

Sen Way - 7/9 4/9 Do Pass 4/23 (p. 1360)

House File 2472

WAYS AND MEANS: Bruner, Chair; Boswell and Holden

MAR 20 1986

HOUSE FILE 2472

BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

(Formerly House Study Bill 548)

Passed House, Date 4-7-86 (p. 1274) Passed Senate, Date 4-24-86 (p. 1384)

Vote: Ayes 94 Nays 0 Vote: Ayes 42 Nays 5

Approved May 23, 1986

A BILL FOR

1 An Act relating to taxation by updating references to the
 2 Internal Revenue Code, eliminating one of the net operating
 3 loss deductions in computing the state minimum tax, removing
 4 the requirement that members of an affiliated group of
 5 corporations consent in writing to the filing of a
 6 consolidated corporation income tax return, and providing an
 7 effective date.

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

HOUSE FILE 2472

H-5772

1 Amend House File 2472 as follows:

2 1. Page 5, by inserting after line 30 the
 3 following:

4 "Sec. ____ . Section 422.7, Code Supplement 1985, is
 5 amended by adding the following new subsection:
 6 NEW SUBSECTION. 21. Subtract the gain resulting
 7 from depreciation taken in prior tax years on
 8 agricultural machinery or breeding livestock where the
 9 agricultural machinery or breeding livestock is
 10 transferred to a creditor in cancellation of a debt or
 11 is sold or exchanged as a result of a forced
 12 liquidation, foreclosure, or bankruptcy."

H-5772 FILED APRIL 9, 1986 BY DAGGETT of Taylor

7/10 4/10 (p. 1395)

1 Section 1. Section 18B.10, unnumbered paragraph 1, Code
2 1985, is amended to read as follows:

3 At the request of an employee through contractual agreement
4 the board may arrange for the purchase of group or individual
5 annuity contracts for any of its employees from any company
6 the employee chooses that is authorized to do business in this
7 state and through an Iowa-licensed insurance agent that the
8 employee selects, for retirement or other purposes, and may
9 make payroll deductions in accordance with the arrangements
10 for the purpose of paying the entire premium due and to become
11 due under the contract. The deductions shall be made in the
12 manner which will qualify the annuity premiums for the
13 benefits afforded under section 403b of the Internal Revenue
14 Code of 1954 ~~as amended to July 17, 1983~~, as defined in section
15 422.3. The employee's rights under the annuity contract are
16 nonforfeitable except for the failure to pay premiums.

17 Sec. 2. Section 218.16, Code 1985, is amended to read as
18 follows:

19 218.16 ANNUITY CONTRACTS FOR EMPLOYEES.

20 At the request of an employee through contractual
21 agreement, the department of human services or any institution
22 under its jurisdiction may purchase an individual annuity
23 contract for an employee, from such an insurance organization
24 the employee chooses that is authorized to do business in this
25 state and through an Iowa-licensed insurance agent ~~as~~ that the
26 employee ~~may select~~ selects, for retirement or other purposes,
27 and may make payroll deductions in accordance with such the
28 arrangements for the purpose of paying the entire premium due
29 and to become due under such the contract. The deductions
30 shall be made in the manner which will qualify the annuity
31 premiums for the benefits afforded under section 403(b) of the
32 Internal Revenue Code of 1954 ~~and amendments thereto~~, as
33 defined in section 422.3. The employee's rights under such
34 the annuity contracts shall be contract are nonforfeitable
35 except for the failure to pay premiums.

