

1987

HOUSE FILE 689

BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

Passed House, Date 10/27/87 Passed Senate, Date 10/27/87
Vote: Ayes 37 Nays ? Vote: Ayes 38 Nays 10
Approved Oct. 29, 1987

A BILL FOR

1 An Act relating to the state's individual income tax for income
2 tax years beginning in the 1987 calendar year and making it
3 retroactive.

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

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1 Section 1. Section 422.4, Code Supplement 1987, is amended
2 by adding the following new subsections:

3 NEW SUBSECTION. 19. For purposes of tax years beginning
4 in the 1987 calendar year, the definition of the Internal
5 Revenue Code of 1954 in section 422.3, subsection 5, shall be
6 interpreted to include provisions of the Tax Reform Act of
7 1986, Pub. L. No. 99-514 which amended the Internal Revenue
8 Code of 1954, unless the context otherwise requires.

9 NEW SUBSECTION. 20. "Internal Revenue Code of 1986" means
10 the Internal Revenue Code of 1954 as amended by the Tax Reform
11 Act of 1986, Pub. L. No. 99-514.

12 Sec. 2. Section 422.5, Code Supplement 1987, is amended by
13 adding after subsection 1 the following new subsection:

14 NEW SUBSECTION. 1A. In lieu of subsection 1, for tax
15 years beginning in the 1987 calendar year only, a tax is
16 imposed upon every resident and nonresident of the state which
17 tax shall be levied, collected, and paid annually upon and
18 with respect to the entire taxable income as defined in this
19 division at rates as follows:

20 a. On all taxable income from zero through one thousand
21 dollars, four-tenths of one percent.

22 b. On all taxable income exceeding one thousand dollars
23 but not exceeding two thousand dollars, eight-tenths of one
24 percent.

25 c. On all taxable income exceeding two thousand dollars
26 but not exceeding four thousand dollars, two and seven-tenths
27 percent.

28 d. On all taxable income exceeding four thousand dollars
29 but not exceeding nine thousand dollars, five percent.

30 e. On all taxable income exceeding nine thousand dollars
31 but not exceeding fifteen thousand dollars, six and eight-
32 tenths percent.

33 f. On all taxable income exceeding fifteen thousand
34 dollars but not exceeding twenty thousand dollars, seven and
35 two-tenths percent.

1 g. On all taxable income exceeding twenty thousand dollars
2 but not exceeding thirty thousand dollars, seven and fifty-
3 five hundredths percent.

4 h. On all taxable income exceeding thirty thousand dollars
5 but not exceeding forty-five thousand dollars, eight and
6 eight-tenths percent.

7 i. On all taxable income exceeding forty-five thousand
8 dollars, nine and ninety-eight hundredths percent.

9 j. The tax imposed upon the taxable income of a
10 nonresident shall be computed by reducing the amount
11 determined pursuant to paragraphs "a" through "i" by the
12 amounts of nonrefundable credits under this division and by
13 multiplying this resulting amount by a fraction of which the
14 nonresident's net income allocated to Iowa, as determined in
15 section 422.8, subsection 2, is the numerator and the
16 nonresident's total net income computed under section 422.7 is
17 the denominator. This provision also applies to individuals
18 who are residents of Iowa for less than the entire tax year.

19 k. There is imposed upon every resident and nonresident of
20 this state, including estates and trusts, the greater of the
21 tax determined in paragraphs "a" through "j" or the state
22 alternative minimum tax equal to seventy-five percent of the
23 maximum state individual income tax rate for the tax year,
24 rounded to the nearest one-tenth of one percent, of the state
25 alternative minimum taxable income of the taxpayer as computed
26 under this paragraph.

27 The state alternative minimum taxable income of a taxpayer
28 is equal to the taxpayer's state taxable income, as computed
29 with the deductions in section 422.9, except for the net
30 capital gain deduction, with the following adjustments:

31 (1) Add items of tax preference included in federal
32 alternative minimum taxable income under section 57, except
33 subsections (a)(1), (a)(2), and (a)(5), of the Internal
34 Revenue Code of 1986, make the adjustments included in federal
35 alternative minimum taxable income under section 56, except

1 subsections (a)(4), (b)(1)(C)(iii), and (d), of the Internal
2 Revenue Code of 1986, and add losses as required by section 58
3 of the Internal Revenue Code of 1986. In the case of an
4 estate or trust, the items of tax preference, adjustments, and
5 losses shall be apportioned between the estate or trust and
6 the beneficiaries in accordance with rules prescribed by the
7 director.

8 (2) Subtract the applicable exemption amount as follows:

9 (a) Seventeen thousand five hundred dollars for a married
10 person who files separately or for an estate or trust.

11 (b) Twenty-six thousand dollars for a single person or an
12 unmarried head of household.

13 (c) Thirty-five thousand dollars for a married couple
14 which files a joint return.

