

Revised Ways-Means 5/11
To Pass 4/17 (p. 141)

Reprinted 2/25

FILED MAY 8 1919

SENATE FILE 580

By COMMITTEE ON WAYS AND MEANS
Approved 5/8 (p. 1401)

Passed Senate, Date 2-20-20 (p. 507) Passed House, Date _____
Vote: Ayes 46 Nays 2 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the franchise tax on financial institu-
2 tions, its imposition and rates, the definition of net
3 income, increasing the interest rates on special assess-
4 ment bonds and making certain provisions of the Act
5 retroactive.

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

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 Section 1. Section four hundred twenty-two point sixty
2 (422.60), Code 1979, is amended to read as follows:

3 422.60 IMPOSITION OF TAX. A franchise tax according to
4 and measured by net income is hereby imposed on financial
5 institutions for the privilege of doing business in this state
6 as financial institutions.

7 Sec. 2. Section four hundred twenty-two point sixty-one
8 (422.61), subsection four (4), Code 1979, is amended to read
9 as follows:

10 4. "Net income" means the net income of the financial
11 institution computed in accordance with section 422.35, with
12 the exception that interest and dividends from federal
13 securities shall not be subtracted and ~~interest and dividends~~
14 ~~from evidences of indebtedness and securities of this state~~
15 ~~and its political subdivisions, exempt from federal income~~
16 ~~tax under the Internal Revenue Code of 1954 as amended to~~
17 ~~and including January 1, 1978, notwithstanding the provisions~~
18 of sections two hundred sixty-two point forty-one (262.41)
19 and two hundred sixty-two point fifty-one (262.51) or any
20 other provisions of the law, income from obligations of the
21 state and its political subdivisions shall not be added.

22 Sec. 3. Section four hundred twenty-two point sixty-three
23 (422.63), Code 1979, is amended to read as follows:

24 422.63 AMOUNT OF TAX. The franchise tax is imposed
25 annually in an amount measured by applying the following rates
26 to the net income received or accrued during the taxable year:

27 1. On the first twenty-five thousand dollars of net income,
28 or any part thereof, ~~five~~ four percent.

29 2. On the next ~~fifty~~ seventy-five thousand dollars of
30 net income, or any part thereof, ~~six~~ five percent.

31 3. ~~On the next twenty-five thousand dollars of net income,~~
32 ~~or any part thereof, seven percent.~~

33 4. On all net income in excess of one hundred thousand
34 dollars, ~~eight~~ six percent.

35 Sec. 4. Franchise taxes voluntarily paid shall not be

1 refunded to the extent that the refund claim is based upon
2 an alleged mistake of law regarding the validity or legality
3 under the laws or Constitution of the United States, of the
4 tax imposed by this division. This section prevails over
5 any other statutes authorizing franchise tax refunds.

6 Sec. 5. The provisions of sections one (1), two (2) and
7 three (3) of this Act are applicable to taxable years beginning
8 on or after January 1, 1979, and to this extent are
9 retroactive. To the extent that the enactment of this Act
10 requires the filing of an amended franchise tax return by
11 a financial institution for a taxable year beginning in 1979,
12 no interest or penalty shall accrue because of an additional
13 tax due by reason of the provisions of this Act, if the amended
14 return is filed within sixty days of the effective date of
15 this Act.

16 Sec. 6. Section seventy-five point twelve (75.12),
17 subsection three (3), Code 1979, is amended to read as follows:

18 3. Special assessment bonds or certificates, the principal
19 and interest of which are payable from special assessments
20 levied against benefited property may bear interest at a rate
21 not exceeding seven and one-half percent per annum.

22 Sec. 7. This Act, being deemed of immediate importance,
23 shall take effect from and after its publication in the
24 Muscatine Journal, a newspaper published in Muscatine, Iowa,
25 and in the Carroll Daily Times-Herald, a newspaper published
26 in Carroll, Iowa.

27

EXPLANATION

28 This bill is intended to cure the discriminatory effect
29 of the Iowa franchise tax law by establishing a tax base for
30 taxable years beginning in 1979 and thereafter which includes
31 income from Iowa and political subdivision securities as well
32 as income from federal securities. Also, the bill emphasizes
33 that the Iowa franchise tax is a tax on the privilege of
34 exercising a franchise in Iowa, and not some form of a net
35 income tax. The bill also revises the current tax rates so

1 that the revenues from the tax will be approximately the same
2 as currently received under the tax. In addition, any
3 potential tax refunds due financial institutions because of
4 their former voluntary payment of tax attributable to income
5 from federal securities are barred. This bill is in response
6 to the opinion of the Attorney General, dated March 29, 1979.
7 The bill will become effective upon publication, retroactive
8 for taxable years beginning in 1979. The bill also increases
9 the allowable interest rate on special assessment bonds from
10 seven to seven and one-half percent.

11
12
13
14
15
16
17
18

SENATE FILE 500
FISCAL NOTE

DATE: MAY 8, 1979
REQUESTED BY: SENATOR CRAFT

STATE OF IOWA
F I S C A L N O T E

Request No. 79-440

19 In compliance with a written request received May 8, 19 79, there is
20 hereby submitted a Fiscal Note for SF 500 pursuant to Joint Rule 16.
21 Background information used in developing this Fiscal Note is available from the
22 Legislative Fiscal Bureau, to members of the Legislature upon request.

23
24
25
26
27
28
29
30
31
32
33
34
35

SF 500, An Act relating to the franchise tax on financial institutions, its imposition and rates, the definition of net income, increasing the interest rates on special assessment bonds and making certain provisions of the Act retroactive.

The net revenue impact of SF 500 is expected to be minimal as the increase in revenue from the taxation of state securities should be offset by the decrease in revenue from the taxation on federal securities with a lower rate structure.

SOURCE: DEPARTMENT OF REVENUE

FILED
MAY 8, 1979

BY GERRY RANKIN, DIRECTOR
LEGISLATIVE FISCAL BUREAU

LSB 1824S 68
bk/cj/23.3

SENATE FILE 500
FISCAL NOTE

DATE: FEBRUARY 19, 1980
REQUESTED BY: SENATOR DRAKE

In compliance with a written request received February 19, 19 80, there is hereby submitted a Fiscal Note for S-5167 to S-5163 to SF 500 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 500 as amended by S-5163 as amended by S-5167 provides that franchise taxes paid or accrued during the taxable year be included in net income.

This provision by itself is estimated to increase franchise revenues by 8 percent, however with the other provisions of amended Senate File 500 this percentage may be changed. Eight percent of the projected \$12.3 million revenue for 1979 is approximately \$900,000.

SOURCE: DEPARTMENT OF REVENUE

FILED:
FEBRUARY 20, 1980

BY GERRY RANKIN
LEGISLATIVE FISCAL BUREAU

SENATE FILE 500
FISCAL NOTE

DATE: FEBRUARY 19, 1980
REQUESTED BY: SENATOR DRAKE

In compliance with a written request received February 18, 19 80, there is hereby submitted a Fiscal Note for Amd. S-5163 to SF 500 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-5163 amends Senate File 500 by striking everything following the enacting clause and making the following provisions in the franchise tax laws:

1. Sets a flat franchise tax rate of 5 percent.
2. Includes interest income from securities of the State of Iowa and its political subdivisions in income subject to the tax.
3. Changes the current exemption from tax of 50 percent of income from federal securities to no exemption.
4. Makes the provisions retroactive to January 1, 1979.

The fiscal impact of Senate File 500 as amended by S-5163 is to reduce the franchise tax revenues by an estimated 2 percent to 7 percent. In 1979, franchise tax revenues were \$12.3 million. The provisions of S-5163 would have reduced this figure by \$200,000 to \$900,000.