1 Sec. 3. Section 257.10, subsection 13, Code Supplement
2 1985, is amended to read as follows:

3 13. At the request of an employee through contractual
4 agreement the board may arrange for the purchase of group or
5 individual annuity contracts for any of its **respective**
6 employees from any company the employee ~~may-choose~~ chooses
7 that is authorized to do business in this state and through an
8 Iowa-licensed insurance agent that the employee ~~may-select~~
9 selects, for retirement or other purposes, and may make
10 payroll deductions in accordance with ~~such~~ the arrangements
11 for the purpose of paying the entire premium due and to become
12 due under ~~such~~ the contract. The deductions shall be made in
13 the manner which will qualify the annuity premiums for the
14 benefits ~~afforded~~ under section 403b of the Internal Revenue
15 Code of 1954 ~~and-amendments-thereto~~, as defined in section
16 422.3. The employee's rights under ~~such~~ the annuity contract
17 ~~shall-be~~ are nonforfeitable except for the failure to pay
18 premiums. ~~Whenever~~ If an existing tax-sheltered annuity
19 contract is to be replaced by a new contract the agent or
20 representative of the company shall submit a letter of intent
21 by registered mail to the company being replaced, to the
22 insurance commissioner of the state of Iowa, and to the ~~agent~~
23 agent's or representative's own company at least thirty days
24 prior to any action ~~by-registered-mail~~. This letter of intent
25 shall contain the policy number and description of the
26 contract being replaced and a description of the replacement
27 contract.

28 Sec. 4. Section 262.21, unnumbered paragraph 1, Code 1985,
29 is amended to read as follows:

30 At the request of an employee through contractual agreement
31 the board may arrange for the purchase of group or individual
32 annuity contracts for any of its **respective** employees from any
33 company the employee ~~may-choose~~ chooses that is authorized to
34 do business in this state, for retirement or other purposes,
35 and may make payroll deductions in accordance with ~~such~~ the

1 arrangements for the purpose of paying the entire premium due
2 and to become due under ~~such~~ the contract. The deductions
3 shall be made in the manner which will qualify the annuity
4 premiums for the benefits ~~afforded~~ under section 403b of the
5 Internal Revenue Code of 1954 ~~and-amendments-thereto,~~ as
6 defined in section 422.3. The employee's rights under ~~such~~
7 the annuity contract ~~shall-be~~ are nonforfeitable except for
8 the failure to pay premiums.

9 Sec. 5. Section 273.3, subsection 15, Code Supplement
10 1985, is amended to read as follows:

11 15. At the request of an employee through contractual
12 agreement the board may arrange for the purchase of an
13 individual annuity contract for any of its ~~respective~~
14 employees from any company the employee ~~may-choose~~ chooses
15 that is authorized to do business in this state, and through
16 an Iowa-licensed insurance agent that the employee ~~may-select~~
17 selects, for retirement or other purposes, and may make
18 payroll deductions in accordance with ~~such~~ the arrangements
19 for the purpose of paying the entire premium due, and to
20 become due, under the contract. The deductions shall be made
21 in the manner which will qualify the annuity premiums for the
22 benefits ~~afforded~~ under section 403b of the Internal Revenue
23 Code of 1954 ~~and-amendments-thereto,~~ as defined in section
24 422.3. The employee's rights under ~~such~~ the annuity contract
25 ~~shall-be~~ are nonforfeitable except for the failure to pay
26 premiums.

27 Sec. 6. Section 280A.23, subsection 9, Code 1985, is
28 amended to read as follows:

29 9. At the request of an employee through contractual
30 agreement the board may arrange for the purchase of group or
31 individual annuity contracts for any of its ~~respective~~
32 employees from any company the employee ~~may-choose~~ chooses
33 that is authorized to do business in this state and through an
34 Iowa-licensed insurance agent that the employee ~~may-select~~
35 selects, for retirement or other purposes, and may make

1 payroll deductions in accordance with ~~such~~ the arrangements
2 for the purpose of paying the entire premium due and to become
3 due under ~~such~~ the contract. The deductions shall be made in
4 the manner which will qualify the annuity premiums for the
5 benefits ~~afforded~~ under section 403b of the Internal Revenue
6 Code of 1954 ~~and-amendments-thereto~~, as defined in section
7 422.3. The employee's rights under ~~such~~ the annuity contract
8 ~~shall-be~~ are nonforfeitable except for the failure to pay
9 premiums. ~~Whenever~~ If an existing tax-sheltered annuity
10 contract is to be replaced by a new contract the agent or
11 representative of the company shall submit a letter of intent
12 by registered mail to the company being replaced, to the
13 insurance commissioner of the state of Iowa, and to the
14 agent's or representative's own company at least thirty days
15 prior to any action ~~by-registered-mail~~. This letter of intent
16 shall contain the policy number and description of the
17 contract being replaced and a description of the replacement
18 contract.