15 (d) The exemption amount shall be reduced, but not below
16 zero, by an amount equal to twenty-five percent of the amount
17 by which the alternative minimum taxable income of the
18 taxpayer, computed without regard to the exemption amount in
19 this subparagraph, exceeds the following:

20 (i) Seventy-five thousand dollars in the case of a
21 taxpayer described in subparagraph part (a).

22 (ii) One hundred twelve thousand five hundred dollars in
23 the case of a taxpayer described in subparagraph part (b).

24 (iii) One hundred fifty thousand dollars in the case of a
25 taxpayer described in subparagraph part (c).

26 (3) In the case of a net operating loss computed for a tax
27 year beginning after December 31, 1982 which is carried back
28 or carried forward to the current taxable year, the net
29 operating loss shall be reduced by the amount of the items of
30 tax preference arising in such year which was taken into
31 account in computing the net operating loss in section 422.9,
32 subsection 3. The deduction for a net operating loss for a
33 tax year beginning after December 31, 1986 which is carried
34 back or carried forward to the current taxable year shall not
35 exceed ninety percent of the alternative minimum taxable

1 income determined without regard for the net operating loss
2 deduction.

3 The state alternative minimum tax of a taxpayer whose net
4 capital gain deduction includes the gain or loss from the
5 forfeiture of an installment real estate contract, the
6 transfer of real or personal property securing a debt to a
7 creditor in cancellation of that debt or from the sale or
8 exchange of property as a result of actual notice of
9 foreclosure where the fair market value of the taxpayer's
10 assets exceeds the taxpayer's liabilities immediately before
11 such forfeiture, transfer, or sale or exchange shall not be
12 greater than such excess, including any asset transferred
13 within one hundred twenty days prior to such forfeiture,
14 transfer, or sale or exchange.

15 In the case of a resident, including a resident estate or
16 trust, the state's apportioned share of the state alternative
17 minimum tax is one hundred percent of the state alternative
18 minimum tax computed in this subsection. In the case of a
19 nonresident, including a nonresident estate or trust, or an
20 individual, estate or trust that is domiciled in the state for
21 less than the entire tax year, the state's apportioned share
22 of the state alternative minimum tax is the amount of tax
23 computed under this subsection, reduced by the applicable
24 credits in sections 422.10, 422.11, 422.11A and 422.12 and
25 this result multiplied by a fraction with a numerator of the
26 sum of state net income allocated to Iowa as determined in
27 section 422.8, subsection 2, plus tax preference items,
28 adjustments, and losses under subparagraph (1) attributable to
29 Iowa and with a denominator of the sum of total net income
30 computed under section 422.7 plus all tax preference items,
31 adjustments, and losses under subparagraph (1). In computing
32 this fraction, those items excludable under subparagraph (1)
33 shall not be used in computing the tax preference items.
34 Married taxpayers electing to file separate returns or
35 separately on a combined return must allocate the minimum tax

1 computed in this subsection in the proportion that each
2 spouse's respective preference items, adjustments, and losses
3 under subparagraph (1) bear to the combined preference items,
4 adjustments, and losses under subparagraph (1) of both
5 spouses.

6 Sec. 3. Section 422.5, subsection 2, Code Supplement 1987,
7 is amended by adding the following new unnumbered paragraph:
8 NEW UNNUMBERED PARAGRAPH. However, for tax years beginning
9 in the 1987 calendar year only, for all filers, except single
10 persons who are not heads of household or surviving spouses,
11 references in this subsection and subsections 6 and 10 to five
12 thousand dollars shall be interpreted to mean ten thousand
13 dollars. In addition, for tax years beginning in the 1987
14 calendar year only, if the resident or nonresident's net
15 income exceeds five thousand dollars or ten thousand dollars,
16 as applicable, the regular tax imposed under this division
17 shall be the lesser of the maximum state individual income tax
18 rate times the portion of the net income in excess of the
19 appropriate threshold amount or the regular tax liability
20 computed without regard to this sentence.

21 Sec. 4. Section 422.7, Code Supplement 1987, is amended by
22 adding after subsection 16 the following new subsection:
23 NEW SUBSECTION. 16A. Notwithstanding any other provision,
24 for tax years beginning in the 1987 calendar year only, add
25 the amounts deducted and subtract the amounts included as
26 income as a result of the treatment provided sale-leaseback
27 agreements under section 168(f)(8) of the Internal Revenue
28 Code of 1954 for property placed in service by the transferee
29 prior to January 1, 1986 to the extent that the amounts
30 deducted and the amounts included in income are not otherwise
31 deductible or included in income under the Internal Revenue
32 Code of 1954 as amended to and including December 31, 1985.
33 Entitlement to depreciation on any property included in a
34 sale-leaseback agreement which is placed in service by the
35 transferee prior to January 1, 1986 shall be determined under

1 the Internal Revenue Code of 1954 as amended to and including
2 December 31, 1985, excluding section 168(f)(8) in making the
3 determination.