SOURCE: DEPARTMENT OF REVENUE

FILED:
FEBRUARY 19, 1980

BY GERRY RANKIN, DIRECTOR
LEGISLATIVE FISCAL BUREAU

SENATE FILE 500

S-5163

1 Amend Senate File 500 as follows:

2 1. By striking everything after the enacting
3 clause and inserting in lieu thereof the following:

4 "Section 1. Section four hundred twenty-two point
5 sixty (422.60), Code 1979, is amended to read as
6 follows:

7 422.60 IMPOSITION OF TAX. A franchise tax
8 according to and measured by net income is hereby
9 imposed on financial institutions for the privilege
10 of doing business in this state as financial
11 institutions.

12 Sec. 2. Section four hundred twenty-two point
13 sixty-one (422.61), subsection four (4), Code 1979,
14 as amended by Acts of the Sixty-eighth General
15 Assembly, 1979 Session, chapter ninety-two (92),
16 section three (3), is amended to read as follows:

17 4. "Net income" means the net income of the
18 financial institution computed in accordance with
19 section 422.35, with the exception that interest and
20 dividends from federal securities shall not be
21 ~~subtracted and interest and dividends from evidences~~
22 ~~of indebtedness and securities of this state and its~~
23 ~~political subdivisions, exempt from federal income~~
24 ~~tax under the Internal Revenue Code of 1954 as amended~~
25 ~~to and including January 1, 1979, no federal income~~
26 taxes paid or accrued shall be subtracted, and
27 notwithstanding the provisions of sections two hundred
28 sixty-two point forty-one (262.41) and two hundred
29 sixty-two point fifty-one (262.51) or any other
30 provisions of the law, income from obligations of
31 the state and its political subdivisions shall not
32 be added.

33 Sec. 3. Section four hundred twenty-two point
34 sixty-three (422.63), Code 1979, is amended by striking
35 the section and inserting in lieu thereof the
36 following:

37 422.63 AMOUNT OF TAX. The franchise tax is imposed
38 annually in an amount equal to five percent of the
39 net income received or accrued during the taxable
40 year.

41 Sec. 4. Franchise taxes voluntarily paid shall
42 not be refunded to the extent that the refund claim
43 is based upon an alleged mistake of law regarding
44 the validity or legality under the laws or Constitution
45 of the United States, of the tax imposed by this
46 division. This section prevails over any other
47 statutes authorizing franchise tax refunds.

48 Sec. 5. The provisions of sections one (1), two
49 (2) and three (3) of this Act are applicable to taxable
50 years beginning on or after January 1, 1979, and to

1 this extent are retroactive. To the extent that the
2 enactment of this Act requires the filing of an amended
3 franchise tax return by a financial institution for
4 a taxable year beginning in 1979, no interest or
5 penalty shall accrue because of an additional tax
6 due by reason of the provisions of this Act, if the
7 amended return is filed within sixty days of the
8 effective date of this Act.

9 . Sec. 6. NEW SECTION. TEMPORARY RATES.

10 1. Notwithstanding the interest rate or interest-
11 rate limitation specified in a provision of the Code
12 referred to in subsection two (2) of this section,
13 the interest rate or interest-rate limitation in
14 effect in a provision of the Code referred to in
15 subsection two (2) of this section is a rate of
16 interest which is equal to the sum of the rate actually
17 specified in that provision plus two percentage points.
18 2. Subsection one (1) of this section applies
19 to the following sections of the Code: Sections
20 twenty-eight F point eight (28F.8), thirty-seven point
21 six (37.6), seventy-five point twelve (75.12),
22 subsections one (1), two (2) and three (3), one hundred
23 eleven A point six (111A.6), unnumbered paragraph
24 two (2), one hundred forty-five A point seventeen
25 (145A.17), two hundred two point five (202.5), two
26 hundred eighty A point twenty-two (280A.22), unnumbered
27 paragraph two (2), two hundred ninety-six point one
28 (296.1), two hundred ninety-eight point twenty-two
29 (298.22), unnumbered paragraph one (1), three hundred
30 nine point seventy-three (309.73), unnumbered paragraph
31 three (3), section three hundred thirty point seven
32 (330.7), unnumbered paragraph five (5), three hundred
33 thirty point fourteen (330.14), three hundred thirty
34 point sixteen (330.16), unnumbered paragraph two (2),
35 three hundred thirty A point nine (330A.9), subsection
36 one (1), three hundred thirty-two point forty-four
37 (332.44), subsection eight (8), unnumbered paragraph
38 two (2), three hundred forty-five point sixteen
39 (345.16), three hundred forty-six point three (346.3),
40 unnumbered paragraph one (1), three hundred forty-
41 six point twenty-three (346.23), unnumbered paragraph
42 two (2), three hundred forty-six point twenty-six
43 (346.26), subsection three (3), three hundred forty-
44 six point twenty-seven (346.27), subsection fourteen
45 (14), three hundred forty-six A point three (346A.3),
46 unnumbered paragraph two (2), three hundred forty-
47 seven point five (347.5), three hundred forty-seven
48 point twenty-seven (347.27), unnumbered paragraphs
49 one (1) and three (3), three hundred forty-seven A
50 point two (347A.2), three hundred forty-seven A point

1 seven (347A.7); unnumbered paragraph one (1), section
 2 three hundred fifty-seven A point eleven (357A.11),
 3 subsection eight (8), section three hundred fifty-
 4 seven C point ten (357C.10), section three hundred
 5 fifty-eight point twenty-one (358.21), unnumbered
 6 paragraph four (4), three hundred eighty-four point
 7 sixty (384.60), subsections three (3) and five (5),
 8 three hundred eighty-four point sixty-eight (384.68),
 9 subsection two (2), three hundred eighty-four point
 10 eighty-three (384.83), subsection six (6), three
 11 hundred eighty-six point twelve (386.12), subsection
 12 four (4), three hundred ninety-four point one (394.1),
 13 unnumbered paragraph two (2), four hundred three point
 14 nine (403.9), subsection three (3), four hundred three
 15 A point thirteen (403A.13), unnumbered paragraph one
 16 (1), four hundred fifty-five point eighty-three
 17 (455.83), and four hundred sixty-one point fourteen
 18 (461.14), of the Code.

19 3. The provisions of this section shall be
 20 applicable to each of the interest rate limitations
 21 specified in each of those sections of the Code
 22 enumerated in subsection two (2) of this section on
 23 or after the effective date of this Act and until
 24 such time as the general assembly specifically changes
 25 the rate specified in that section.

26 Sec. 7. This Act, being deemed of immediate
 27 importance, shall take effect from and after its
 28 publication in the Muscatine Journal, a newspaper
 29 published in Muscatine, Iowa, and in the Carroll Daily
 30 Times-Herald, a newspaper published in Carroll, Iowa."

31 2. Amend the title, line 3, by striking the words
 32 "increasing the interest rates on special assessment
 33 bonds" and inserting in lieu thereof the words
 34 "providing a corresponding adjustment in interest
 35 rates for government bonds."

S-5163 FILED

FEBRUARY 19, 1980

BY RICHARD F. DRAKE

ROLF V. CRAFT

C. W. (BILL) HUTCHINS

*Adopted as amended by
 5167-5178 2/20 (p. 558)*

SENATE FILE 500

S-5167

1 Amend the Drake amendment, S-5163, to Senate File
 2 500 as follows:

3 1. Page 1, line 20, by inserting after the word
 4 "securities" the words "and any amount of franchise
 5 taxes paid or accrued under this division during the
 6 taxable year".

