

Reprinted 5/21/81

MAY 11 1981

WAYS & MEANS CALENDAR

HOUSE FILE 868

BY COMMITTEE ON WAYS AND MEANS

(Formerly Study Bill 337)

Passed House, Date 5-19-81 (p. 2028) Passed Senate, Date _____

Vote: Ayes 98 Nays 1 Vote: Ayes _____ Nays _____

Approved _____

*Motion to Reconsider (p. 2062) prevailed 5/20 (p. 2096)
" Tabled 5-20-81 (p. 2096)*

A BILL FOR

1 An Act relating to the state income and franchise taxes
2 by allowing indexing to occur for subsequent tax years,
3 updating references to the internal revenue code, and
4 making certain provisions of the Act retroactive.

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

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868

1 Section 1. Section 422.4, subsection 18, paragraphs a,
2 b, and d, Code 1981, are amended to read as follows:

3 a. "Annual inflation factor" means an index, expressed
4 as a percentage, determined by the department each year to
5 reflect the purchasing power of the dollar as a result of
6 inflation during the preceding calendar year. For the 1981
7 and subsequent calendar year years, "annual inflation factor"
8 means an index, expressed as a percentage, determined by the
9 department by October 15 of the calendar year preceding the
10 calendar year for which the factor is determined to reflect
11 the purchasing power of the dollar as a result of inflation
12 during the fiscal year ending in the calendar year preceding
13 the calendar year for which the factor is determined. In
14 determining the annual inflation factor, the department shall
15 use the annual percent change, but not less than zero percent,
16 in the implicit price deflator for the gross national product
17 computed for the whole calendar year or for the second quarter
18 of the calendar year, in the case of the annual inflation
19 factor for the 1981 and subsequent calendar year years, by
20 the bureau of economic analysis of the United States department
21 of commerce and shall add two-fourths for the 1980 and ~~1981~~
22 subsequent calendar years of that percent change to one hundred
23 percent. The annual inflation factor for the 1979 calendar
24 year is one hundred two point three percent. The annual
25 inflation factor and the cumulative inflation factor shall
26 each be expressed as a percentage rounded to the nearest one-
27 tenth of one percent. The annual inflation factor shall not
28 be less than one hundred percent.

29 b. "Cumulative inflation factor" means the product of
30 the annual inflation factor for the 1978 calendar year and
31 all annual inflation factors for subsequent calendar years
32 as determined pursuant to this subsection. The cumulative
33 inflation factor applies to all tax years beginning on or
34 after January 1 of the calendar year for which the latest
35 annual inflation factor has been determined. ~~For-calendar~~

1 years-beginning-on-or-after-January-1,--1982,--the-cumulative
2 inflation-factor-shall-be-one-hundred-percent.

3 d. Notwithstanding the computation of the annual inflation
4 factor under paragraph "a" of this subsection, the annual
5 inflation factor is one hundred percent for any calendar year
6 in which the unobligated state general fund balance on June
7 30 as certified by the state comptroller by September 10 of
8 the fiscal year beginning in that calendar year is less than
9 sixty million dollars. However, for the 1981 and subsequent
10 calendar year years, the annual inflation factor is one hundred
11 percent for any calendar year if the unobligated state general
12 fund balance on June 30 of the calendar year preceding the
13 calendar year for which the factor is determined, as certified
14 by the state comptroller by October 10, is less than sixty
15 million dollars.

16 Sec. 2. Section 422.4, subsection 17, Code 1981, is amended
17 to read as follows:

18 17. "Internal Revenue Code of 1954" means the Internal
19 Revenue Code of 1954, as amended to and including January
20 1, ~~1980~~ 1981.

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21 Sec. 3. Section 422.7, Code 1981, is amended by inserting
22 after subsection 8 the following new subsection:

4145

23 NEW SUBSECTION. The combined exclusion of interest and
24 dividend income provided by section 116(a) of the Internal
25 Revenue Code of 1954, as amended up to and including January
26 1, 1981, is not applicable in computing Iowa net income for
27 tax years beginning before January 1, 1982. Instead, each
28 individual may exclude not more than one hundred dollars of
29 income received as dividends from domestic corporations as
30 provided by section 116(a) of the Internal Revenue Code of
31 1954, as amended up to and including January 1, 1980.

32 Sec. 4. Section 422.7, Code 1981, is amended by inserting
33 after subsection 8 the following new subsection:

34 NEW SUBSECTION. Married taxpayers who file a joint federal
35 return and who elect to file separate returns or separate

1 filing on a combined return for Iowa income tax purposes may
2 avail themselves of the exclusion for interest and dividend
3 income pursuant to section 116(a) of the Internal Revenue
4 Code of 1954 and shall compute the exclusion subject to the
5 limitations for joint federal income tax return filers pro-
6 vided by section 116(b)(1) of the Internal Revenue Code of
7 1954.

