49 "Sec. _____. Section four hundred twenty-two point
50 five (422.5), unnumbered paragraph six (6), Code 1979,

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1 is amended to read as follows:

2 A person who is disabled or is sixty-two years
3 of age or older and receives an annuity or annuities
4 from the United States civil service retirement and
5 disability trust fund, and whose net income, as defined
6 in section 422.7, is sufficient to require that the
7 tax be imposed upon it under this section, may
8 determine final taxable income for purposes of
9 imposition of the tax by excluding the amount of an
10 annuity or annuities received from the United States
11 civil service retirement and disability trust fund,
12 which are not already excluded in determining net
13 income, as defined in section 422.7, up to a maximum
14 each tax year of four five thousand two-hundred-fifty
15 five hundred dollars for a person who files a separate
16 state income tax return and six eight thousand five
17 hundred dollars total for a husband and wife who file
18 a joint state income tax return. The amount of the
19 exemption shall be reduced by the amount of any social
20 security benefits received. For the purpose of this
21 section, the amount of an annuity or annuities received
22 from the United States civil service retirement and
23 disability trust fund taxable under the Internal
24 Revenue Code of 1954 shall be included in net income
25 for purposes of determining eligibility under the
26 four thousand dollar or less exclusion.

27 Sec. . . . Section four hundred twenty-two point
28 five (422.5), Code 1979, is amended by adding the
29 following new unnumbered paragraph:

30 NEW UNNUMBERED PARAGRAPH. Upon determination of
31 the latest cumulative inflation factor, the director
32 of revenue shall multiply each dollar amount set forth
33 in subsections one (1) through thirteen (13) of this
34 section and each dollar amount specified in unnumbered
35 paragraph six (6) of this section as the maximum
36 amount of annuities received which may be excluded
37 in determining final taxable income by this cumulative
38 inflation factor, shall round off the resulting product
39 to the nearest one dollar and incorporate the result
40 into the income tax forms and instructions for each
41 tax year. The director shall not alter the dollar
42 amounts specified in subsections one (1) through
43 thirteen (13) of this section for any tax year
44 beginning on or after January 1, 1981. However, the
45 resulting product shall not reduce the dollar amounts
46 set forth in subsections one (1) through thirteen
47 (13) and unnumbered paragraph six (6) of section four
48 hundred twenty-two point five (422.5) of the Code
49 below those specified on January 1, 1979."

50 3. Page 1, line 34, by striking the words "one

S-3816 - PAGE 3

1 thousand one" and inserting in lieu thereof the words
2 "one thousand two".

3 4. Page 1, line 35, by striking the word "one"
4 and inserting in lieu thereof the word "two".

5 5. Page 2, line 1, by striking the words "two
6 thousand two hundred" and inserting in lieu thereof
7 the words "three thousand".

8 6. Page 2, line 2, by inserting after the word
9 "return" the words and figures "a surviving spouse
10 as defined in section two (2) of the Internal Revenue
11 Code of 1954, or an unmarried head of household as
12 defined in the Internal Revenue Code of 1954".

13 7. Page 2, by striking lines 3 through 28 and
14 inserting in lieu thereof the following:

15 "Sec. ____ . Section four hundred twenty-two point
16 twelve (422.12), subsection one (1), Code 1979, is
17 amended by adding the following new lettered paragraph:

18 NEW LETTERED PARAGRAPH. For tax years beginning
19 on or after January 1, 1979 and for each of the next
20 four succeeding tax years, the amount of the personal
21 exemption credits provided in this subsection shall
22 be increased in the amount of one dollar for each
23 tax year, except that the personal exemption credit
24 allowed under paragraph b of this subsection shall
25 be increased in the amount of two dollars for each
26 tax year. The personal exemption credits determined
27 pursuant to this paragraph for tax years beginning
28 on or after January 1, 1983 shall continue for
29 succeeding tax years."