4 Sec. 5. Section 422.7, subsections 23 and 24, Code
5 Supplement 1987, are amended to read as follows:

6 23. Add the amount of intangible drilling and development
7 costs optionally deducted in the year paid or incurred as
8 allowed under section 263(c) of the Internal Revenue Code of
9 1954. This amount may be recovered through cost depletion or
10 depreciation, as appropriate under rules prescribed by the
11 director. However, for tax years beginning in the 1987
12 calendar year only, the amount to be added equals the amount
13 optionally deducted in the year paid or accrued as described
14 in section 57(a)(2) of the Internal Revenue Code of 1986.

15 24. Add the percentage depletion amount determined with
16 respect to an oil, gas, or geothermal well using methods in
17 section 613 of the Internal Revenue Code of 1954 that is in
18 excess of the cost depletion amount determined under section
19 611 of the Internal Revenue Code of 1954. However, for tax
20 years beginning in the 1987 calendar year only, the amount to
21 be added equals the percentage depletion amount determined
22 with respect to an oil, gas, or geothermal well as described
23 in section 57(a)(1) of the Internal Revenue Code of 1986.

24 Sec. 6. Section 422.7, Code Supplement 1987, is amended by
25 adding the following new subsection:

26 NEW SUBSECTION. 27. For tax years beginning in the 1987
27 calendar year only, add interest and dividends from regulated
28 investment companies exempt from federal income tax under the
29 Internal Revenue Code of 1986 and subtract the loss on the
30 sale or exchange of a share of a regulated investment company
31 held for six months or less to the extent the loss was
32 disallowed under section 852(b)(4)(B) of the Internal Revenue
33 Code of 1986.

34 Sec. 7. Section 422.9, subsection 1, unnumbered paragraph
35 1, Code Supplement 1987, is amended to read as follows:

1 An optional standard deduction of fifteen percent of the
2 net income after deduction of federal income tax, not to
3 exceed one thousand two hundred dollars for a married person
4 who files separately, one thousand two hundred dollars for a
5 single person or three thousand dollars for a husband and wife
6 who file a joint return, a surviving spouse as defined in
7 section 2 of the Internal Revenue Code of 1954, or an
8 unmarried head of household as defined in the Internal Revenue
9 Code of 1954 or for tax years beginning in the 1987 calendar
10 year only, an optional standard deduction after deduction of
11 federal income tax equal to one thousand two hundred thirty
12 dollars for a married person who files separately or a single
13 person or equal to three thousand thirty dollars for a husband
14 and wife who file a joint return, a surviving spouse, or an
15 unmarried head of household. The optional standard deduction
16 shall not exceed the amount remaining after deduction of the
17 federal income tax.

18 Sec. 8. Section 422.9, subsection 2, unnumbered paragraph
19 1, Code Supplement 1987, is amended to read as follows:

20 The total of contributions, interest, taxes, medical
21 expense, nonbusiness losses and miscellaneous expenses; and
22 for tax years beginning in the 1987 calendar year only, moving
23 expenses; deductible for federal income tax purposes under the
24 Internal Revenue Code of 1954, with the following adjustments:

25 Sec. 9. Section 422.9, Code Supplement 1987, is amended by
26 adding the following new subsection:

27 NEW SUBSECTION. 6. For tax years beginning in the 1987
28 calendar year only, the taxpayer may recompute the taxpayer's
29 income tax liability for the tax year by subtracting from the
30 taxpayer's taxable income, as computed without regard to this
31 subsection, sixty percent of the net capital gain as computed
32 in section 1202 of the Internal Revenue Code of 1986 in effect
33 for tax years beginning in the 1986 calendar year. For
34 purposes of determining the amount to be subtracted, the net
35 capital gain shall not exceed seventeen thousand five hundred

1 dollars. Married taxpayers who elect separate filing on a
2 combined return for state tax purposes are treated as one
3 taxpayer and the amount of net capital gain to be used to
4 determine the total amount to be subtracted by them shall not
5 exceed seventeen thousand five hundred dollars in the
6 aggregate. Married taxpayers who file jointly or separately
7 on a combined return shall prorate the seventeen thousand five
8 hundred dollar limitation between them based on the ratio of
9 each spouse's net capital gain to the total net capital gain
10 of both spouses. In the case of married taxpayers filing
11 separate returns, the amount of net capital gain to be used to
12 determine the amount to be subtracted by each spouse shall not
13 exceed eight thousand seven hundred and fifty dollars. To the
14 extent that the adjusted gross income reflects capital gain
15 treatment for sales of dairy cattle made between January 1,
16 1987, and September 1, 1987, under the federal milk production
17 termination program, the capital gains from such sales shall
18 not be used in computing net capital gain for purposes of this
19 subsection. Any income or loss resulting from the forfeiture,
20 transfer, or sale or exchange described in section 422.7,
21 subsection 25, shall not be used in computing net capital gain
22 for purposes of this subsection.