8 Sec. 5. Section 422.7, Code 1981, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. Subtract the amount of the alcohol fuel
11 credit allowable for the tax year under section 44E of the
12 Internal Revenue Code of 1954 to the extent that the credit
13 increased federal adjusted gross income.

1216, 4144 >

14 Sec. 6. Section 422.32, subsection 4, Code 1981, is amended
15 to read as follows:

16 4. "Internal Revenue Code of 1954" means the Internal
17 Revenue Code of 1954, as amended to and including January
18 1, ~~1980~~ 1981.

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19 Sec. 7. Section 422.35, Code 1981, is amended by inserting
20 after subsection 6 the following new subsection:

21 NEW SUBSECTION. Subtract the amount of the alcohol fuel
22 credit allowable for the tax year under section 44E of the
23 Internal Revenue Code of 1954 to the extent that the credit
24 increased federal taxable income.

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25 Sec. 8. Sections 2, 5, 6 and 7 are retroactive to January
26 1, 1980, for tax years beginning on or after January 1, 1980.

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27 Sec. 9. Section 3 is retroactive to January 1, 1981, for
28 tax years beginning on or after January 1, 1981 but before
29 January 1, 1982.

4143 >

30 Sec. 10. Section 4 takes effect January 1, 1982 for tax
31 years beginning on or after January 1, 1982.

32 EXPLANATION

33 Present law provides that the "cumulative inflation factor"
34 which is used for purposes of indexing the state individual
35 income tax shall be 100 percent for the 1982 and subsequent

1 calendar years. This in effect eliminates indexing for tax
2 years beginning on or after January 1, 1982. Section 1 of
3 the bill will strike this provision so that indexing of the
4 individual income tax may occur for those tax years beginning
5 on or after January 1, 1982.

6 Sections 2 and 6 of the bill update references to the
7 Internal Revenue Code of 1954 up to and including January
8 1, 1981 in the state individual and corporate income tax laws
9 and the franchise tax law. Section 3 eliminates from the
10 determination of Iowa net income, the increased exclusion
11 for interest and dividend income which became effective January
12 1, 1981, for federal income tax purposes. In lieu of the
13 increased exclusion, Iowa retains the \$100 dividend exclusion
14 but this is only for the 1981 tax year. Section 4 provides
15 a method for married taxpayers who elect to file joint federal
16 returns and who elect to file separate returns on a combined
17 return for state income tax purposes to take the combined
18 federal exclusion from gross income of dividend and interest
19 income of up to \$400 for taxpayers who file a joint federal
20 return.

21 The Federal Crude Oil Windfall Profit Tax Act of 1980 also
22 provided for an income tax credit for alcohol and alcohol
23 blended fuels, effective for fuel sales and uses after
24 September 30, 1980. The credit is available to a person who
25 produces the mixture or alcohol and is used by that person
26 as a fuel or is sold as a fuel. In order to claim the credit,
27 the person claiming the credit must increase their federal
28 income by the amount of the credit which is claimed. Sec-
29 tions 5 and 7 would provide an adjustment from federal adjusted
30 gross income for individuals and federal taxable income for
31 corporations so that the portion of the federal income which
32 was required to be increased as a result of the alcohol fuel
33 credit would not be included in Iowa taxable income.

34 Section 1 takes effect July 1, 1981. Sections 2, 5, 6
35 and 7 are retroactive to and take effect from and after January

1 1, 1980. Section 3 is retroactive to January 1, 1981 for
2 tax years beginning on or after January 1, 1981 but before
3 January 1, 1982. Section 4 takes effect January 1, 1982 for
4 tax years beginning on or after January 1, 1982.

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FISCAL NOTE
House File 868
Requested by Representative Schnekloth
May 12, 1981

10 In compliance with a written request there is hereby submitted a
Fiscal Note for H. F. 868 pursuant to Joint Rule 16.

11 H.F. 868 makes permanent indexation of the individual income tax using 50 percent of
12 the yearly change in the Gross National Product implicit price deflator as the annual
13 indexation factor. It requires a general fund ending balance of at least \$60,000,000
14 on June 30 of the prior year in order for additional indexing to take place.