30 8. Page 3, by inserting after line 23 the
31 following:

32 "Sec. ____ . Section four hundred twenty-two point
33 twenty-one (422.21), Code 1979, is amended by adding
34 the following new unnumbered paragraph:

35 NEW UNNUMBERED PARAGRAPH. The director shall
36 determine for the 1979 and 1980 calendar years the
37 annual and cumulative inflation factors for those
38 calendar years to be applied to tax years beginning
39 on or after January first of that calendar year.
40 The director shall compute the new dollar amounts
41 as specified therein to be adjusted in section four
42 hundred twenty-two point five (422.5) of the Code
43 by the latest cumulative inflation factor and round
44 off the result to the nearest one dollar. The director
45 shall not compute new dollar amounts specified in
46 subsections one (1) through thirteen (13) of section
47 four hundred twenty-two point five (422.5) of the
48 Code for any tax year beginning on or after January
49 1, 1981. The annual and cumulative inflation factors
50 determined by the director are not rules as defined

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- 1 in section seventeen A point two (17A.2), subsection
- 2 seven (7), of the Code."
- 3 9. Page 3, line 28, by striking the word "to"
- 4 and inserting in lieu thereof the word "to".
- 5 10. Amend the title, line 4, by inserting after
- 6 the word "credits," the words "indexing the tax
- 7 brackets and increasing and indexing certain exclusions
- 8 from income, "
- 9 11. Renumbering and correcting internal references
- 10 as required by this amendment.

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MAY 11, 1979

Senate Journal 511 (p. 17-21)

SENATE FILE 494

AN ACT

RELATING TO THE STATE INDIVIDUAL INCOME TAX BY INCREASING THE MINIMUM FILING REQUIREMENTS, INCREASING THE STANDARD DEDUCTION AND THE PERSONAL EXEMPTION CREDITS, INDEXING THE TAX BRACKETS AND INCREASING AND INDEXING CERTAIN EXCLUSIONS FROM INCOME, PROVIDING FOR AN INTERIM STUDY OF INCOME TAX INDEXATION, AND MAKING CERTAIN PROVISIONS OF 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), Code 1979, is amended by adding the following new subsection:

NEW SUBSECTION.

a. "Annual inflation factor" means an index, expressed as a percentage, determined by the department each year to reflect the purchasing power of the dollar as a result of inflation or deflation during the preceding calendar year. In determining the annual inflation factor, the department shall use the annual percent change in the consumer price index produced by the bureau of labor statistics of the United States department of labor and shall add one-fourth for the 1979 calendar year and two-fourths for the 1980 calendar year of that percent change to one hundred percent, except that the amount of the percent change added to the one hundred percent shall not exceed the greater of zero or the difference between the percent change and three percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent.

b. "Cumulative inflation factor" means the product of the annual inflation factor for the 1978 calendar year and

all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor shall apply to all tax years beginning on or after January first of the calendar year in which the latest annual inflation factor has been determined.

c. The annual inflation factor for the 1978 calendar year is one hundred percent.

d. The annual inflation factor and the cumulative inflation factor shall only be computed for the 1979 and 1980 calendar years.

e. Notwithstanding the computation of the annual inflation factor under paragraph a of this subsection, the annual inflation factor is one hundred percent for any calendar year in which the unobligated state general fund balance on June thirtieth as certified by the state comptroller by September tenth of the fiscal year beginning in that calendar year is less than sixty million dollars.

Sec. 2. Section four hundred twenty-two point five (422.5), unnumbered paragraph two (2), Code 1979, is amended to read as follows:

However, no tax shall be imposed on any resident or non-resident 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 reduced to that amount which would result in allowing the taxpayer to retain a net income of ~~four~~ five thousand dollars. The preceding sentence does not apply to estates or trusts. For the purpose of this paragraph, the entire net income, including any part thereof not allocated to Iowa, shall be taken into account. If the combined net income of a husband and wife exceeds ~~four~~ five thousand dollars, neither of them shall receive the benefit of this paragraph, and it is immaterial whether they file a joint return or separate returns. ~~An unmarried child under twenty-one years of age~~

~~who is a dependent of his parent or parents as defined in section 422.12 shall not receive the benefit of this paragraph if such parent's net income exceeds four thousand dollars or if the combined net income of such parents exceeds four thousand dollars.~~ A person who is claimed as a dependent by another person as defined in section four hundred twenty-two point twelve (422.12) of the Code shall not receive the benefit of this paragraph if the person claiming the dependent has net income exceeding five thousand dollars or the person claiming the dependent and the person's spouse have combined net income exceeding five thousand dollars.