23 In order for the taxpayer to claim this capital gain
24 deduction, the taxpayer must completely fill out the return,
25 determine the taxpayer's income tax liability without this
26 deduction, and pay the amount of tax that is owed. The
27 taxpayer shall recompute the taxpayer's income tax liability,
28 with this deduction, on a special return. This special return
29 shall be filed with the regular return and constitutes a claim
30 for refund of the difference between the amount of tax the
31 taxpayer paid as determined without the net capital gain
32 deduction and the amount of tax determined with the net
33 capital gain deduction. In recomputing the taxpayer's
34 alternative minimum tax liability, the amount of net capital
35 gain deduction taken shall be treated as a tax preference item

1 for purposes of the recomputation only.

2 The provisions of this subsection shall not affect the
3 amount of the taxpayer's checkoff to the Iowa election
4 campaign fund under section 56.18, the checkoff for the fish
5 and game protection fund in section 107.16, the credits from
6 tax provided in sections 422.10, 422.11A, and 422.12 and the
7 allocation of these credits between spouses if the taxpayers
8 filed separate returns or separately on combined returns, or
9 the amount of the taxpayer's school district income surtax
10 liability under section 442.15 as these items were properly
11 computed or claimed on taxpayers' returns.

12 For the tax year the total amount of refund claims that
13 shall be paid shall not exceed eight million dollars. If the
14 total amount of the claims for refund does exceed that amount,
15 each claim for refund shall be paid on a pro rata basis so
16 that the total amount paid for the tax year does not exceed
17 eight million dollars. In the case where refund claims are
18 not paid in full, the amount of the refund to which the
19 taxpayer is entitled under this subsection is the pro rata
20 amount that was paid and the taxpayer is not entitled to a
21 refund for the unpaid portion and is not entitled to carry
22 that amount forward or backward to another tax year.

23 Taxpayers shall not use refunds as estimated payments for the
24 succeeding tax year. Taxpayers whose tax years begin on
25 January 1 must file their refund claims by October 31, 1988,
26 to be eligible for refunds. Taxpayers whose tax years begin
27 on a date in 1987 other than January 1 must file their refund
28 claims by the end of the sixth month following the end of
29 their tax years. The department shall determine on February
30 1, 1989, if the total amount of claims for refund exceeds
31 eight million dollars for the tax year. Notwithstanding any
32 other provision, interest shall not be due on any refund
33 claims that are paid by February 28, 1989. If the claim is
34 not payable on February 28, 1989 because the taxpayer is a
35 fiscal year filer, then the amount of the claim allowed shall

1 be in the same ratio as refund claims available on February 1,
2 1989. These claims shall be funded by moneys appropriated for
3 payment of refunds of individual income tax.

4 Sec. 10. Section 422.10, unnumbered paragraph 1, Code
5 1987, is amended to read as follows:

6 The taxes imposed under this division shall be reduced by a
7 state tax credit for increasing research activities in this
8 state. For individuals, the credit shall equal six and one-
9 half percent of the state's apportioned share of the
10 qualifying expenditures for increasing research activities.
11 The state's apportioned share of the qualifying expenditures
12 for increasing research activities is a percent equal to the
13 ratio of qualified research expenditures in this state to
14 total qualified research expenditures. For purposes of this
15 section, an individual may claim a research credit for
16 qualifying research expenditures incurred by a partnership,
17 subchapter S corporation, and estate or trust electing to have
18 the income taxed directly to the individual. The amount
19 claimed by the individual shall be based upon the pro rata
20 share of the individual's earnings of a partnership,
21 subchapter S corporation, or estate or trust. For purposes of
22 this section, "qualifying expenditures for increasing research
23 activities" means the qualifying expenditures as defined for
24 the federal credit for increasing research activities which
25 would be allowable under section 30 of the Internal Revenue
26 Code of 1954, in effect on January 1, 1985 or, for tax years
27 beginning in the 1987 calendar year only, which would be
28 allowable under section 41 of the Internal Revenue Code of
29 1986.

30 Sec. 11. Section 422.21, Code Supplement 1987, is amended
31 by adding the following new unnumbered paragraph:

32 NEW UNNUMBERED PARAGRAPH. For the tax years beginning in
33 the 1987 calendar year, the director shall prescribe the
34 method of filing and forms for filing a tax refund claim
35 resulting from the net capital gain deduction authorized in

1 section 422.9, subsection 6. The department shall complete a
2 study based on data obtained from a sample of tax returns
3 filed for tax years beginning on or after January 1, 1987, for
4 Iowa tax purposes of the amount of capital gains and losses
5 reported by Iowans. The study shall include analysis of data
6 obtained as to the type of capital gains and losses and as to
7 the source of capital gains and losses and if available, the
8 geographic source of such gains and losses. The results of
9 the study shall be submitted to the general assembly prior to
10 January 15, 1989.