15 No estimate of the reduction of tax year liabilities due to future indexation can be
16 provided.

17 H.F. 868 also provides for updates to the Iowa Code to reflect amendments to the In-
18 ternal Revenue Code within the Iowa income tax law. It incorporates changes to
19 four federal tax bills,

- 1) Crude Oil Windfall Profits Tax Act of 1980,
- 2) Technical Corrections as of 1979,
- 3) Installment Sales Act of 1980, and
- 4) Bankruptcy Tax Act of 1980.

22 One provision of the Windfall Profits Act would be to increase the federal dividend
23 exclusion from \$100 per person to \$200 per person (\$400 jointly) and make the ex-
24 clusion applicable to both dividend and interest income for tax years 1981 and 1982
only. The exclusion will apply only on 1982 Iowa income taxes.

25 It is estimated that the increase in deduction for interest and dividend income and
26 reduction in 1982 federal tax deductions claimed on Iowa returns will result in a
27 net reduction of Iowa 1982 tax liabilities (filed in 1983) of approximately \$3 million
to \$4 million.

28 No estimate of the impacts of the other IRC update provisions of H.F. 868 are avail-
29 able. However, it is not anticipated that these provisions will have significant
30 impacts on state tax liabilities.

31 Source: Department of Revenue
32 FILED MAY 13, 1981

BY GERRY D. RANKIN
Legislative Fiscal Bureau

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FISCAL NOTE

Amendment H-4143 to House File 868

Requested by Representative Bruner

May 14, 1981

In compliance with a written request there is hereby submitted a Fiscal Note for Amendment H-4143 to House File 868 pursuant to Joint Rule 16.

Amendment H-4143 amends H.F. 868 so that the effective date of the Internal Revenue Code update to the Iowa corporate income tax would be 1982 instead of 1981. The major impact of this amendment is to delay for one year the deductibility of oil windfall profits tax.

No estimate of the fiscal impact of H-4143 can be provided.

Source: Department of Revenue

FILED MAY 18, 1981

BY GERRY D. RANKIN

Legislative Fiscal Bureau

FISCAL NOTE

Amendment H-4144 to House File 868

Requested by Representative Bruner

May 14, 1981

In compliance with a written request there is hereby submitted a Fiscal Note for amendment H-4144 to House File 868 pursuant to Joint Rule 16.

Amendment H-4144 to H.F. 868 which updates the Iowa Code to include amendments to the Internal Revenue Code through January 1, 1981, would repeal the provision in the Iowa Code that permits itemized deductions for qualifying political contributions of up to \$200 on joint returns and \$100 on all others. In place of the itemized deduction a credit against tax due would be permitted equal to ten percent of any qualifying political contribution. Although a specific estimate of the revenue impact resulting from enactment of this amendment cannot be reliably calculated, a revenue loss would be expected.

Source: Department of Revenue

FILED MAY 18, 1981

BY GERRY D. RANKIN

Legislative Fiscal Bureau

SPONSORS ADDED
(Amendment H-4165 to House File 868)

The following members requested to be added as sponsors of amendment H-4165 to House File 868:

Conlon of Muscatine, Pope of Polk, Schroeder of Pottawattamie, Krewson of Polk, Schnekloth of Scott, Egenes of Story, Hoffmann of Muscatine, Van Maanen of Mahaska, Lind of Black Hawk, Smith of Scott, Cook of Hardin, Shull of Warren, Kirkenlager of Des Moines, Clark of Cerro Gordo, Halvorson of Clayton, Crabb of Crawford, Branstad of Winnebago, Pellett of Cass, Clark of Lee, Trucano of Polk, Tofte of Winneshiek, Holt of Clay, Corey of Louisa, Mullins of Kossuth, Ritsema of Sioux, Shimanek of Jones, Bennett of Ida, Harbor of Mills, Hummel of Benton, Daggett of Taylor, Tyrrell of Iowa, Poffenberger of Dallas, Mann of Greene, Swearingen of Koekuk, Clements of Scott, Hanson of Delaware, Renken of Grundy, Johnson of Howard, Johnson of Woodbury, Johnson of Linn, Smalley of Polk, Gross of Ringgold, Menke of O'Brien, De Groot of Lyon, Welden of Hardin, Stueland of Clinton, Carpenter of Polk, Lageschulte of Bremer, Anderson of Audubon and Hansen of O'Brien.

HOUSE FILE 868

H-4259

- 1 Amend amendment H-4165 to page 2 of House File
- 2 868 as follows:
- 3 1. Page 1, by striking lines 3 through 5, and
- 4 by inserting in lieu thereof the following:
- 5 "Sec. __. Income of an individual".
- 6 2. Page 1, line 10, by striking the words "this
- 7 section", and by inserting in lieu thereof the words
- 8 "section 422.5".

