

*Ways & Means - 2/26/81
H. File 4/7/81 (p. 1265)*

FEB 10 1981

HOUSE FILE 350

WAYS & MEANS CALENDAR

BY COMMITTEE ON WAYS AND MEANS

(Formerly Study Bill 57)

Passed House, Date 3-23-81 (p. 254) Passed Senate, Date 4-30-81 (p. 1508)

Vote: Ayes 93 Nays 4 Vote: Ayes 43 Nays 0

Approved May 11, 1981

A BILL FOR

1 An Act relating to the computation of interest on overpay-
2 ments made under the individual income, corporate in-
3 come and franchise taxes and providing for its effect
4 upon publication for overpayments resulting from returns
5 due on or after April 30, 1981.

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

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FISCAL NOTE
House File 350
Requested by Representative Schnekloth
March 12, 1981

350

In compliance with a written request there is hereby submitted a Fiscal Note for House File 350 pursuant to Joint Rule 16.

H.F. 350, An Act relating to the computation of interest on overpayments made under the individual income, corporate income and franchise taxes and providing for its effect upon publication for overpayments resulting from returns due on or after April 30, 1981.

Under current statutes interest on timely filed refunds is paid beginning 30 days from the due date of the return. Further, for purposes of calculating interest, any part of a month constitutes a whole month. As a result, timely filed refunds which are paid on or after May 31 accrue interest for the entire month of May. H.F. 350 would provide that interest shall begin to accrue one month after the due date of the return which means that interest would not begin to accrue on these refunds until June 1. A similar change would be relevant to delinquent returns.

It would appear that if the provisions of H.F. 350 were enacted that the amount of interest payable by the state on income tax returns filed in calendar 1981 would be reduced by approximately \$100,000 to \$150,000. Since the impact would be experienced beginning in June, 1981, the effects will be associated with two fiscal years.

Source: Dept. of Revenue
FILED MARCH 19, 1981

BY GERRY D. RANKIN
Legislative Fiscal Bureau

1 Section 1. Section 422.16, subsection 9, Code 1981, is
2 amended to read as follows:

3 9. The amount of any overpayment of the individual income
4 tax liability of the employee taxpayer, nonresident, or other
5 person which may result from the withholding and payment of
6 withheld tax by the employer or withholding agent to the
7 department under subsections 1 and 12 hereof, as compared
8 to the individual income tax liability of the employee
9 taxpayer, nonresident, or other person properly and correctly
10 determined under the provisions of section 422.4, to and
11 including section 422.25, may be credited against any income
12 tax or installment thereof then due the state of Iowa and
13 any balance of one dollar or more shall be refunded to the
14 employee taxpayer, nonresident or other person with interest
15 at the rate of three-fourths of one percent per month or
16 fraction of a month, such interest to begin to accrue ~~thirty~~
17 days-after on the first day of the second calendar month
18 following the date the return was due to be filed or was
19 filed, whichever is the later date. Amounts less than one
20 dollar shall be refunded to the taxpayer, nonresident, or
21 other person only upon written application, in accordance
22 with section 422.73, only if such application is filed within
23 twelve months after the due date of the return. Refunds in
24 the amount of one dollar or more provided for by this
25 subsection shall be paid by the treasurer of state by means
26 of warrants drawn by the comptroller at the direction of the
27 director, or an authorized employee of the department, and
28 the taxpayer's return of income shall constitute a claim for
29 refund for this purpose, except in respect to amounts of less
30 than one dollar. There is hereby appropriated, out of any
31 funds in the state treasury not otherwise appropriated, a
32 sum sufficient to carry out the provisions of this subsection.

33 Sec. 2. Section 422.25, subsection 3, Code 1981, is amended
34 to read as follows:

35 3. If the amount of the tax as determined by the department

1 is less than the amount paid, the excess shall be refunded
2 with interest ~~after-thirty-days-from~~, the interest to begin
3 to accrue on the first day of the second calendar month
4 following the date of payment or the date the return was due
5 to be filed or was filed, whichever is the ~~later~~ latest, at
6 the rate of three-fourths of one percent per month counting
7 each fraction of a month as an entire month under the rules
8 prescribed by the director. If an overpayment of tax results
9 from a net operating loss or net-capital loss which is carried
10 back to a prior year, the overpayment, for purposes of
11 computing interest on refunds, shall be considered as having
12 been made at the close of the taxable year in which the net
13 operating loss or net capital loss occurred or ~~thirty-days~~
14 ~~from~~ on the first day of the second calendar month following
15 the date of the actual payment of the tax, whichever is later.
16 However, when the net operating loss or net capital loss
17 carryback to a prior year eliminates or reduces an underpayment
18 of tax due for an earlier year, the full amount of the
19 underpayment of tax shall bear interest at the rate of three-
20 fourths of one percent per month counting each fraction of
21 a month as an entire month from the due date of the tax for
22 the earlier year to the last day of the taxable year in which
23 the net operating loss or net capital loss occurred.

24 Sec. 3. Section 422.91, unnumbered paragraph 1, Code 1981,
25 is amended to read as follows:

26 Any amount of tax paid on a declaration of estimated tax
27 shall be a credit against the amount of tax due on a final,
28 completed return, and any overpayment of five dollars or more
29 shall be refunded to the taxpayer with interest ~~after-thirty~~
30 ~~days-from~~, the interest to begin to accrue on the first day
31 of the second calendar month following the date of payment
32 or the date the return was due to be filed or was filed,
33 whichever is the ~~later~~ latest, at the rate of three-fourths
34 of one percent per month or fraction of a month and the return
35 shall constitute a claim for refund for this purpose. Amounts

1 less than five dollars shall be refunded to the taxpayer only
2 upon written application in accordance with section 422.73,
3 but only if the application is filed within twelve months
4 after the due date for the return.