S-5167 FILED *Adopted 2/20 (p. 508)* BY RICHARD F. DRAKE
 FEBRUARY 19, 1980

S-5178

1 Amend the Drake et al amendment, S-5163 to Senate
2 File 500 as follows:

3 1. Page 3, line 3, by inserting after the figure
4 "(8)," the words and figures "three hundred fifty-
5 seven B point four (357B.4),".

6 2. Page 3, line 6, by inserting after the figure
7 "(4)," the words and figures "three hundred fifty-
8 nine point forty-five (359.45), three hundred eighty-
9 four point fifty-seven (384.57),".

S-5178 FILED & ADOPTED (*p. 502*) BY RICHARD F. DRAKE
FEBRUARY 20, 1980

SENATE FILE 500

S-3745

1 Amend Senate File 500 as follows:

2 1. Page 2, by inserting after line 21 the following
3 sections:

4 "Sec. _____. Section three hundred eighty-four point
5 sixty (384.60), subsections three (3) and five (5),
6 Code 1979, are amended to read as follows:

7 3. Provide for interest on all unpaid installments
8 at not more than seven and one-half percent per annum.

9 5. Direct the clerk to certify the final schedule
10 to the auditor of the county or counties in which
11 the assessed property is located, and to publish
12 notice thereof once each week for two consecutive
13 weeks in the manner provided in section 362.3, the
14 first publication of which shall be not more than
15 fifteen days from the date of filing of the final
16 schedule. On or before the second publication of
17 the notice, the clerk shall send by certified mail
18 to each property owner whose property is subject to
19 assessment for the improvement, as shown by the records
20 in the office of the county auditor, a copy of the
21 notice. Such notice shall also include a statement
22 in substance that assessments may be paid in full
23 or in part without interest within thirty days after
24 the date of certification, and thereafter all unpaid
25 special assessments will draw annual interest at seven
26 and one-half percent, computed to the December ± first
27 next following the due dates of the respective
28 installments, and each installment will be delinquent
29 on September 30 thirtieth following its due date,
30 and will draw additionally the same delinquent interest
31 and the same penalties as ordinary taxes. Such notice
32 shall also state substantially that property owners
33 may elect to pay any installment semiannually in
34 advance. If a property is shown by the records to
35 be in the name of more than one owner at the same
36 mailing address, a single notice may be mailed to
37 all owners at that address. Failure to receive a
38 mailed notice is not a defense to the special
39 assessment.

40 Sec. _____. Section three hundred eighty-four point
41 sixty-eight (384.68), subsection two (2), Code 1979,
42 is amended to read as follows:

43 2. All special assessment bonds are negotiable,
44 must state on their face that they are issued under
45 the provisions of this division, and are payable as
46 to both principal and interest from the proceeds of
47 the special assessments levied for the public
48 improvement. Such bonds may bear interest at a rate
49 not exceeding seven and one-half percent per annum
50 payable annually or semiannually, must mature serially

S-3745

PAGE 2

1 on December 31 first of the years in which any of the
2 principal is scheduled to become due, and may contain
3 a provision that the city reserves the right and
4 option of calling and redeeming any or all of the
5 bonds prior to maturity on any interest payment date
6 or within forty-five days thereafter upon the terms
7 specified therein. Such bonds must be called
8 "improvement bonds", must designate the general type
9 of improvement or improvements for which issued, and
10 may be issued in any denomination, not exceeding ten
11 thousand dollars. Bonds issued for a public
12 improvement authorized in section 384.38, subsection
13 2, must be named in a way to distinguish them from
14 other improvement bonds of the city, and to designate
15 the property specially assessed for the improvement.
16 Improvement bonds issued for any one levy must bear
17 the same date and be divided into as many series as
18 there are years in which installments of the special
19 assessment mature, and each series must be as nearly
20 equal in amount as practicable."
21 2. Renumber sections and correct internal
22 references as are necessary in accordance with this
23 amendment.

S-3745 FILED *Out of order* BY EARL M. WILLITS
MAY 9, 1979 *with adoption* RICHARD F. DRAKE
of 5163 2/20 (p. 508)

SENATE FILE 500

S-3783

1 Amend Senate File 500 as follows:
2 1. Page 1, line 8, by inserting after the figure
3 "1979," the words "as amended by House File one hundred
4 thirty-nine (139), section three (3), enacted by the
5 Sixty-eighth General Assembly, 1979 Session,".
6 2. Page 1, line 17, by striking the figure "4978"
7 and inserting in lieu thereof the figure "4979".
8 3. Page 2, by striking lines 9 through 15 and
9 inserting in lieu thereof the word "retroactive."

S-3783 FILED *Out of order with* BY RICHARD F. DRAKE
MAY 10, 1979 *adoption of 5163* ROLF V. CRAFT
2/20 (p. 508)

SENATE FILE 500

S-3770

1 Amend Senate File 500 as follows:
2 1. Page 1, line 8, by inserting after the figure
3 "1979," the words "as amended by House File one hundred
4 thirty-nine (139), section three (3), enacted by the
5 Sixty-eighth General Assembly, 1979 Session,".
6 2. Page 1, line 17, by striking the figure "4978"
7 and inserting in lieu thereof the figure "4979".

S-3770 FILED BY ROLF V. CRAFT
MAY 10, 1979
Out of order 2/20 (p. 508)

1 Section 1. Section four hundred twenty-two point sixty
2 (422.60), Code 1979, is amended to read as follows:

3 422.60 IMPOSITION OF TAX. A franchise tax according to
4 and measured by net income is hereby imposed on financial
5 institutions for the privilege of doing business in this state
6 as financial institutions.

7 Sec. 2. Section four hundred twenty-two point sixty-one
8 (422.61), subsection four (4), Code 1979, as amended by Acts
9 of the Sixty-eighth General Assembly, 1979 Session, chapter
10 ninety-two (92), section three (3), is amended to read as
11 follows:

12 4. "Net income" means the net income of the financial
13 institution computed in accordance with section 422.35, with
14 the exception that interest and dividends from federal
15 securities and any amount of franchise taxes paid or accrued
16 under this division during the taxable year shall not be
17 subtracted and ~~interest and dividends from evidences of~~
18 ~~indebtedness and securities of this state and its political~~
19 ~~subdivisions, exempt from federal income tax under the Internal~~
20 ~~Revenue Code of 1954 as amended to and including January 1,~~
21 1979, no federal income taxes paid or accrued shall be
22 subtracted, and notwithstanding the provisions of sections
23 two hundred sixty-two point forty-one (262.41) and two hundred
24 sixty-two point fifty-one (262.51) or any other provisions
25 of the law, income from obligations of the state and its
26 political subdivisions shall not be added.

27 Sec. 3. Section four hundred twenty-two point sixty-three
28 (422.63), Code 1979, is amended by striking the section and
29 inserting in lieu thereof the following:

30 422.63 AMOUNT OF TAX. The franchise tax is imposed
31 annually in an amount equal to five percent of the net income
32 received or accrued during the taxable year.

33 Sec. 4. Franchise taxes voluntarily paid shall not be
34 refunded to the extent that the refund claim is based upon
35 an alleged mistake of law regarding the validity or legality

1 under the laws or Constitution of the United States, of the
2 tax imposed by this division. This section prevails over
3 any other statutes authorizing franchise tax refunds.

4 Sec. 5. The provisions of sections one (1), two (2) and
5 three (3) of this Act are applicable to taxable years beginning
6 on or after January 1, 1979, and to this extent are
7 retroactive. To the extent that the enactment of this Act
8 requires the filing of an amended franchise tax return by
9 a financial institution for a taxable year beginning in 1979,
10 no interest or penalty shall accrue because of an additional
11 tax due by reason of the provisions of this Act, if the amended
12 return is filed within sixty days of the effective date of
13 this Act.