H-4259 FILED MAY 18, 1981 BY CONLON of Muscatine

Adopted 5/19/81 (p. 2021)

HOUSE FILE 868

H-4144

1 Amend House File 868 as follows:

2 1. Page 3, by inserting after line 13 the
3 following new sections:

4 "Sec. ____ . Section 422.9, subsection 2, lettered
5 paragraph c, Code 1981, is amended by striking the
6 paragraph.

7 Sec. ____ . Section 422.12, Code 1981, is amended
8 by inserting after subsection 2 the following new
9 subsection:

10 "NEW SUBSECTION. A political contribution credit
11 equal to ten (10) percent of the qualifying political
12 contribution subject to the same limitations provided
13 by section 41C of the Internal Revenue Code of 1954."

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H-4144 FILED MAY 13, 1981

BY BRUNER of Story

Adopted 5/19/81 (p. 2026)

HOUSE FILE 868

H-4143

1 Amend House File 868 as follows:

2 1. Page 3, line 25, by striking the number "6".

3 2. Page 3, line 30, by striking the words

4 "Section 4 takes" and inserting in lieu thereof the

5 words "Sections 4 and 6 take".

H-4143 FILED

BY RAPP of Black Hawk

MAY 13, 1981

BRUNER of Story

Adopted 5/19/81 (p. 2028)

HOUSE FILE 868

H-4145

1 Amend House File 868 as follows:

2 1. Page 2, line 28, by inserting after the word

3 "exclude" the words "a combined total of".

4 2. Page 2, line 29, by inserting after the word

5 "received" the words "as interest and income received".

H-4145 FILED MAY 13, 1981

BY BRUNER of Story

Adopted 5/19/81 (p. 2026)

HOUSE FILE 868

H-4165

1 Amend House File 868 as follows:

2 1. Page 2, by inserting after line 20 the following:

3 "Sec. ____ . Section 422.5, Code 1981, is amended

4 by adding the following new unnumbered paragraph:

5 NEW UNNUMBERED PARAGRAPH. Income of an individual

6 which is excluded from gross income under the Internal

7 Revenue Code of 1954 as a result of the provisions

8 of the Hostage Relief Act of 1980, 94 stat. 1967,

9 shall not be included as income in computing the

10 tax imposed by this section."

BY AVENSON of Fayette

BRANDT of Black Hawk

ANDERSON of Jasper

NORLAND of Worth

HOWELL of Floyd

H-4165 FILED

MAY 13, 1981

*Adopted as amended by 4259
5/19/81 (p. 2021)*

HOUSE FILE 868

H-4119

- 1 Amend House File 868 as follows:
- 2 1. Page 2, by striking lines 21 through 31.
- 3 2. Page 3, by inserting after line 26 the
- 4 following:
- 5 "Sec. _____. Section 4 is retroactive to January 1,
- 6 1981 for tax years beginning on or after January 1,
- 7 1981."
- 8 3. Page 3, by striking lines 27 through 31.
- 9 4. By renumbering the remaining sections as
- 10 necessary.

BY CONNOLLY of Dubuque	DODERER of Johnson
NORLAND of Worth	OXLEY of Linn
WELSH of Dubuque	LONERGAN of Boone
DIELEMAN of Marion	ANDERSON of Jasper
ARNOULD of Scott	BRUNER of Story
CONNORS of Polk	CHIODO of Polk
STURGEON of Woodbury	COCHRAN of Webster
JAY of Appanoose	LLOYD-JONES of Johnson
GROTH of Buena Vista	DAVITT of Warren
O'KANE of Woodbury	PAVICH of Pottawattamie
PONCY of Wapello	BYERLY of Polk
HOWELL of Floyd	SULLIVAN of Van Buren
CARL of Poweshiek	GETTINGS of Wapello
RAPP of Black Hawk	

H-4119 FILED
MAY 12, 1981

Lost 5/19/81 (p. 2024)

FISCAL NOTE

Amendment H-4119 to House File 868

Requested by Representative Connolly
May 13, 1981

In compliance with a written request there is hereby submitted a Fiscal Note for Amendment H-4119 to H. F. 868 pursuant to Joint Rule 16.

H-4119 amends House File 868 to allow the exclusion of \$200 per person (\$400 jointly) of dividend and interest income in tax year 1981 and 1982. H.F. 868 would allow the exclusion only in 1982. The 1981 exclusion is expected to reduce 1981 liabilities (filed in 1982) by approximately \$5 million to \$6 million.