11 Sec. 12. Section 422.73, Code 1987, is amended by adding
12 the following new subsections:

13 NEW SUBSECTION. Notwithstanding subsection 2, a claim for
14 credit or refund of the income tax paid for a tax year
15 beginning in the 1983 calendar year is considered timely if
16 the claim is filed with the department on or before April 30,
17 1988, if the taxpayer's federal income tax was forgiven under
18 section 692 of the Internal Revenue Code of 1986 because the
19 taxpayer died, or was missing in action and determined dead,
20 while serving in a combat zone. To the extent the federal
21 income tax was forgiven under section 692 of the Internal
22 Revenue Code of 1986 for the tax year, the Iowa income tax is
23 also forgiven.

24 NEW SUBSECTION. Notwithstanding subsection 2, a claim for
25 credit or refund of the state alternative minimum tax paid for
26 any tax year beginning on or after January 1, 1987 and before
27 January 1, 1984 is considered timely if the claim is filed
28 with the department on or before April 30, 1988, if the
29 taxpayer's capital gains preference items for purposes of the
30 federal individual alternative minimum tax was reduced as a
31 result of section 13208 of the Consolidated Omnibus Budget
32 Reconciliation Act of 1985 as amended by section 1896 of the
33 Tax Reform Act of 1986.

34 Sec. 13. For tax years beginning in the 1987 calendar year
35 only, section 422.7, subsections 10, 12, 14, 15, 22, and 26,

1 section 422.9, subsection 2, paragraph "e", and section
2 422.21, unnumbered paragraph 4, do not apply.

3 Sec. 14. For tax years beginning in the 1987 calendar year
4 only, references in section 422.8 and in any other provision
5 of law to section 422.5, subsection 1 shall be interpreted to
6 mean the corresponding provision of section 422.5, subsection
7 1A.

8 Sec. 15. No addition to the tax shall be made under
9 section 422.16, subsection 11, paragraph "d" or section
10 422.88, relating to the underpayment of estimated tax, for any
11 tax year beginning before January 1, 1988 with respect to any
12 underpayment, to the extent such underpayment was created or
13 increased by any provision of the federal Tax Reform Act of
14 1986 or this Act.

15 Sec. 16. Sections 1 through 10, 13, and 14 of this Act are
16 retroactive to January 1, 1987 for tax years beginning in the
17 1987 calendar year only.

18 Sec. 17. This Act, being deemed of immediate importance,
19 takes effect upon enactment.

20 EXPLANATION

21 The bill provides for the state individual income tax to be
22 coupled with the federal individual income tax for tax years
23 beginning in the 1987 calendar year only. The tax rates are
24 reduced and range from four-tenths of one percent on the first
25 \$1000, to nine and ninety-eight hundredths percent on income
26 over \$45,000.

27 The deduction for federal income taxes and married separate
28 filing on a combined return are retained. The standard
29 deduction is increased by thirty dollars for each filer and
30 the limit on the deduction to fifteen percent of net income
31 after the federal tax deduction has been eliminated. The
32 amount of income below which no tax is imposed is increased
33 from \$5,000 to \$10,000 for unmarried head of households. The
34 bill also contains a provision clarifying the taxation of
35 interest and dividends from regulated investment companies and

1 the loss from the sale of certain shares of such companies.
2 The bill provides for the sixty percent deduction of the
3 net capital gains of the taxpayer not to exceed \$10,500 in
4 deduction. To take this deduction the taxpayer must first
5 determine the tax liability without any net capital gain
6 deduction and then determine the tax liability with this
7 deduction. The taxpayer files on a special return a claim for
8 a refund for the taxes originally paid equal to the difference
9 between the original tax liability and the tax liability
10 determined with the net capital gain deduction. Not more than
11 \$8,000,000 in refunds will be paid. If the claims exceed that
12 amount the claims will be paid on a pro rata basis.
13 The bill is effective upon enactment and retroactive to
14 January 1, 1987, for tax years beginning in the 1987 calendar
15 year.

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1 Amend House File 689 as follows:

2 1. Page 1, by striking lines 3 and 4 and

3 inserting the following:

4 "NEW SUBSECTION. 19. The definition of the
5 Internal".

6 2. Page 1, lines 14 and 15, by striking the
7 following: "for tax years beginning in the 1987
8 calendar year only,".

9 3. Page 5, by striking lines 8 through 20 and
10 inserting the following:

11 "NEW UNNUMBERED PARAGRAPH. However, for married
12 persons filing jointly or filing separately on a
13 combined return, unmarried heads of household, and
14 surviving spouses, references in this subsection and
15 subsections 6 and 10 to five thousand dollars shall be
16 interpreted to mean seven thousand five hundred
17 dollars. In addition, if the married persons filing
18 jointly or filing separately on a combined return,
19 unmarried head of household, or surviving spouse's net
20 income exceeds seven thousand five hundred dollars the
21 regular tax imposed under this division shall be the
22 lesser of the maximum state individual income tax rate
23 times the portion of the net income in excess of seven
24 thousand five hundred dollars or the regular tax
25 liability computed without regard to this sentence.
26 Taxpayers electing to file separately shall compute
27 the alternate tax described in this paragraph using
28 the total net income of the husband and wife."