14 Sec. 6. NEW SECTION. TEMPORARY RATES.

15 1. Notwithstanding the interest rate or interest-rate
16 limitation specified in a provision of the Code referred to
17 in subsection two (2) of this section, the interest rate or
18 interest-rate limitation in effect in a provision of the Code
19 referred to in subsection two (2) of this section is a rate
20 of interest which is equal to the sum of the rate actually
21 specified in that provision plus two percentage points.

22 2. Subsection one (1) of this section applies to the
23 following sections of the Code: Sections twenty-eight F point
24 eight (28F.8), thirty-seven point six (37.6), seventy-five
25 point twelve (75.12), subsections one (1), two (2) and three
26 (3), one hundred eleven A point six (111A.6), unnumbered
27 paragraph two (2), one hundred forty-five A point seventeen
28 (145A.17), two hundred two point five (202.5), two hundred
29 eighty A point twenty-two (280A.22), unnumbered paragraph
30 two (2), two hundred ninety-six point one (296.1), two hundred
31 ninety-eight point twenty-two (298.22), unnumbered paragraph
32 one (1), three hundred nine point seventy-three (309.73),
33 unnumbered paragraph three (3), section three hundred thirty
34 point seven (330.7), unnumbered paragraph five (5), three
35 hundred thirty point fourteen (330.14), three hundred thirty

1 point sixteen (330.16), unnumbered paragraph two (2), three
2 hundred thirty A point nine (330A.9), subsection one (1),
3 three hundred thirty-two point forty-four (332.44), subsection
4 eight (8), unnumbered paragraph two (2), three hundred forty-
5 five point sixteen (345.16), three hundred forty-six point
6 three (346.3), unnumbered paragraph one (1), three hundred
7 forty-six point twenty-three (346.23), unnumbered paragraph
8 two (2), three hundred forty-six point twenty-six (346.26),
9 subsection three (3), three hundred forty-six point twenty-
10 seven (346.27), subsection fourteen (14), three hundred forty-
11 six A point three (346A.3), unnumbered paragraph two (2),
12 three hundred forty-seven point five (347.5), three hundred
13 forty-seven point twenty-seven (347.27), unnumbered paragraphs
14 one (1) and three (3), three hundred forty-seven A point two
15 (347A.2), three hundred forty-seven A point seven (347A.7),
16 unnumbered paragraph one (1), section three hundred fifty-
17 seven A point eleven (357A.11), subsection eight (8), three
18 hundred fifty-seven B point four (357B.4), section three
19 hundred fifty-seven C point ten (357C.10), section three
20 hundred fifty-eight point twenty-one (358.21), unnumbered
21 paragraph four (4), three hundred fifty-nine point forty-five
22 (359.45), three hundred eighty-four point fifty-seven (384.57),
23 three hundred eighty-four point sixty (384.60), subsections
24 three (3) and five (5), three hundred eighty-four point sixty-
25 eight (384.68), subsection two (2), three hundred eighty-four
26 point eighty-three (384.83), subsection six (6), three hundred
27 eighty-six point twelve (386.12), subsection four (4), three
28 hundred ninety-four point one (394.1), unnumbered paragraph
29 two (2), four hundred three point nine (403.9), subsection
30 three (3), four hundred three A point thirteen (403A.13),
31 unnumbered paragraph one (1), four hundred fifty-five point
32 eighty-three (455.83), and four hundred sixty-one point
33 fourteen (461.14), of the Code.

34 3. The provisions of this section shall be applicable
35 to each of the interest rate limitations specified in each

1 of those sections of the Code enumerated in subsection two
2 (2) of this section on or after the effective date of this
3 Act and until such time as the general assembly specifically
4 changes the rate specified in that section.

5 Sec. 7. This Act, being deemed of immediate importance,
6 shall take effect from and after its publication in the
7 Muscatine Journal, a newspaper published in Muscatine, Iowa,
8 and in the Carroll Daily Times-Herald, a newspaper published
9 in Carroll, Iowa.

10
11
12
13
14

FISCAL NOTE
Senate File 500
Requested by Representative Norland
March 5, 1980

15 In compliance with a written request there is hereby submitted
16 a Fiscal Note for Senate File 500 (reprint) pursuant to Joint Rule 16.

17 Senate File 500, reprinted, makes the following provisions in the franchise
18 tax laws:

- 19 1. Sets a flat franchise tax rate of 5 percent.
- 20 2. Includes interest income from securities of the State of Iowa and its
political subdivisions in income subject to the tax.
- 21 3. Changes the current exemption from tax of 50 percent of income from
federal securities to no exemption.
- 22 4. Makes the provisions retroactive to January 1, 1979.
- 23 5. Provides that franchise taxes paid or accrued during the taxable year be
24 included in net income.

25 There are two major fiscal impacts of reprinted Senate File 500. One, changes
26 1 through 4 above reduce revenues by an estimated 2 percent to 7 percent. In
27 1979, this would have been a reduction of from \$200,000 to \$900,000 based on
28 total revenues of \$12.3 million. The second impact is to increase revenues
due to provision 5. The increase would be about 5 percent of \$12.3 million
or approximately \$600,000.

29
30 In summary, the fiscal impacts are approximately offsetting.

31 Source: Department of Revenue

32 FILED MARCH 7, 1980
33

BY GERRY D. RANKIN
Legislative Fiscal Bureau

34
35

SF 500
bk/slc/26c

SENATE FILE 500

H-5577

1 Amend Senate File 500, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1; lines 15 and 16, by striking the words
4 "and any amount of franchise taxes paid or accrued
5 under this division during the taxable year".

6 2. Page 1, line 26, by inserting after the word
7 "subdivisions" the words "and any amount of franchise
8 taxes paid or accrued under this division during the
9 taxable year".

10 3. Page 1, by inserting after line 32 the
11 following: "If the net income of the financial
12 institution is derived from its business carried on
13 entirely within the state, the tax shall be imposed
14 on the entire net income, but if the business is
15 carried on partly within and partly without the state,
16 the portion of net income reasonably attributable
17 to the business within the state shall be specifically
18 allocated or equitably apportioned within and without
19 the state under rules of the director."

20 4. Page 2, line 6, by striking the figure "1979"
21 and inserting in lieu thereof the figure "1980".

22 5. Page 2, line 9, by striking the figure "1979"
23 and inserting in lieu thereof the figure "1980".

24 6. Page 2, by striking lines 14 through 35 and
25 inserting in lieu thereof the following:

26 "Sec. ____ NEW SECTION. TEMPORARY RATES.

27 1. Notwithstanding the interest rate or interest-
28 rate limitation specified in a provision of the Code
29 referred to in subsection two (2) of this section,
30 the interest rate or interest-rate limitation in
31 effect in a provision of the Code referred to in
32 subsection two (2) of this section is a rate of
33 interest which is equal to the sum of the rate actually
34 specified in that provision plus three percentage
35 points, except that if the bond issue voted at an
36 election or approved by the governing body of a
37 political subdivision is for an amount equal to five
38 million dollars or more, then the provisions of this
39 subsection and subsection two (2) of this section
40 shall not be applicable and those bonds when sold
41 under any of the sections enumerated in subsection
42 two (2) of this section shall not be subject to any
43 interest rate limitations.