Source: Department of Revenue

FILED MAY 13, 1981

BY GERRY D. RANKIN
Legislative Fiscal Bureau

Ways and Means
Lura, Chairperson
Rodgers
Hester

5/21/81
Do Pass 5/21/81
(p. 1816)

HOUSE FILE 868

BY COMMITTEE ON WAYS AND MEANS

(As Amended and Passed by the House)

Passed House, Date 5-22-81 (p. 2264) Passed Senate, Date 5-22-81 (p. 1862)

Vote: Ayes 98 Nays 0 Vote: Ayes 46 Nays 0

Approved June 20, 1981

A BILL FOR

1 An Act relating to the state income and franchise taxes
2 by allowing indexing to occur for subsequent tax years,
3 updating references to the internal revenue code, and
4 making certain provisions of the Act retroactive.

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

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House Amendments _____

SENATE AMENDMENT TO HOUSE FILE 868

H-4427

- 1 Amend House File 868, as amended and passed by
- 2 the House, as follows:
- 3 1. Page 3, line 30, by striking the figures "5,
- 4 6, and 7" and inserting in lieu thereof the figures
- 5 "6, 7, and 8".
- 6 2. Page 3, line 32, by striking the figure "3"
- 7 and inserting in lieu thereof the figure "4".
- 8 3. Page 3, line 35, by striking the figure "4"
- 9 and inserting in lieu thereof the figure "5".

H-4427 FILED MAY 22, 1981
HOUSE CONCURRED

RECEIVED FROM THE SENATE
House concurred 5/22/81 (p. 2263)

1 Section 1. Section 422.4, subsection 18, paragraphs a,
2 b, and d, Code 1981, are amended to read as follows:

3 a. "Annual inflation factor" means an index, expressed
4 as a percentage, determined by the department each year to
5 reflect the purchasing power of the dollar as a result of
6 inflation during the preceding calendar year. For the 1981
7 and subsequent calendar year years, "annual inflation factor"
8 means an index, expressed as a percentage, determined by the
9 department by October 15 of the calendar year preceding the
10 calendar year for which the factor is determined to reflect
11 the purchasing power of the dollar as a result of inflation
12 during the fiscal year ending in the calendar year preceding
13 the calendar year for which the factor is determined. In
14 determining the annual inflation factor, the department shall
15 use the annual percent change, but not less than zero percent,
16 in the implicit price deflator for the gross national product
17 computed for the whole calendar year or for the second quarter
18 of the calendar year, in the case of the annual inflation
19 factor for the 1981 and subsequent calendar year years, by
20 the bureau of economic analysis of the United States department
21 of commerce and shall add two-fourths for the 1980 and ~~1981~~
22 subsequent calendar years of that percent change to one hundred
23 percent. The annual inflation factor for the 1979 calendar
24 year is one hundred two point three percent. The annual
25 inflation factor and the cumulative inflation factor shall
26 each be expressed as a percentage rounded to the nearest one-
27 tenth of one percent. The annual inflation factor shall not
28 be less than one hundred percent.

29 b. "Cumulative inflation factor" means the product of
30 the annual inflation factor for the 1978 calendar year and
31 all annual inflation factors for subsequent calendar years
32 as determined pursuant to this subsection. The cumulative
33 inflation factor applies to all tax years beginning on or
34 after January 1 of the calendar year for which the latest
35 annual inflation factor has been determined. ~~For-calendar~~

~~1 years-beginning-on-or-after-January-1, 1982, the cumulative
2 inflation factor shall be one hundred percent.~~

3 d. Notwithstanding the computation of the annual inflation
4 factor under paragraph "a" of this subsection, the annual
5 inflation factor is one hundred percent for any calendar year
6 in which the unobligated state general fund balance on June
7 30 as certified by the state comptroller by September 10 of
8 the fiscal year beginning in that calendar year is less than
9 sixty million dollars. However, for the 1981 and subsequent
10 calendar year years, the annual inflation factor is one hundred
11 percent for any calendar year if the unobligated state general
12 fund balance on June 30 of the calendar year preceding the
13 calendar year for which the factor is determined, as certified
14 by the state comptroller by October 10, is less than sixty
15 million dollars.

16 Sec. 2. Section 422.4, subsection 17, Code 1981, is amended
17 to read as follows:

18 17. "Internal Revenue Code of 1954" means the Internal
19 Revenue Code of 1954, as amended to and including January
20 1, ~~1980~~ 1981.

21 Sec. 3. Income of an individual which is excluded from
22 gross income under the Internal Revenue Code of 1954 as a
23 result of the provisions of the Hostage Relief Act of 1980,
24 94 stat. 1967, shall not be included as income in computing
25 the tax imposed by section 422.5.