29 4. Page 1, line 24, by striking the following:
30 "for tax years beginning in the 1987 calendar year
31 only,".

32 5. Page 6, by striking lines 6 through 23 and in-
33 serting the following:

34 "23. Add the amount of intangible drilling and
35 development costs optionally deducted in the year paid
36 or incurred as ~~eligible intangible drilling~~ described
37 in section 57(a)(2) of the Internal Revenue Code of
38 1954. This amount may be recovered through asset
39 depletion or depreciation, as appropriate under rules
40 prescribed by the director.

41 "24. Add the percentage depletion amount determined
42 with respect to an oil, gas, or geothermal well during
43 ~~years as described in section 57(a)(1) of the~~
44 Internal Revenue Code of 1954 that is determined
45 under section 57(a) of
46 the Internal Revenue Code of 1954."

47 6. Page 6, by striking lines 25 and 27 and in-
48 serting the following:

49 "NEW SUBSECTION. 27. Add interest and dividends
50 from regulated".

- 1 7. Page 7, lines 9 and 10, by striking the
2 following: "for tax years beginning in the 1987
3 calendar year only,".
- 4 8. Page 7, line 22, by striking the following:
5 "for tax years beginning in the 1987 calendar year
6 only,".
- 7 9. Page 7, by striking lines 27 and 28 and in-
8 serting the following:
9 "NEW SUBSECTION. 5. The taxpayer may recompute
10 the taxpayer's".
- 11 10. Page 10, lines 26 and 27, by striking the
12 following: "for tax years beginning in the 1987
13 calendar year only,".
- 14 11. Page 10, by striking line 31 and inserting
15 the following: "by adding the following new
16 unnumbered paragraphs:
17 NEW UNNUMBERED PARAGRAPH. The department shall
18 provide on income forms or in the instruction booklets
19 in a manner that will be noticeable to the taxpayers a
20 statement to the extent that even though the taxpayer
21 may not have any federal or state income tax liability
22 that the taxpayer may be eligible for the federal
23 earned income tax credit. The statement shall also
24 contain notice of where the taxpayer may check on the
25 taxpayer's eligibility for this credit."
- 26 12. Page 10, by striking lines 32 and 33 and in-
27 serting the following:
28 "NEW UNNUMBERED PARAGRAPH. The department shall
29 prepare and make".
- 30 13. Page 11, by striking lines 34 and 35 and in-
31 serting the following:
32 "Sec. 13. Section 422.7, subsections 10, 12, 14,
33 16, 22, and 26."
- 34 14. Page 13, by striking lines 3 and 4 and in-
35 serting the following:
36 "Sec. 14. References in sect. to 422.8 and in any
37 other provision".
- 38 15. This page, line 11, by inserting after the
39 word "retroactive" the following: "and providing for
40 it to be effective upon enactment".
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1 Amend House File 689 as follows:

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

4 "Section 1. Section 422.4, Code Supplement 1987,
5 is amended by adding the following new subsections:

6 NEW SUBSECTION. 19. The definition of the
7 Internal Revenue Code of 1954 in section 422.3,
8 subsection 5, shall be interpreted to include
9 provisions of the Tax Reform Act of 1986, Pub. L. No.
10 99-514 which amended the Internal Revenue Code of
11 1954, unless the context otherwise requires.

12 NEW SUBSECTION. 20. "Internal Revenue Code of
13 1986" means the Internal Revenue Code of 1954 as
14 amended by the Tax Reform Act of 1986, Pub. L. No. 99-
15 514.

16 Sec. 2. NEW SECTION. TAX IMPOSED.

17 1. A tax is imposed upon the Iowa income of
18 residents and nonresidents, including estates and
19 trusts, equal to thirty-one and one-half percent of
20 the taxpayer's federal income tax liability.

21 2. Federal income tax liability of the taxpayer is
22 the amount of federal income tax for which the
23 taxpayer would have been liable if that taxpayer had
24 paid federal income tax based on the adjusted federal
25 taxable income as adjusted by the modifications
26 provided in section 422.6.

27 3. In addition to all taxes imposed under this
28 division, there is imposed upon each taxpayer a state
29 minimum tax for tax preference equal to thirty-one and
30 one-half percent of the state's apportioned share of
31 the federal alternative minimum tax. The state's
32 apportioned share of the federal alternative minimum
33 tax is a percent equal to the ratio of the federal
34 alternative minimum tax on preferences attributable to
35 Iowa to the federal alternative minimum tax on all
36 preferences. The director shall prescribe rules for
37 the determination of the amount of the federal
38 alternative minimum tax on preferences attributable to
39 Iowa which shall be based as much as equitably
40 possible on the allocation and apportionment
41 provisions of section 422.8. For purposes of this
42 subsection, "federal alternative minimum tax" means
43 the federal minimum tax for tax preferences computed
44 under section 57 of the Internal Revenue Code of 1986
45 for the tax year.