Sec. 3. Section four hundred twenty-two point five (422.5), unnumbered paragraph six (6), Code 1979, is amended to read as follows:

A person who is disabled or is sixty-two years of age or older and receives an annuity or annuities from the United States civil service retirement and disability trust fund, and whose net income, as defined in section 422.7, is sufficient to require that the tax be imposed upon it under this section, may determine final taxable income for purposes of imposition of the tax by excluding the amount of an annuity or annuities received from the United States civil service retirement and disability trust fund, which are not already excluded in determining net income, as defined in section 422.7, up to a maximum each tax year of ~~four~~ five thousand ~~two-hundred-fifty~~ five hundred dollars for a person who files a separate state income tax return and ~~six~~ eight thousand ~~five-hundred~~ dollars total for a husband and wife who file a joint state income tax return. The amount of the exemption shall be reduced by the amount of any social security benefits received. For the purpose of this section, the amount of an annuity or annuities received from the United States civil service retirement and disability trust fund taxable under the Internal Revenue Code of 1954 shall be included in net income for purposes of determining eligibility under the four thousand dollar or less exclusion.

Sec. 4. Section four hundred twenty-two point five (422.5), Code 1979, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Upon determination of the latest cumulative inflation factor, the director of revenue shall multiply each dollar amount set forth in subsections one (1) through thirteen (13) of this section and each dollar amount specified in unnumbered paragraph six (6) of this section as the maximum amount of annuities received which may be excluded in determining final taxable income by this cumulative inflation factor, shall round off the resulting product to the nearest one dollar and incorporate the result into the income tax forms and instructions for each tax year. The director shall not alter the dollar amounts specified in subsections one (1) through thirteen (13) of this section for any tax year beginning on or after January 1, 1981. However, the resulting product shall not reduce the dollar amounts set forth in subsections one (1) through thirteen (13) and unnumbered paragraph six (6) of section four hundred twenty-two point five (422.5) of the Code below those specified on January 1, 1979.

Sec. 5. Section four hundred twenty-two point nine (422.9), subsection one (1), Code 1979, is amended to read as follows:

1. An optional standard deduction of ~~ten~~ fifteen percent of the net income after deduction of federal income tax, not to exceed five one thousand two hundred dollars for a married person who files separately, ~~or~~ one thousand two hundred dollars for a single person or a three thousand dollars for a husband and wife who file a joint return, a surviving spouse as defined in section two (2) of the Internal Revenue Code of 1954, or an unmarried head of household as defined in the Internal Revenue Code of 1954.

Sec. 6. Section four hundred twenty-two point twelve (422.12), subsection one (1), Code 1979, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. For tax years beginning on or after January 1, 1979 and for each of the next four succeeding tax years, the amount of the personal exemption credits provided in this subsection shall be increased in the amount of one dollar for each tax year, except that the personal exemption credit allowed under paragraph b of this subsection shall be increased in the amount of two dollars for each tax year. The personal exemption credits determined pursuant to this paragraph for tax years beginning on or after January 1, 1983 shall continue for succeeding tax years.

Sec. 7. Section four hundred twenty-two point thirteen (422.13), subsections one (1) and two (2), Code 1979, are amended by striking the subsections and inserting in lieu thereof the following:

1. Every resident of this state shall make and sign a return if any of the following are applicable:
 - a. The resident is required to file a federal income tax return under the Internal Revenue Code of 1954.
 - b. The resident has net income of four thousand dollars or more for the tax year from sources taxable under this division.
 - c. The resident is claimed as a dependent on another person's return and has net income of three thousand dollars or more for the tax year from sources taxable under this division.
2. Every nonresident shall make and sign a return if either of the following are applicable:
 - a. The nonresident is required to file a federal income tax return under the Internal Revenue Code of 1954 and has net income of four thousand dollars or more for the tax year from sources taxable under this division.
 - b. The nonresident is claimed as a dependent on another person's return and is required to file a federal income tax return under the Internal Revenue Code of 1954 and has net income of three thousand dollars or more for the tax year from sources taxable under this division.

3. For purposes of determining the requirement for filing a return under subsections one (1) and two (2) of this section, the combined net income of a husband and wife from sources taxable under this division shall be considered.

Sec. 8. Section four hundred twenty-two point twenty-one (422.21), Code 1979, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The director shall determine for the 1979 and 1980 calendar years the annual and cumulative inflation factors for those calendar years to be applied to tax years beginning on or after January first of that calendar year. The director shall compute the new dollar amounts as specified therein to be adjusted in section four hundred twenty-two point five (422.5) of the Code by the latest cumulative inflation factor and round off the result to the nearest one dollar. The director shall not compute new dollar amounts specified in subsections one (1) through thirteen (13) of section four hundred twenty-two point five (422.5) of the Code for any tax year beginning on or after January 1, 1981. The annual and cumulative inflation factors determined by the director are not rules as defined in section seventeen A point two (17A.2), subsection seven (7), of the Code.