5 Sec. 4. This Act applies to overpayments resulting from
6 returns due on or after April 30, 1981.

7 Sec. 5. This Act, being deemed of immediate importance,
8 takes effect from and after its publication in The Sioux
9 County Capital, a newspaper published in Orange City, Iowa,
10 and in The Waterloo Courier, a newspaper published in Waterloo,
11 Iowa.

12 EXPLANATION

13 The bill changes the date when interest accrues on overpay-
14 ments made in regard to the state income and franchise taxes.
15 Presently the law provides for interest to accrue after thirty
16 days from the date of payment of tax or the date the return
17 is due whichever is the later. The bill will change the
18 "thirty days" to "the first day of the second calendar month
19 following" the date of payment of tax or the date the return
20 is due or filed whichever is the latest. The bill also
21 corrects the date for the accruing of interest in the case
22 of overpayments when a return is filed after the due date.

23 The bill takes effect upon publication for overpayments
24 resulting from returns due on or after April 30, 1981.

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HOUSE FILE 350

AN ACT

RELATING TO THE COMPUTATION OF INTEREST ON OVERPAYMENTS MADE UNDER THE INDIVIDUAL INCOME, CORPORATE INCOME AND FRANCHISE TAXES AND PROVIDING FOR ITS EFFECT UPON PUBLICATION FOR OVERPAYMENTS RESULTING FROM RETURNS DUE ON OR AFTER APRIL 30, 1981.

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

Section 1. Section 422.16, subsection 9, Code 1981, is amended to read as follows:

9. The amount of any overpayment of the individual income tax liability of the employee taxpayer, nonresident, or other person which may result from the withholding and payment of withheld tax by the employer or withholding agent to the department under subsections 1 and 12 hereof, as compared to the individual income tax liability of the employee

taxpayer, nonresident, or other person properly and correctly determined under the provisions of section 422.4, to and including section 422.25, may be credited against any income tax or installment thereof then due the state of Iowa and any balance of one dollar or more shall be refunded to the employee taxpayer, nonresident or other person with interest at the rate of three-fourths of one percent per month or fraction of a month, such interest to begin to accrue thirty days-after on the first day of the second calendar month following the date the return was due to be filed or was filed, whichever is the later date. Amounts less than one dollar shall be refunded to the taxpayer, nonresident, or other person only upon written application, in accordance with section 422.73, only if such application is filed within twelve months after the due date of the return. Refunds in the amount of one dollar or more provided for by this subsection shall be paid by the treasurer of state by means of warrants drawn by the comptroller at the direction of the director, or an authorized employee of the department, and the taxpayer's return of income shall constitute a claim for refund for this purpose, except in respect to amounts of less than one dollar. There is hereby appropriated, out of any funds in the state treasury not otherwise appropriated, a sum sufficient to carry out the provisions of this subsection.

Sec. 2. Section 422.25, subsection 3, Code 1981, is amended to read as follows:

3. If the amount of the tax as determined by the department is less than the amount paid, the excess shall be refunded with interest after-thirty-days-from, the interest to begin to accrue on the first day of the second calendar month following the date of payment or the date the return was due to be filed or was filed, whichever is the later latest, at the rate of three-fourths of one percent per month counting each fraction of a month as an entire month under the rules prescribed by the director. If an overpayment of tax results

from a net operating loss or net capital loss which is carried back to a prior year, the overpayment, for purposes of computing interest on refunds, shall be considered as having been made at the close of the taxable year in which the net operating loss or net capital loss occurred or ~~thirty-days~~ from on the first day of the second calendar month following the date of the actual payment of the tax, whichever is later. However, when the net operating loss or net capital loss carryback to a prior year eliminates or reduces an underpayment of tax due for an earlier year, the full amount of the underpayment of tax shall bear interest at the rate of three-fourths of one percent per month counting each fraction of a month as an entire month from the due date of the tax for the earlier year to the last day of the taxable year in which the net operating loss or net capital loss occurred.

Sec. 3. Section 422.91, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Any amount of tax paid on a declaration of estimated tax shall be a credit against the amount of tax due on a final, completed return, and any overpayment of five dollars or more shall be refunded to the taxpayer with interest ~~after-thirty days-from,~~ the interest to begin to accrue on the first day of the second calendar month following the date of payment or the date the return was due to be filed or was filed, whichever is the later latest, at the rate of three-fourths of one percent per month or fraction of a month and the return shall constitute a claim for refund for this purpose. Amounts less than five dollars shall be refunded to the taxpayer only upon written application in accordance with section 422.73, but only if the application is filed within twelve months after the due date for the return.

Sec. 4. This Act applies to overpayments resulting from returns due on or after April 30, 1981.

Sec. 5. This Act, being deemed of immediate importance, takes effect from and after its publication in The Sioux

County Capital, a newspaper published in Orange City, Iowa, and in The Waterloo Courier, a newspaper published in Waterloo, Iowa.

DELWYN STROMER
Speaker of the House

TERRY E. BRANSTAD
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 350, Sixty-ninth General Assembly.

PAT H. HARPER
Chief Clerk of the House

Approved May 11, 1981

ROBERT D. RAY
Governor