46 4. In addition to the other taxes imposed by this
47 section, a tax is imposed on the amount of a lump sum
48 distribution for which the taxpayer has elected under
49 section 402(e) of the Internal Revenue Code of 1986 to
50 be separately taxed for federal income tax purposes

1 for the tax year. The rate of tax is equal to thirty-
2 one and one-half percent of the separate federal tax
3 imposed on the amount of the lump sum distribution. A
4 nonresident is liable for this tax only on that
5 portion of the lump sum distribution allocable to
6 Iowa. The total amount of the lump sum distribution
7 subject to separate federal tax shall be included in
8 net income for purposes of determining eligibility
9 under the five thousand dollar or less exclusion.

10 Sec. 3. NEW SECTION. ADJUSTMENTS.

11 The taxpayer's adjusted federal taxable income for
12 purposes of determining the taxpayer's federal income
13 tax liability is the taxpayer's federal taxable income
14 as properly computed for federal tax purposes with the
15 following adjustments and allocations:

16 1. Subtract interest and dividends from federal
17 securities.

18 2. Add interest and dividends from foreign
19 securities and from securities of state and other
20 political subdivisions exempt from federal income tax
21 under the Internal Revenue Code of 1954.

22 3. In the case of a nonresident individual,
23 estate, or trust, income derived from sources within
24 this state is allocable to Iowa. Income is derived
25 from sources within this state if it is derived from
26 the ownership, sale, or exchange of property located
27 within this state, if it is received for services
28 performed within this state, or if it is derived from
29 any business or occupation carried on within this
30 state.

31 4. In the case of an individual, estate, or trust
32 which was a resident for part of the taxable year,
33 income is allocable to Iowa if it is received during
34 the period of Iowa residency, or if it is received
35 during the period of nonresidency and is derived from
36 sources within this state.

37 5. In the case of a resident individual, estate,
38 or trust, income is allocable to Iowa unless it is not
39 derived from sources within this state, and an income
40 tax has been imposed on it and paid to another state
41 or territory of the United States, or the District of
42 Columbia.

43 6. The taxpayer shall determine the percentage
44 that income allocable to Iowa is of taxable income.

45 Sec. 4. Sections 422.5 through 422.9, Code
46 Supplement 1987, are repealed.

47 Sec. 5. This Act is retroactive to January 1,
48 1987, for tax years beginning on or after that date.

49 Sec. 6. This Act, being deemed of immediate
50 importance, is effective upon enactment."

H-4397
Page three

1 2. Title page, line 2, by inserting after the
2 word "in" the following: "in or after".
3

H-4394 FILED OCTOBER 27, 1987

BY OSTERBERG of Linn

H-4395

HOUSE FILE 689

1 Amend amendment H-4394 to House File 689 as
2 follows:
3 1. Page 1, by striking lines 11 through 17 and
4 inserting the following:
5 "NEW UNNUMBERED PARAGRAPH. However, for single
6 persons fifty-five years of age or older and married
7 persons filing jointly or filing separately on a
8 combined return, unmarried heads of household, and
9 surviving spouses, references in this subsection and
10 subsections 6 and 10 to five thousand dollars shall
11 be interpreted to mean seven thousand five hundred
12 dollars. In addition, if the single person
13 fifty-five years of age or older or the married
14 persons filing".

H-4395 FILED OCTOBER 27, 1987

BY VAN CAMP of Scott
SHONING of Woodbury
HEIMANN of Scott

1 Amend House File 689 as follows:

2 1. Page 11, by inserting after line 33 the
3 following:

4 "NEW SUBSECTION. Notwithstanding subsection 2, a
5 claim for credit or refund of the income tax paid for
6 a tax year beginning in the 1983 calendar year is
7 considered timely if the claim is filed with the
8 department on or before April 30, 1988, if the
9 taxpayer's federal income tax was forgiven because the
10 taxpayer made an election to treat a loss on a deposit
11 for a nonbusiness account in an insolvent financial
12 account as a personal casualty loss in the year in
13 which the loss can be reasonably estimated under
14 sections 165 and 451 of the Internal Revenue Code
15 1986."

H-4398 FILED OCTOBER 27, 1987

BY McKEAN of Jones
CHAPMAN of Linn

1 Amend the Doderer amendment, H-4394, to House File
2 689 as follows:

3 1. Page 1, by striking lines 11 through 14 and
4 inserting the following:

5 "NEW UNNUMBERED PARAGRAPH. However, for taxpayers
6 who claim a dependent other than themselves on their
7 returns,".

8 2. Page 1, by striking lines 17 through 19 and
9 inserting the following: "dollars. In addition, if
10 such taxpayer's net".