44 2. Subsection one (1) of this section applies
45 to the following sections of the Code: Section
46 nineteen point eight (19.8), Code 1979, as amended
47 by Acts of the Sixty-eighth General Assembly, 1979
48 Session, chapter twenty-four (24), section one (1);
49 sections twenty-eight F point eight (28F.8), and
50 section thirty-seven point six (37.6), Code 1979;

H-5577
Page Two

1 section thirty-seven point twenty-eight (37.28), Code
2 1979, as amended by Acts of the Sixty-eighth General
3 Assembly, 1979 Session, chapter twenty-four (24),
4 section two (2); section seventy-four point two (74.2),
5 Code 1979, as amended by Acts of the Sixty-eighth
6 General Assembly, 1979 Session, chapter twenty-four
7 (24), section three (3); section seventy-five point
8 twelve (75.12), subsections one (1), two (2) and three
9 (3), section one hundred eleven A point six (111A.6),
10 unnumbered paragraph two (2), section one hundred
11 forty-five A point seventeen (145A.17), and section
12 two hundred two point five (202.5), Code 1979; section
13 two hundred two point six (202.6), Code 1979, as
14 amended by Acts of the Sixty-eighth General Assembly,
15 1979 Session, chapter twenty-four (24), section four
16 (4); section two hundred eighty A point twenty-two
17 (280A.22), unnumbered paragraph two (2), section two
18 hundred ninety-six point one (296.1), section two
19 hundred ninety-eight point twenty-two (298.22),
20 unnumbered paragraph one (1), section three hundred
21 two point twelve (302.12), section three hundred nine
22 point forty-seven (309.47), subsection four (4) and
23 section three hundred nine point seventy-three
24 (309.73), unnumbered paragraph three (3), Code 1979;
25 section three hundred eleven point sixteen (311.16),
26 unnumbered paragraph two (2), Code 1979, as amended
27 by Acts of the Sixty-eighth General Assembly, 1979
28 Session, chapter sixty-eight (68), section one (1);
29 section three hundred eleven point seventeen (311.17),
30 unnumbered paragraph one (1), Code 1979, as amended
31 by Acts of the Sixty-eighth General Assembly, 1979
32 Session, chapter sixty-eight (68), section two (2);
33 section three hundred eleven point twenty-eight
34 (311.28), section three hundred thirty point seven
35 (330.7), unnumbered paragraph five (5), section three
36 hundred thirty point fourteen (330.14), section three
37 hundred thirty point sixteen (330.16), unnumbered
38 paragraph two (2), section three hundred thirty A
39 point nine (330A.9), subsection one (1), section three
40 hundred thirty-two point forty-four (332.44),
41 subsection eight (8), unnumbered paragraph two (2),
42 section three hundred forty-five point sixteen
43 (345.16), section three hundred forty-six point three
44 (346.3), unnumbered paragraph one (1), section three
45 hundred forty-six point twenty-three (346.23),
46 unnumbered paragraph two (2), section three hundred
47 forty-six point twenty-six (346.26), subsection three
48 (3), section three hundred forty-six point twenty-
49 seven (346.27), subsection fourteen (14), section
50 three hundred forty-six A point three (346A.3),

H-5577

Page Three

1 unnumbered paragraph two (2), section three hundred
2 forty-seven point five (347.5), section three hundred
3 forty-seven point twenty-seven (347.27), unnumbered
4 paragraphs one (1) and three (3), section three hundred
5 forty-seven A point two (347A.2), section three hundred
6 forty-seven A point seven (347A.7), unnumbered
7 paragraph one (1), section three hundred fifty-seven
8 point twenty (357.20), section three hundred fifty-
9 seven A point eleven (357A.11), subsection eight (8),
10 section three hundred fifty-seven B point four
11 (357B.4), section three hundred fifty-seven C point
12 ten (357C.10), section three hundred fifty-eight point
13 twenty-one (358.21), unnumbered paragraph four (4),
14 section three hundred fifty-nine point forty-five
15 (359.45), section three hundred eighty-four point
16 fifty-seven (384.57), section three hundred eighty-
17 four point sixty (384.60), subsections three (3) and
18 five (5), section three hundred eighty-four point
19 sixty-eight (384.68), subsection two (2), section
20 three hundred eighty-four point eighty-three (384.83),
21 subsection six (6), section three hundred eighty-six
22 point twelve (386.12), subsection four (4), section
23 three hundred ninety-four point one (394.1), unnumbered
24 paragraph two (2), section four hundred three point
25 nine (403.9), subsection three (3), and section four
26 hundred three A point thirteen (403A.13), unnumbered
27 paragraph one (1), Code 1979; section four hundred
28 fifty-four point twenty (454.20), Code 1979, as amended
29 by Acts of the Sixty-eighth General Assembly, 1979
30 Session, chapter twenty-four (24), section five (5);
31 and section four hundred fifty-five point sixty-four
32 (455.64), subsections one (1) and two (2), section
33 four hundred fifty-five point seventy-seven (455.77),
34 unnumbered paragraph one (1), section four hundred
35 fifty-five point seventy-nine (455.79), section four
36 hundred fifty-five point eighty-three (455.83), section
37 four hundred fifty-five point one hundred seventy-
38 five (455.175), section four hundred fifty-five point
39 one hundred ninety-eight (455.198), section four
40 hundred fifty-five point two hundred thirteen
41 (455.213), section four hundred sixty-one point
42 fourteen (461.14), and section four hundred sixty-
43 three point ten (463.10), Code 1979.
44 3. Notwithstanding the interest-rate limitation
45 specified in sections four hundred sixty point seven
46 (460.7), four hundred sixty-seven A point thirty-three
47 (467A.33), unnumbered paragraph one (1), and four
48 hundred sixty-seven A point thirty-five (467A.35),
49 subsections one (1) and two (2), Code 1979, the
50 interest-rate limitation which is in effect under

H-5577
Page Four

1 each one of those provisions is a rate of interest
2 equal to the sum of the rate of interest actually
3 specified plus four percentage points.

4 4. Bonds sold on or after the effective date of
5 this Act to finance an improvement for which a final
6 assessment schedule was adopted prior to the effective
7 date of this Act may bear a rate of interest not to
8 exceed ten percent per annum, and section seventy-
9 five point eleven (75.11) of the Code and any other
10 similar statutory restriction does not apply to these
11 bonds."

12 7. Page 3, by striking lines 1 through 35.

13 8. Page 4, by striking lines 1 through 4.

H-5577 FILED
MARCH 19, 1980

BY COMMITTEE ON WAYS AND MEANS
WEST, Chair

Adopted 3/24 (p. 1119)

HOUSE CLIP SHEET

TUESDAY, MARCH 25, 1980

SENATE FILE 500

H-5647

1 Amend the Committee on Ways and Means amendment,
2 H-5577, to Senate File 500, as amended, passed, and
3 reprinted by the Senate, as follows:

4 1. Page 4, by inserting after line 11 the
5 following:

6 "5. If there is a delay in the preparation of
7 the tax lists and the collection of the taxes in the
8 fiscal year beginning July 1, 1980 and ending June
9 30, 1981 and the delay requires a political subdivision
10 of this state to issue warrants at the rate of interest
11 specified in this section, the state shall reimburse
12 the political subdivision for fifty percent of the
13 interest paid on warrants issued. However, before
14 the provisions of this section shall apply, the state
15 comptroller shall determine that any warrants were
16 required to be issued and that the warrants would
17 not have been issued but for the delays in the
18 collection of taxes for the fiscal year beginning
19 July 1, 1980 and ending June 30, 1981. There is
20 appropriated to the state comptroller from the general
21 fund of the state an amount sufficient to carry out
22 the provisions of this section."

23 2. Amend the title page, line 4, by inserting
24 after the word "bonds" the words ", making an
25 appropriation,".