19 Sec. 7. Section 294.16, Code 1985, is amended to read as
20 follows:

21 294.16 ANNUITY CONTRACTS.

22 At the request of an employee through contractual agreement
23 a school district may purchase group or individual annuity
24 contracts for ~~an-employee~~ employees, from ~~such~~ an insurance
25 organization the employee chooses that is authorized to do
26 business in this state and through an Iowa-licensed insurance
27 agent ~~as~~ that the employee ~~may-select~~ selects, for retirement
28 or other purposes, and may make payroll deductions in
29 accordance with ~~such~~ the arrangements for the purpose of
30 paying the entire premium due and to become due under ~~such~~ the
31 contract. The deductions shall be made in the manner which
32 will qualify the annuity premiums for the ~~benefit-afforded~~
33 benefits under section 403b ~~{26-USE-S-403b}~~ of the ~~federal~~
34 ~~internal-revenue-code-and-amendments-thereto~~ Internal Revenue
35 Code of 1954, as defined in section 422.3. The employee's

1 rights under such the annuity contract shall-be are
2 nonforfeitable except for the failure to pay premiums.
3 Whenever If an existing tax-sheltered annuity contract is to
4 be replaced by a new contract the agent or representative of
5 the company shall submit a letter of intent by registered mail
6 to the company being replaced, to the insurance commissioner
7 of the state of Iowa, and to the agent's or representative's
8 own company at least thirty days prior to any action by
9 ~~registered-mail~~. This letter of intent shall contain the
10 policy number and description of the contract being replaced
11 and a description of the replacement contract.

12 Sec. 8. Section 422.3, subsection 5, Code Supplement 1985,
13 is amended to read as follows:

14 5. "Internal Revenue Code of 1954" means the Internal
15 Revenue Code of 1954, as amended to and including January 1,
16 ~~1985~~ 1986.

17 Sec. 9. Section 422.5, subsection 1, paragraph o,
18 subparagraph (3), Code Supplement 1985, is amended to read as
19 follows:

20 ~~(3) Subtract-the-amount-of-the-net-operating-loss-computed~~
21 ~~in-section-422.97-subsection-37-for-a-tax-year-other-than-the~~
22 ~~current-year-which-was-carried-back-or-carried-forward-to-the~~
23 ~~current-year-under-section-422.97-subsection-37-paragraph-"a",~~
24 ~~"b"-or-"c".--However,-in~~ In the case of a net operating loss
25 computed for a tax year beginning after December 31, 1982
26 which is carried back or carried forward to the current
27 taxable year, the net operating loss shall be reduced by the
28 amount of the items of tax preference arising in such year
29 which was taken into account in computing the net operating
30 loss in section 422.9, subsection 3.

31 Sec. 10. Section 422.37, subsection 5, Code 1985, is
32 amended to read as follows:

33 5. Each member of the affiliated group shall consent to
34 the filing-by-specific-written-authorization rules governing a
35 consolidated return prescribed by the director at the time the

1 consolidated return is filed, unless the director requires the
2 filing of a consolidated return. The filing of a consolidated
3 return shall be considered the affiliated group's consent.

4 Sec. 11. This Act is retroactive to January 1, 1985 for
5 tax years beginning on or after that date.

6 Sec. 12. This Act, being deemed of immediate importance,
7 takes effect from and after its publication in The Nevada
8 Evening Journal, a newspaper published in Nevada, Iowa, and in
9 The North Scott Press, a newspaper published in Eldridge,
10 Iowa.

11 EXPLANATION

12 This bill updates references to the Internal Revenue Code
13 of 1954 to incorporate technical revisions made to the federal
14 Tax Reform Act of 1984 for individual and corporation income
15 tax, franchise tax, and inheritance tax. The update
16 references are also made to various provisions authorizing tax
17 sheltered annuities so as to eliminate questions about the
18 application of federal tax provisions enacted after the
19 effective dates of such annuity provisions. Changes in the
20 state minimum tax were enacted in 1985 to revise the method
21 for computation of the minimum tax. Among these changes to
22 the law was a double deduction for net operating losses car-
23 ried back or carried forward to the current taxable year.
24 This bill corrects the 1985 enacted law by deleting one of the
25 net operating losses which were to be carried back or carried
26 over. The bill also removes the requirement that members of
27 an affiliated group of corporations consent in writing to the
28 filing of a consolidated corporation income tax return.