3561 26 Sec. 4. Section 422.7, Code 1981, is amended by inserting
3572 27 after subsection 8 the following new subsection:

3585 28 NEW SUBSECTION. The combined exclusion of interest and
29 dividend income provided by section 116(a) of the Internal
30 Revenue Code of 1954, as amended up to and including January
31 1, 1981, is not applicable in computing Iowa net income for
32 tax years beginning before January 1, 1982. Instead, each
33 individual may exclude not more than one hundred dollars of
34 income received as dividends from domestic corporations as
35 provided by section 116(a) of the Internal Revenue Code of

1 1954, as amended up to and including January 1, 1980.

2 Sec. 5. Section 422.7, Code 1981, is amended by inserting
3 after subsection 8 the following new subsection:

4 NEW SUBSECTION. Married taxpayers who file a joint federal
5 return and who elect to file separate returns or separate
6 filing on a combined return for Iowa income tax purposes may
7 avail themselves of the exclusion for interest and dividend
8 income pursuant to section 116(a) of the Internal Revenue
9 Code of 1954 and shall compute the exclusion subject to the
10 limitations for joint federal income tax return filers pro-
11 vided by section 116(b)(1) of the Internal Revenue Code of
12 1954.

13 Sec. 6. Section 422.7, Code 1981, is amended by adding
14 the following new subsection:

15 NEW SUBSECTION. Subtract the amount of the alcohol fuel
16 credit allowable for the tax year under section 44E of the
17 Internal Revenue Code of 1954 to the extent that the credit
18 increased federal adjusted gross income.

19 Sec. 7. Section 422.32, subsection 4, Code 1981, is amended
20 to read as follows:

21 4. "Internal Revenue Code of 1954" means the Internal
22 Revenue Code of 1954, as amended to and including January
23 1, ~~1980~~ 1981.

24 Sec. 8. Section 422.35, Code 1981, is amended by inserting
25 after subsection 6 the following new subsection:

26 NEW SUBSECTION. Subtract the amount of the alcohol fuel
27 credit allowable for the tax year under section 44E of the
28 Internal Revenue Code of 1954 to the extent that the credit
387929 increased federal taxable income.

3895 30 Sec. 9. Sections 2, 5, 6 and 7 are retroactive to January
31 1, 1980, for tax years beginning on or after January 1, 1980.

3861 32 Sec. 10. Section 3 is retroactive to January 1, 1981,
3895 33 for tax years beginning on or after January 1, 1981 but before
34 January 1, 1982.

3874 35 Sec. 11. Section 4 takes effect January 1, 1982 for tax
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1 years beginning on or after January 1, 1982.

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HOUSE FILE 868

190

1 Amend House File 868 as follows:

2 1. Page 2, by inserting after line 20 the following
3 new section:

4 "Sec. ____ . Section 422.7, subsection 3, Code 1981,
5 is amended to read as follows:

6 3. Where the adjusted gross income includes capital
7 gains or losses, or gains or losses from property
8 other than capital assets, and such gains or losses
9 have been determined by using a basis established
10 prior to January 1, 1934, an adjustment may be made,
11 under rules prescribed by the director, to reflect
12 the difference resulting from the use of a basis of
13 cost or January 1, 1934, fair market value, less
14 depreciation allowed or allowable, whichever is higher.
15 Provided that the basis shall be fair market value
16 as of January 1, 1955, less depreciation allowed or
17 allowable, in the case of property acquired prior
18 to that date if use of a prior basis is declared to
19 be invalid. Where the computation of adjusted gross
20 income includes capital gains from the sale of
21 agricultural land in this state which has been held
22 by a taxpayer for a period of less than five years,
23 the taxpayer shall not be entitled to a capital gains
24 deduction attributable to the capital gains from the
25 sale of the agricultural land and the director shall
26 provide by rule for computing the adjustment to the
27 adjusted gross income that the taxpayer shall make
28 in order that the capital gains from the sale of the
29 agricultural land will be taxed as ordinary income."