H-5647 FILED
MARCH 24, 1980
LOST (p. 119)

BY NORLAND of Worth

SENATE FILE 500

H-5646

1 Amend the Committee on Ways and Means amendment,
2 H-5577, to Senate File 500, as amended, passed, and
3 reprinted by the Senate, as follows:

4 1. Page 1, line 43, by inserting after the word
5 "limitations" the words "and except that the provisions
6 of this subsection and subsection two (2) of this
7 section shall be applicable to the rate of interest
8 on anticipatory warrants issued on or after the
9 effective date of this Act and on or before July 1,
10 1981 at which time the provisions of this subsection
11 and subsection two (2) of this section shall not be
12 applicable to the rate of interest payable on
13 anticipatory warrants".

H-5646 FILED
MARCH 24, 1980
LOST (p. 114)

BY BRUNER of Story
RAPP of Black Hawk

SENATE FILE 500

H-5640

1 Amend Senate File 500, as amended, passed, and
2 reprinted by the Senate as follows:
3 1. Page 1, by striking lines 27 through 32, and
4 inserting in lieu thereof the following:
5 "Sec. ____ Section four hundred twenty-two
6 point sixty-three (422.63), Code 1979, is amended
7 to read as follows:
8 422.63 AMOUNT OF TAX. The franchise tax is
9 imposed annually in an amount measured by applying
10 the following rates to the net income received or
11 accrued during the taxable year:
12 1. On the first twenty-five thousand dollars
13 of net income, or any part thereof, five four percent.
14 2. On the next fifty thousand dollars of net
15 income, or any part thereof, six five percent.
16 3. On the next twenty-five thousand dollars of
17 net income, or any part thereof, seven six percent.
18 4. On all net income in excess of one hundred
19 thousand dollars, eight seven percent."

H-5640 FILED
MARCH 21, 1980

BY JOCHUM of Dubuque

Let 3/24 (p. 1121)

SENATE FILE 500

H-5650

- 1 Amend the House amendment, H-5640, to
- 2 Senate File 500, as amended, passed and reprinted
- 3 by the Senate as follows:
- 4 1. Line 13, by striking the word "four" and
- 5 inserting in lieu thereof the word "three".
- 6 2. Line 15, by striking the word "five" and
- 7 inserting in lieu thereof the word "four".
- 8 3. Line 17, by striking the word "six" and
- 9 inserting in lieu thereof the word "four".
- 10 4. By striking lines 18 and 19, and inserting
- 11 in lieu thereof the following:
- 12 "4. On all net income ~~in-excess-of~~ between
- 13 one hundred thousand dollars and five hundred
- 14 thousand dollars, eight five percent.
- 15 5. On all net income over five hundred
- 16 thousand dollars, six percent."

H-5650 FILED
MARCH 24, 1980
LOST (p. 1121)

BY NORLAND of Worth
HOWELL of Floyd

SENATE FILE 500

H-5651

- 1 Amend amendment H-5640 to Senate File 500 as
- 2 amended, passed and reprinted by the Senate, as follows:
- 3 1. By striking the word "four" on line 13 and
- 4 inserting in lieu thereof the word "three".
- 5 2. By striking the word "five" on line 15 and
- 6 inserting in lieu thereof the word "four".
- 7 3. By striking the word "six" on line 17 and
- 8 inserting in lieu thereof the word "five".
- 9 4. By striking the word "seven" on line 19 and
- 10 inserting in lieu thereof the word "six".

H-5651 FILED
MARCH 24, 1980
LOST (p. 1120)

BY JOCHUM of Dubuque

SENATE FILE 500

H-5648

1 Amend amendment H-5577 to Senate File 500 , as amended
2 passed, and reprinted by the Senate, as follows:
3 1. Page 3, by inserting after line 43 the following
4 new subsection:
5 "3. Notwithstanding the interest rate specified in
6 a provision of the Code referred to in this subsection,
7 the interest rate in effect in a provision of the Code
8 referred to in this subsection is a rate of monthly
9 interest which is equal to the sum of the monthly
10 rate actually specified in that provision plus
11 thirty-five hundredths (.35) of one percentage point.
12 This subsection applies to the following sections of
13 the Code: Sections four hundred twenty-two point
14 sixteen, (422.16), four hundred twenty-two point twenty-
15 four (422.24), four hundred twenty-two point twenty-five
16 (422.25), four hundred twenty-two point twenty-eight
17 (422.28), four hundred twenty-two point fifty-eight
18 (422.58), Code 1979, as amended by Acts of the Sixty-
19 eighth General Assembly, 1979 Session, chapter ninety-
20 seven (97), section three (3); section four hundred
21 twenty-three point eighteen (423.18), Code 1979, as
22 amended by Acts of the Sixty-eighth General Assembly,
23 1979 Session chapter ninety-seven (97), section five
24 (5); and section four hundred twenty-four point thirteen
25 (424.13), Code 1979."

H-5648 FILED MARCH 24, 1980 BY BRUNER of Story
RULED NOT GERMANE - MOTION TO
SUSPEND RULES, LOST (p. 1117)

SENATE FILE 500

H-5649

1 Amend the Committee on Ways and Means amendment,
2 H-5577, to Senate File 500, as amended, passed, and
3 reprinted by the Senate, as follows:
4 1. Page 1, line 35, by inserting after the word
5 "points" the words "provided that the maximum interest
6 rate payable on anticipatory warrants issued under
7 any of the Code sections specified in subsection two
8 (2) of this section shall not exceed eight percent".

H-5649 FILED BY BRUNER of Story
MARCH 24, 1980 CHIODO of Polk
LOST (p. 1116)

HOUSE AMENDMENT
TO SENATE FILE 500

S-5504

1 Amend Senate File 500, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, lines 15 and 16, by striking the words
4 "and any amount of franchise taxes paid or accrued
5 under this division during the taxable year".

6 2. Page 1, line 26, by inserting after the word
7 "subdivisions" the words "and any amount of franchise
8 taxes paid or accrued under this division during the
9 taxable year".

10 3. Page 1, by inserting after line 32 the
11 following: "If the net income of the financial
12 institution is derived from its business carried on
13 entirely within the state, the tax shall be imposed
14 on the entire net income, but if the business is
15 carried on partly within and partly without the state,
16 the portion of net income reasonably attributable
17 to the business within the state shall be specifically
18 allocated or equitably apportioned within and without
19 the state under rules of the director."

20 4. Page 2, line 6, by striking the figure "1979"
21 and inserting in lieu thereof the figure "1980".

22 5. Page 2, line 9, by striking the figure "1979"
23 and inserting in lieu thereof the figure "1980".

24 6. Page 2, by striking lines 14 through 35 and
25 inserting in lieu thereof the following:

26 "Sec. . . . NEW SECTION. TEMPORARY RATES.

27 1. Notwithstanding the interest rate or interest-
28 rate limitation specified in a provision of the Code
29 referred to in subsection two (2) of this section,
30 the interest rate or interest-rate limitation in
31 effect in a provision of the Code referred to in
32 subsection two (2) of this section is a rate of
33 interest which is equal to the sum of the rate actually
34 specified in that provision plus three percentage
35 points, except that if the bond issue voted at an
36 election or approved by the governing body of a
37 political subdivision is for an amount equal to five
38 million dollars or more, then the provisions of this
39 subsection and subsection two (2) of this section
40 shall not be applicable and those bonds when sold
41 under any of the sections enumerated in subsection
42 two (2) of this section shall not be subject to any
43 interest rate limitations.