29 The bill is effective upon publication, retroactive to
30 January 1, 1985, for tax years beginning on or after that
31 date.

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SENATE AMENDMENT TO HOUSE FILE 2472

H-6032

1 Amend House File 2472 as passed by the House as
2 follows:

3 1. Page 6, by inserting before line 6 the following:
4 "Sec. _____. A return for a tax period ending on or
5 before December 31, 1985, filed pursuant to section
6 422.21 on or before October 31, 1986, is deemed to be
7 filed on or before the due date of the return. However,
8 nothing in this provision is intended to prevent assess-
9 ment of penalty or interest or guilt of any criminal
10 charge as otherwise provided by law."

H-6032 FILED APRIL 25, 1986 RECEIVED FROM THE SENATE

House refused to concur 4/29 (p. 1867)
Senate received 4/29 (p. 1441)

HOUSE FILE 2472

S-5745

1 Amend House File 2472 as passed by the House as
2 follows:

3 1. Page 6, by inserting before line 6 the following:
4 "Sec. _____. A return for a tax period ending on or
5 before December 31, 1985, filed pursuant to Section
6 422.21 on or before October 31, 1986, is deemed to be
7 filed on or before the due date of the return. However,
8 nothing in this provision is intended to prevent assess-
9 ment of penalty or interest or guilt of any criminal
10 charge as otherwise provided by law."

S-5745 Filed and adopted April 24, 1986 BY MANN

(p. 1384)

HOUSE FILE 2472

AN ACT

RELATING TO TAXATION BY UPDATING REFERENCES TO THE INTERNAL REVENUE CODE, ELIMINATING ONE OF THE NET OPERATING LOSS DEDUCTIONS IN COMPUTING THE STATE MINIMUM TAX, REMOVING THE REQUIREMENT THAT MEMBERS OF AN AFFILIATED GROUP OF CORPORATIONS CONSENT IN WRITING TO THE FILING OF A CONSOLIDATED CORPORATION INCOME TAX RETURN, AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Section 18B.10, unnumbered paragraph 1, Code 1985, is amended to read as follows:

At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its employees from any company the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee selects, for retirement or other purposes, and may

make payroll deductions in accordance with the arrangements for the purpose of paying the entire premium due and to become due under the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 ~~as amended to July 17, 1983, as defined in section 422.3.~~ The employee's rights under the annuity contract are nonforfeitable except for the failure to pay premiums.

Sec. 2. Section 218.16, Code 1985, is amended to read as follows:

218.16 ANNUITY CONTRACTS FOR EMPLOYEES.

At the request of an employee through contractual agreement, the department of human services or any institution under its jurisdiction may purchase an individual annuity contract for an employee, from ~~such an~~ insurance organization the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent ~~as that~~ the employee ~~may select selects,~~ for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ arrangements for the purpose of paying the entire premium due and to become due under ~~such the~~ contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403(b) of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3.~~ The employee's rights under ~~such the annuity contracts shall be contract are~~ nonforfeitable except for the failure to pay premiums.

Sec. 3. Section 257.10, subsection 13, Code Supplement 1985, is amended to read as follows:

13. At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its ~~respective~~ employees from any company the employee ~~may choose chooses~~ that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee ~~may select~~

selects, for retirement or other purposes, and may make payroll deductions in accordance with such the arrangements for the purpose of paying the entire premium due and to become due under such the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto~~, as defined in section 422.3. The employee's rights under such the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums. Whenever if an existing tax-sheltered annuity contract is to be replaced by a new contract the agent or representative of the company shall submit a letter of intent by registered mail to the company being replaced, to the insurance commissioner of the state of Iowa, and to the agent agent's or representative's own company at least thirty days prior to any action ~~by registered mail~~. This letter of intent shall contain the policy number and description of the contract being replaced and a description of the replacement contract.