30 2. Page 3, by inserting after line 18 the following
31 new section:

32 "Sec. ____ . Section 422.35, subsection 3, Code
33 1981, is amended to read as follows:

34 3. Where the net income includes capital gains
35 or losses, or gains or losses from property other
36 than capital assets, and such gains or losses have
37 been determined by using a basis established prior
38 to January 1, 1934, an adjustment may be made, under
39 rules and regulations prescribed by the director,
40 to reflect the difference resulting from the use of
41 a basis of cost or January 1, 1934, fair market value,
42 less depreciation allowed or allowable, whichever
43 is higher. Provided that the basis shall be fair
44 market value as of January 1, 1955, less depreciation
45 allowed or allowable, in the case of property acquired
46 prior to that date if use of a prior basis is declared
47 to be invalid. Where the computation of net income
48 includes capital gains from the sale of agricultural
49 land in this state which has been held by a taxpayer
50 for a period of less than five years, the taxpayer

H-4190
Page 2

1 shall not be entitled to the capital gains deduction
2 attributable to the capital gains from the sale of
3 the agricultural land and the director shall provide
4 by rule for computing the adjustment to the net income
5 that the taxpayer shall make in order that the capital
6 gains from the sale of agricultural land will be taxed
7 as ordinary income."

8 3. Renumber sections and correct internal
9 references as are necessary in accordance with this
10 amendment.

H-4190 FILED MAY 14, 1981

Lost 5/19/81 BY JAY of Appanoose SULLIVAN of Van Buren
(p. 2023) GROTH of Buena Vista GETTINGS of Wapello
HALVORSON of Webster

HOUSE FILE 868

H-4202

1 Amend amendment H-4144 to House File 868 as
2 follows:
3 1. Page 1, line 13, by striking the number and
4 letter "41C" and inserting in lieu thereof the
5 number and letter "41B".

H-4202 FILED MAY 14, 1981 BY BRUNER of Story

Placed out of order 5/19/81 (p. 2026)

HOUSE FILE 868

H-4216

1 Amend House File 868 as follows:
2 1. Page 3, by inserting after line 13 the
3 following new sections:
4 "Sec. ____ . Section 422.9, subsection 2, lettered
5 paragraph c, Code 1981, is amended by striking the
6 paragraph.
7 Sec. ____ . Section 422.12, Code 1981, is amended
8 by inserting after subsection 2 the following new
9 subsection:
10 "NEW SUBSECTION. A political contribution credit
11 equal to five percent of the qualifying political
12 contribution subject to the same limitations provided
13 by section 41(b) of the Internal Revenue Code of 1954."

H-4216 FILED MAY 15, 1981

BY BRUNER of Story

Bill not germane 5/19/81 (p. 2027)

S-3861

- 1 Amend House File 868, as amended and passed by
- 2 the House, as follows:
- 3 1. Page 2, by striking lines 26 through 35.
- 4 2. Page 3, by striking line 1.
- 5 3. Page 3, by inserting after line 31 the following
- 6 new section:
- 7 "Sec. ____ Section 5 is retroactive to January
- 8 1, 1981 for tax years beginning on or after January
- 9 1, 1981."
- 10 4. Page 3, by striking lines 32 through 35.
- 11 5. Page 4, by striking line 1.

S-3861 FILED

BY BOB CARR

MAY 21, 1981

4/22 5/22 (p. 1858)

HOUSE FILE 868

S-3879

- 1 Amend House File 868 as amended, passed and
- 2 reprinted by the House as follows:
- 3 1. Page 2, by striking line 26 through page 3,
- 4 line 1.
- 5 2. Page 3, by striking line 29, and inserting in
- 6 lieu thereof the following: "increased federal taxable
- 7 income and add the federal windfall profits tax deducted
- 8 for the tax year under the provisions of section 164 of
- 9 the Internal Revenue Code of 1954 to the extent that the
- 10 deduction decreased federal taxable income."
- 11 3. Page 3, by striking line 35 through page 4, line 1,
- 12 and inserting in lieu thereof the following:
- 13 "Sec. ____ Section 5 is retroactive to January 1, 1981
- 14 for tax years beginning on or after January 1, 1981."

S-3879 FILED & LOST

BY ARTHUR A. SMALL, JR.

MAY 22, 1981 *(p. 1859)*

HOUSE FILE 868

S-3889

- 1 Amend House File 868 as amended, passed and
- 2 reprinted by the House as follows:
- 3 1. Page 2, line 33, by inserting after the word
- 4 "exclude" the words "a combined total of".
- 5 2. Page 2, line 34, by inserting after the word
- 6 "received" the words "as interest and income received".

S-3889 FILED & LOST

BY ROBERT M. CARR

MAY 22, 1981 *(p. 1859)*

HOUSE FILE 868

S-3895

- 1 Amend House File 868, as amended and passed by
- 2 the House, as follows:
- 3 1. Page 3, line 30, by striking the figures "5,
- 4 6, and 7" and inserting in lieu thereof the figures
- 5 "6, 7, and 8".
- 6 2. Page 3, line 32, by striking the figure "3"
- 7 and inserting in lieu thereof the figure "4".
- 8 3. Page 3, line 35, by striking the figure "4"
- 9 and inserting in lieu thereof the figure "5".