44 2. Subsection one (1) of this section applies
45 to the following sections of the Code: Section
46 nineteen point eight (19.8), Code 1979, as amended
47 by Acts of the Sixty-eighth General Assembly, 1979
48 Session, chapter twenty-four (24), section one (1);
49 sections twenty-eight F point eight (28F.8), and
50 section thirty-seven point six (37.6), Code 1979;

S-5504

Page 2

1 section thirty-seven point twenty-eight (37.28), Code
2 1979, as amended by Acts of the Sixty-eighth General
3 Assembly, 1979 Session, chapter twenty-four (24),
4 section two (2); section seventy-four point two (74.2),
5 Code 1979, as amended by Acts of the Sixty-eighth
6 General Assembly, 1979 Session, chapter twenty-four
7 (24), section three (3); section seventy-five point
8 twelve (75.12), subsections one (1), two (2) and three
9 (3), section one hundred eleven A point six (111A.6),
10 unnumbered paragraph two (2), section one hundred
11 forty-five A point seventeen (145A.17), and section
12 two hundred two point five (202.5), Code 1979; section
13 two hundred two point six (202.6), Code 1979, as
14 amended by Acts of the Sixty-eighth General Assembly,
15 1979 Session, chapter twenty-four (24), section four
16 (4); section two hundred eighty A point twenty-two
17 (280A.22), unnumbered paragraph two (2), section two
18 hundred ninety-six point one (296.1), section two
19 hundred ninety-eight point twenty-two (298.22),
20 unnumbered paragraph one (1), section three hundred
21 two point twelve (302.12), section three hundred nine
22 point forty-seven (309.47), subsection four (4) and
23 section three hundred nine point seventy-three
24 (309.73), unnumbered paragraph three (3), Code 1979;
25 section three hundred eleven point sixteen (311.16),
26 unnumbered paragraph two (2), Code 1979, as amended
27 by Acts of the Sixty-eighth General Assembly, 1979
28 Session, chapter sixty-eight (68), section one (1);
29 section three hundred eleven point seventeen (311.17),
30 unnumbered paragraph one (1), Code 1979, as amended
31 by Acts of the Sixty-eighth General Assembly, 1979
32 Session, chapter sixty-eight (68), section two (2);
33 section three hundred eleven point twenty-eight
34 (311.28), section three hundred thirty point seven
35 (330.7), unnumbered paragraph five (5), section three
36 hundred thirty point fourteen (330.14), section three
37 hundred thirty point sixteen (330.16), unnumbered
38 paragraph two (2), section three hundred thirty A
39 point nine (330A.9), subsection one (1), section three
40 hundred thirty-two point forty-four (332.44),
41 subsection eight (8), unnumbered paragraph two (2),
42 section three hundred forty-five point sixteen
43 (345.16), section three hundred forty-six point three
44 (346.3), unnumbered paragraph one (1), section three
45 hundred forty-six point twenty-three (346.23),
46 unnumbered paragraph two (2), section three hundred
47 forty-six point twenty-six (346.26), subsection three
48 (3), section three hundred forty-six point twenty-
49 seven (346.27), subsection fourteen (14), section
50 three hundred forty-six A point three (346A.3),

S-5504

Page 3

1 unnumbered paragraph two (2), section three hundred
2 forty-seven point five (347.5), section three hundred
3 forty-seven point twenty-seven (347.27), unnumbered
4 paragraphs one (1) and three (3), section three hundred
5 forty-seven A point two (347A.2), section three hundred
6 forty-seven A point seven (347A.7), unnumbered
7 paragraph one (1), section three hundred fifty-seven
8 point twenty (357.20), section three hundred fifty-
9 seven A point eleven (357A.11), subsection eight (8),
10 section three hundred fifty-seven B point four
11 (357B.4), section three hundred fifty-seven C point
12 ten (357C.10), section three hundred fifty-eight point
13 twenty-one (358.21), unnumbered paragraph four (4),
14 section three hundred fifty-nine point forty-five
15 (359.45), section three hundred eighty-four point
16 fifty-seven (384.57), section three hundred eighty-
17 four point sixty (384.60), subsections three (3) and
18 five (5), section three hundred eighty-four point
19 sixty-eight (384.68), subsection two (2), section
20 three hundred eighty-four point eighty-three (384.83),
21 subsection six (6), section three hundred eighty-six
22 point twelve (386.12), subsection four (4), section
23 three hundred ninety-four point one (394.1), unnumbered
24 paragraph two (2), section four hundred three point
25 nine (403.9), subsection three (3), and section four
26 hundred three A point thirteen (403A.13), unnumbered
27 paragraph one (1), Code 1979; section four hundred
28 fifty-four point twenty (454.20), Code 1979, as amended
29 by Acts of the Sixty-eighth General Assembly, 1979
30 Session, chapter twenty-four (24), section five (5);
31 and section four hundred fifty-five point sixty-four
32 (455.64), subsections one (1) and two (2), section
33 four hundred fifty-five point seventy-seven (455.77),
34 unnumbered paragraph one (1), section four hundred
35 fifty-five point seventy-nine (455.79), section four
36 hundred fifty-five point eighty-three (455.83), section
37 four hundred fifty-five point one hundred seventy-
38 five (455.175), section four hundred fifty-five point
39 one hundred ninety-eight (455.198), section four
40 hundred fifty-five point two hundred thirteen
41 (455.213), section four hundred sixty-one point
42 fourteen (461.14), and section four hundred sixty-
43 three point ten (463.10), Code 1979.

44 3. Notwithstanding the interest-rate limitation
45 specified in sections four hundred sixty point seven
46 (460.7), four hundred sixty-seven A point thirty-three
47 (467A.33), unnumbered paragraph one (1), and four
48 hundred sixty-seven A point thirty-five (467A.35),
49 subsections one (1) and two (2), Code 1979, the
50 interest-rate limitation which is in effect under

SENATE 8
MARCH 25, 1980

S-5504
Page 4

- 1 each one of those provisions is a rate of interest
2 equal to the sum of the rate of interest actually
3 specified plus four percentage points.
4 4. Bonds sold on or after the effective date of
5 this Act to finance an improvement for which a final
6 assessment schedule was adopted prior to the effective
7 date of this Act may bear a rate of interest not to
8 exceed ten percent per annum, and section seventy-
9 five point eleven (75.11) of the Code and any other
10 similar statutory restriction does not apply to these
11 bonds."
12 7. Page 3, by striking lines 1 through 35.
13 8. Page 4, by striking lines 1 through 4.

S-5504 FILED
MARCH 24, 1980

RECEIVED FROM THE HOUSE

Senate received 3/27 (p. 1163)

SENATE FILE 500

AN ACT

RELATING TO THE FRANCHISE TAX ON FINANCIAL INSTITUTIONS, ITS IMPOSITION AND RATES, THE DEFINITION OF NET INCOME, PROVIDING A CORRESPONDING ADJUSTMENT IN INTEREST RATES FOR GOVERNMENT BONDS 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 sixty (422.60), Code 1979, is amended to read as follows:

422.60 IMPOSITION OF TAX. A franchise tax according to and measured by net income is hereby imposed on financial institutions for the privilege of doing business in this state as financial institutions.

Sec. 2. Section four hundred twenty-two point sixty-one (422.61), subsection four (4), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter ninety-two (92), section three (3), is amended to read as follows:

4. "Net income" means the net income of the financial institution computed in accordance with section 422.35, with the exception that interest and dividends from federal securities shall not be subtracted ~~and interest and dividends from evidences of indebtedness and securities of this state and its political subdivisions, exempt from federal income tax under the Internal Revenue Code of 1954 as amended to and including January 1, 1979,~~ no federal income taxes paid or accrued shall be subtracted, and notwithstanding the provisions of sections two hundred sixty-two point forty-one (262.41) and two hundred sixty-two point fifty-one (262.51) or any other provisions of the law, income from obligations of the state and its political subdivisions and any amount of franchise taxes paid or accrued under this division during the taxable year shall not be added.