Sec. 4. Section 262.21, unnumbered paragraph 1, Code 1985, is amended to read as follows:

At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state, for retirement or other purposes, and may make payroll deductions in accordance with such the arrangements for the purpose of paying the entire premium due and to become due under such the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto~~, as defined in section 422.3. The employee's rights under such the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums.

Sec. 5. Section 273.3, subsection 15, Code Supplement 1985, is amended to read as follows:

15. At the request of an employee through contractual agreement the board may arrange for the purchase of an individual annuity contract for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state, and through an Iowa-licensed insurance agent that the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with such the arrangements for the purpose of paying the entire premium due, and to become due, under the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto~~, as defined in section 422.3. The employee's rights under such the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay premiums.

Sec. 6. Section 280A.23, subsection 9, Code 1985, is amended to read as follows:

9. At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its respective employees from any company the employee ~~may choose~~ chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with such the arrangements for the purpose of paying the entire premium due and to become due under such the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 ~~and amendments thereto~~, as defined in section 422.3. The employee's rights under such the annuity contract ~~shall be~~ are nonforfeitable except for the failure to pay

premiums. Whenever if an existing tax-sheltered annuity contract is to be replaced by a new contract the agent or representative of the company shall submit a letter of intent by registered mail to the company being replaced, to the insurance commissioner of the state of Iowa, and to the agent's or representative's own company at least thirty days prior to any action by registered mail. This letter of intent shall contain the policy number and description of the contract being replaced and a description of the replacement contract.

Sec. 7. Section 294.16, Code 1985, is amended to read as follows:

294.16 ANNUITY CONTRACTS.

At the request of an employee through contractual agreement a school district may purchase group or individual annuity contracts for an employee employees, from such an insurance organization the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent as that the employee may select selects, for retirement or other purposes, and may make payroll deductions in accordance with such the arrangements for the purpose of paying the entire premium due and to become due under such the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefit-afforded benefits under section 403b ~~{26-USE-§-403b}~~ of the federal internal-revenue-code-and-amendments-thereto Internal Revenue Code of 1954, as defined in section 422.3. The employee's rights under such the annuity contract shall be are nonforfeitable except for the failure to pay premiums.

Whenever if an existing tax-sheltered annuity contract is to be replaced by a new contract the agent or representative of the company shall submit a letter of intent by registered mail to the company being replaced, to the insurance commissioner of the state of Iowa, and to the agent's or representative's own company at least thirty days prior to any action by

registered-mail. This letter of intent shall contain the policy number and description of the contract being replaced and a description of the replacement contract.

Sec. 8. Section 422.3, subsection 5, Code Supplement 1985, is amended to read as follows:

5. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1985~~ 1986.

Sec. 9. Section 422.5, subsection 1, paragraph c, subparagraph (3), Code Supplement 1985, is amended to read as follows:

(3) ~~Subtract the amount of the net operating loss computed in section 422.9, subsection 3, for a tax year other than the current year which was carried back or carried forward to the current year under section 422.9, subsection 3, paragraph "a"; "b" or "c".~~ However, ~~in~~ in the case of a net operating loss computed for a tax year beginning after December 31, 1982 which is carried back or carried forward to the current taxable year, the net operating loss shall be reduced by the amount of the items of tax preference arising in such year which was taken into account in computing the net operating loss in section 422.9, subsection 3.

Sec. 10. Section 422.37, subsection 5, Code 1985, is amended to read as follows:

5. Each member of the affiliated group shall consent to the filing-by-specific-written-authorization rules governing a consolidated return prescribed by the director at the time the consolidated return is filed, unless the director requires the filing of a consolidated return. The filing of a consolidated return shall be considered the affiliated group's consent.

Sec. 11. This Act is retroactive to January 1, 1985 for tax years beginning on or after that date.

Sec. 12. This Act, being deemed of immediate importance, takes effect from and after its publication in The Nevada Evening Journal, a newspaper published in Nevada, Iowa, and "

The North Scott Press, a newspaper published in Eldridge,
Iowa.

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and
is known as House File 2472, Seventy-first General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 23, 1986

TERRY E. BRANSTAD
Governor