Sec. 9. Section fifty-six point eighteen (56.18), Code 1979, is amended to read as follows:

56.18 CHECKOFF--INCOME TAX. Any person whose state income tax liability for any taxable year is one dollar or more may designate direct that one dollar of such liability to be paid over to the Iowa election campaign fund ~~for the account of any specified political party, as defined by section 43.2~~ when submitting his or her state income tax return to the department of revenue. In the case of a joint return of husband and wife having a state income tax liability of two dollars or more, each spouse may designate direct that one dollar be paid to ~~any such account in~~ the fund. The director

of revenue shall revise the income tax form to ~~allow the designation of political contributions to a political party~~ provide a space on the face of the tax return and immediately above the signature lines which the taxpayer may use to designate that contributions made under this section be credited to a specified political party as defined by section forty-three point two (43.2) of the Code, or to the Iowa election campaign fund as a contribution to be shared by all such political parties in the manner prescribed by section fifty-six point nineteen (56.19) of the Code. The form shall inform the taxpayer that when an individual chooses the latter alternative his or her one dollar contribution is shared by all eligible political parties, but this information may be contained in a footnote or other suitable form if the director of revenue finds it is not feasible to place the information immediately above the signature line.

Sec. 10. Section fifty-six point nineteen (56.19), Code 1979, is amended to read as follows:

56.19 FUND CREATED. The "Iowa election campaign fund" is created within the office of the treasurer of state. The fund shall consist of funds paid by persons having an Iowa income tax liability as provided in section 56.18. The treasurer of state shall maintain within the fund a separate account for each political party as defined in section forty-three point two (43.2) of the Code. The director of revenue shall remit funds collected as provided in section 56.18 to the treasurer of state who shall deposit such funds in the appropriate account within the Iowa election campaign fund. All contributions directed to the Iowa election campaign fund by taxpayers who do not designate any one political party to receive their contributions shall be divided by the director of revenue equally among each account currently maintained in the fund. However, at any time when more than two accounts are being maintained within the fund contributions to the fund by taxpayers who do not designate any one political party

to receive their contributions shall be divided among the accounts in the same proportion as the number of qualified electors declaring affiliation with each political party for which an account is maintained bears to the total number of qualified electors who have declared an affiliation with a political party. Any interest income received by the treasurer of state from investment of moneys deposited in the fund shall be deposited in the Iowa election campaign fund. Such funds shall be subject to payment to the chairperson of the specified political party by the state comptroller in the manner provided by section 56.22.

Sec. 11. Section fifty-six point twenty-five (56.25), Code 1979, is amended to read as follows:

56.25 INCOME TAX FORM--CHECKOFF SPACE. The director of revenue shall provide space for this campaign finance income tax checkoff on the most frequently used Iowa income tax form. An explanation shall be included which clearly states that this checkoff does not constitute an additional tax liability. The form shall provide for the taxpayer to designate that the checkoff shall go either to the political party of his or her choice or be divided among all political parties as prescribed by section fifty-six point nineteen (56.19) of the Code.

Sec. 12. The legislative council is directed to create a ten-member study committee made up of five members each from the standing committees on ways and means of the senate and house of representatives representing both political parties, which committee shall conduct during the 1979 legislative interim a study on the state income tax structure. The study shall include, but not be limited to, indexing, the effects which indexing will have on state revenues and the continuation of existing state programs and other aspects of the state income tax structure. Expenses of the study committee shall be paid from funds available under section two point twelve (2.12) of the Code.

The study committee shall transmit copies of its final report to the governor and the members of the Sixty-eighth General Assembly, 1980 Session, not later than December 1, 1979. The final report shall include the study committee's findings and recommendations.

Sec. 13. The provisions of sections one (1) through seven (7) of this Act are retroactive to January 1, 1979 for tax years beginning on or after January 1, 1979.

TERRY E. BRANSTAD
President of the Senate

FLOYD H. MILLEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 494, Sixty-eighth General Assembly.

FRANK J. STORK
Secretary of the Senate

Approved June 9, 1979

ROBERT D. RAY
Governor