Sec. 3. Section four hundred twenty-two point sixty-three (422.63), Code 1979, is amended by striking the section and inserting in lieu thereof the following:

422.63 AMOUNT OF TAX. The franchise tax is imposed annually in an amount equal to five percent of the net income received or accrued during the taxable year. If the net income of the financial institution is derived from its business carried on entirely within the state, the tax shall be imposed on the entire net income, but if the business is carried on partly within and partly without the state, the portion of net income reasonably attributable to the business within the state shall be specifically allocated or equitably apportioned within and without the state under rules of the director.

Sec. 4. Franchise taxes voluntarily paid shall not be refunded to the extent that the refund claim is based upon an alleged mistake of law regarding the validity or legality under the laws or Constitution of the United States, of the tax imposed by this division. This section prevails over any other statutes authorizing franchise tax refunds.

Sec. 5. The provisions of sections one (1), two (2) and three (3) of this Act are applicable to taxable years beginning on or after January 1, 1980, and to this extent are retroactive. To the extent that the enactment of this Act requires the filing of an amended franchise tax return by a financial institution for a taxable year beginning in 1980, no interest or penalty shall accrue because of an additional tax due by reason of the provisions of this Act, if the amended return is filed within sixty days of the effective date of this Act.

Sec. 6. NEW SECTION. TEMPORARY RATES.

1. Notwithstanding the interest rate or interest-rate limitation specified in a provision of the Code referred to in subsection two (2) of this section, the interest rate or interest-rate limitation in effect in a provision of the Code referred to in subsection two (2) of this section is a rate

of interest which is equal to the sum of the rate actually specified in that provision plus three percentage points, except that if the bond issue voted at an election or approved by the governing body of a political subdivision is for an amount equal to five million dollars or more, then the provisions of this subsection and subsection two (2) of this section shall not be applicable and those bonds when sold under any of the sections enumerated in subsection two (2) of this section shall not be subject to any interest rate limitations.

2. Subsection one (1) of this section applies to the following sections of the Code: Section nineteen point eight (19.8), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter twenty-four (24), section one (1); section twenty-eight F point eight (28F.8), and section thirty-seven point six (37.6), Code 1979; section thirty-seven point twenty-eight (37.28), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter twenty-four (24), section two (2); section seventy-four point two (74.2), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter twenty-four (24), section three (3); section seventy-five point twelve (75.12), subsections one (1), two (2) and three (3), section one hundred eleven A point six (111A.6), unnumbered paragraph two (2), section one hundred forty-five A point seventeen (145A.17), and section two hundred two point five (202.5), Code 1979; section two hundred two point six (202.6), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter twenty-four (24), section four (4); section two hundred eighty A point twenty-two (280A.22), unnumbered paragraph two (2), section two hundred ninety-six point one (296.1), section two hundred ninety-eight point twenty-two (298.22), unnumbered paragraph one (1), section three hundred two point twelve (302.12), section three hundred nine point forty-seven (309.47), subsection four (4) and section three hundred nine point seventy-three (309.73),

unnumbered paragraph three (3), Code 1979; section three hundred eleven point sixteen (311.16), unnumbered paragraph two (2), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter sixty-eight (68), section one (1); section three hundred eleven point seventeen (311.17), unnumbered paragraph one (1), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter sixty-eight (68), section two (2); section three hundred eleven point twenty-eight (311.28), section three hundred thirty point seven (330.7), unnumbered paragraph five (5), section three hundred thirty point fourteen (330.14), section three hundred thirty point sixteen (330.16), unnumbered paragraph two (2), section three hundred thirty A point nine (330A.9), subsection one (1), section three hundred thirty-two point forty-four (332.44), subsection eight (8), unnumbered paragraph two (2), section three hundred forty-five point sixteen (345.16), section three hundred forty-six point three (346.3), unnumbered paragraph one (1), section three hundred forty-six point twenty-three (346.23), unnumbered paragraph two (2), section three hundred forty-six point twenty-six (346.26), subsection three (3), section three hundred forty-six point twenty-seven (346.27), subsection fourteen (14), section three hundred forty-six A point three (346A.3), unnumbered paragraph two (2), section three hundred forty-seven point five (347.5), section three hundred forty-seven point twenty-seven (347.27), unnumbered paragraphs one (1) and three (3), section three hundred forty-seven A point two (347A.2), section three hundred forty-seven A point seven (347A.7), unnumbered paragraph one (1), section three hundred fifty-seven point twenty (357.20), section three hundred fifty-seven A point eleven (357A.11), subsection eight (8), section three hundred fifty-seven B point four (357B.4), section three hundred fifty-seven C point ten (357C.10), section three hundred eighty-five point twenty-one (385.21), unnumbered paragraph four (4), section three hundred fifty-nine point forty-five (359.45), section three hundred eighty-

four point fifty-seven (384.57), section three hundred eighty-four point sixty (384.60), subsections three (3) and five (5), section three hundred eighty-four point sixty-eight (384.68), subsection two (2), section three hundred eighty-four point eighty-three (384.83), subsection six (6), section three hundred eighty-six point twelve (386.12), subsection four (4), section three hundred ninety-four point one (394.1), unnumbered paragraph two (2), section four hundred three point nine (403.9), subsection three (3), and section four hundred three A point thirteen (403A.13), unnumbered paragraph one (1), Code 1979; section four hundred fifty-four point twenty (454.20), Code 1979, as amended by Acts of the Sixty-eighth General Assembly, 1979 Session, chapter twenty-four (24), section five (5); and section four hundred fifty-five point sixty-four (455.64), subsections one (1) and two (2), section four hundred fifty-five point seventy-seven (455.77), unnumbered paragraph one (1), section four hundred fifty-five point seventy-nine (455.79), section four hundred fifty-five point eighty-three (455.83), section four hundred fifty-five point one hundred seventy-five (455.175), section four hundred fifty-five point one hundred ninety-eight (455.198), section four hundred fifty-five point two hundred thirteen (455.213), section four hundred sixty-one point fourteen (461.14), and section four hundred sixty-three point ten (463.10), Code 1979.

3. Notwithstanding the interest-rate limitation specified in sections four hundred sixty point seven (460.7), four hundred sixty-seven A point thirty-three (467A.33), unnumbered paragraph one (1), and four hundred sixty-seven A point thirty-five (467A.35), subsections one (1) and two (2), Code 1979, the interest-rate limitation which is in effect under each one of those provisions is a rate of interest equal to the sum of the rate of interest actually specified plus four percentage points.

4. Bonds sold on or after the effective date of this Act to finance an improvement for which a final assessment schedule

was adopted prior to the effective date of this Act may bear a rate of interest not to exceed ten percent per annum, and section seventy-five point eleven (75.11) of the Code and any other similar statutory restriction does not apply to these bonds.

4/12 Sec. 7. This Act, being deemed of immediate importance, shall take effect from and after its publication in the Muscatine Journal, a newspaper published in Muscatine, Iowa, and in the Carroll Daily Times-Herald, a newspaper published in Carroll, Iowa. 4/2

TERRY E. BRANSTAD
President of the Senate

WILLIAM H. HARBOR
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 500, Sixty-eighth General Assembly.

FRANK J. STORK
Secretary of the Senate

Approved March 28, 1980

ROBERT D. RAY
Governor