S-3895 FILED & ADOPTED

BY MICK LURA

MAY 22, 1981 *(p. 1862)*

HOUSE FILE 868

AN ACT

RELATING TO THE STATE INCOME AND FRANCHISE TAXES BY ALLOWING INDEXING TO OCCUR FOR SUBSEQUENT TAX YEARS, UPDATING REFERENCES TO THE INTERNAL REVENUE CODE, AND MAKING CERTAIN PROVISIONS OF THE ACT RETROACTIVE.

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

Section 1. Section 422.4, subsection 18, paragraphs a, b, and d, Code 1981, are amended to read as follows:

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 during the preceding calendar year. For the 1981 and subsequent calendar year years, "annual inflation factor" means an index, expressed as a percentage, determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined to reflect the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual inflation factor, the department shall use the annual percent change, but not less than zero percent, in the implicit price deflator for the gross national product computed for the whole calendar year or for the second quarter of the calendar year, in the case of the annual inflation factor for the 1981 and subsequent calendar year years, by the bureau of economic analysis of the United States department of commerce and shall add two-fourths for the 1980 and ~~1981~~ subsequent calendar years of that percent change to one hundred percent. The annual inflation factor for the 1979 calendar year is one hundred two point 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. The annual inflation factor shall not be less than one hundred 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 applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined. ~~For calendar years beginning on or after January 1, 1982, the cumulative inflation factor shall be one hundred percent.~~

d. 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 30 as certified by the state comptroller by September 10 of the fiscal year beginning in that calendar year is less than sixty million dollars. However, for the 1981 and subsequent calendar year years, the annual inflation factor is one hundred percent for any calendar year if the unobligated state general fund balance on June 30 of the calendar year preceding the calendar year for which the factor is determined, as certified by the state comptroller by October 10, is less than sixty million dollars.

Sec. 2. Section 422.4, subsection 17, Code 1981, is amended to read as follows:

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1980~~ 1981.

Sec. 3. Income of an individual which is excluded from gross income under the Internal Revenue Code of 1954 as a result of the provisions of the Hostage Relief Act of 1980, 94 stat. 1967, shall not be included as income in computing the tax imposed by section 422.5.

Sec. 4. Section 422.7, Code 1981, is amended by inserting after subsection 8 the following new subsection:

NEW SUBSECTION. The combined exclusion of interest and dividend income provided by section 116(a) of the Internal Revenue Code of 1954, as amended up to and including January 1, 1981, is not applicable in computing Iowa net income for tax years beginning before January 1, 1982. Instead, each individual may exclude not more than one hundred dollars of income received as dividends from domestic corporations as provided by section 116(a) of the Internal Revenue Code of 1954, as amended up to and including January 1, 1980.

Sec. 5. Section 422.7, Code 1981, is amended by inserting after subsection 8 the following new subsection:

NEW SUBSECTION. Married taxpayers who file a joint federal return and who elect to file separate returns or separate filing on a combined return for Iowa income tax purposes may avail themselves of the exclusion for interest and dividend income pursuant to section 116(a) of the Internal Revenue Code of 1954 and shall compute the exclusion subject to the limitations for joint federal income tax return filers provided by section 116(b)(1) of the Internal Revenue Code of 1954.

Sec. 6. Section 422.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Subtract the amount of the alcohol fuel credit allowable for the tax year under section 44E of the Internal Revenue Code of 1954 to the extent that the credit increased federal adjusted gross income.

Sec. 7. Section 422.32, subsection 4, Code 1981, is amended to read as follows:

4. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1980~~ 1981.

Sec. 8. Section 422.35, Code 1981, is amended by inserting after subsection 6 the following new subsection:

NEW SUBSECTION. Subtract the amount of the alcohol fuel credit allowable for the tax year under section 44E of the Internal Revenue Code of 1954 to the extent that the credit increased federal taxable income.

Sec. 9. Sections 2, 6, 7 and 8 are retroactive to January 1, 1980, for tax years beginning on or after January 1, 1980.

Sec. 10. Section 4 is retroactive to January 1, 1981, for tax years beginning on or after January 1, 1981 but before January 1, 1982.

Sec. 11. Section 5 takes effect January 1, 1982 for tax years beginning on or after January 1, 1982.

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 868, Sixty-ninth General Assembly.

PAT H. HARPER
Chief Clerk of the House

Approved  1981

ROBERT D. RAY
Governor