H-4396 FILED OCTOBER 27, 1987

BY CARPENTER of Polk

HOUSE FILE 689
BY COMMITTEE ON WAYS AND MEANS

(As Amended and Passed by the House October 27, 1987)

Passed House, Date 10/27/87 Passed Senate, Date 10/27/87
Vote: Ayes 89 Nays 2 Vote: Ayes 55 Nays 10
Approved October 29, 1987

A BILL FOR

1 An Act relating to the state's individual income tax for income
2 tax years beginning in the 1987 calendar year and making it
3 retroactive and providing for it to be effective upon
4 enactment.

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

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House Amendments _____

Deleted Language *

1 Section 1. Section 422.4, Code Supplement 1987, is amended
2 by adding the following new subsections:

3 NEW SUBSECTION. 19. The definition of the Internal
4 Revenue Code of 1954 in section 422.3, subsection 5, shall be
5 interpreted to include provisions of the Tax Reform Act of
6 1986, Pub. L. No. 99-514 which amended the Internal Revenue
7 Code of 1954, unless the context otherwise requires.

8 NEW SUBSECTION. 20. "Internal Revenue Code of 1986" means
9 the Internal Revenue Code of 1954 as amended by the Tax Reform
10 Act of 1986, Pub. L. No. 99-514.

11 Sec. 2. Section 422.5, Code Supplement 1987, is amended by
12 adding after subsection 1 the following new subsection:

*13 NEW SUBSECTION. 1A. In lieu of subsection 1, a tax is
14 imposed upon every resident and nonresident of the state which
15 tax shall be levied, collected, and paid annually upon and
16 with respect to the entire taxable income as defined in this
17 division at rates as follows:

18 a. On all taxable income from zero through one thousand
19 dollars, four-tenths of one percent.

20 b. On all taxable income exceeding one thousand dollars
21 but not exceeding two thousand dollars, eight-tenths of one
22 percent.

23 c. On all taxable income exceeding two thousand dollars
24 but not exceeding four thousand dollars, two and seven-tenths
25 percent.

26 d. On all taxable income exceeding four thousand dollars
27 but not exceeding nine thousand dollars, five percent.

28 e. On all taxable income exceeding nine thousand dollars
29 but not exceeding fifteen thousand dollars, six and eight-
30 tenths percent.

31 f. On all taxable income exceeding fifteen thousand
32 dollars but not exceeding twenty thousand dollars, seven and
33 two-tenths percent.

34 g. On all taxable income exceeding twenty thousand dollars
35 but not exceeding thirty thousand dollars, seven and fifty-

1 five hundredths percent.

2 h. On all taxable income exceeding thirty thousand dollars
3 but not exceeding forty-five thousand dollars, eight and
4 eight-tenths percent.

5 i. On all taxable income exceeding forty-five thousand
6 dollars, nine and ninety-eight hundredths percent.

7 j. The tax imposed upon the taxable income of a
8 nonresident shall be computed by reducing the amount
9 determined pursuant to paragraphs "a" through "i" by the
10 amounts of nonrefundable credits under this division and by
11 multiplying this resulting amount by a fraction of which the
12 nonresident's net income allocated to Iowa, as determined in
13 section 422.8, subsection 2, is the numerator and the
14 nonresident's total net income computed under section 422.7 is
15 the denominator. This provision also applies to individuals
16 who are residents of Iowa for less than the entire tax year.

17 k. There is imposed upon every resident and nonresident of
18 this state, including estates and trusts, the greater of the
19 tax determined in paragraphs "a" through "j" or the state
20 alternative minimum tax equal to seventy-five percent of the
21 maximum state individual income tax rate for the tax year,
22 rounded to the nearest one-tenth of one percent, of the state
23 alternative minimum taxable income of the taxpayer as computed
24 under this paragraph.

25 The state alternative minimum taxable income of a taxpayer
26 is equal to the taxpayer's state taxable income, as computed
27 with the deductions in section 422.9, except for the net
28 capital gain deduction, with the following adjustments:

29 (1) Add items of tax preference included in federal
30 alternative minimum taxable income under section 57, except
31 subsections (a)(1), (a)(2), and (a)(5), of the Internal
32 Revenue Code of 1986, make the adjustments included in federal
33 alternative minimum taxable income under section 56, except
34 subsections (a)(4), (b)(1)(C)(iii), and (d), of the Internal
35 Revenue Code of 1986, and add losses as required by section 58

1 of the Internal Revenue Code of 1986. In the case of an
2 estate or trust, the items of tax preference, adjustments, and
3 losses shall be apportioned between the estate or trust and
4 the beneficiaries in accordance with rules prescribed by the
5 director.

6 (2) Subtract the applicable exemption amount as follows:

7 (a) Seventeen thousand five hundred dollars for a married
8 person who files separately or for an estate or trust.

9 (b) Twenty-six thousand dollars for a single person or an
10 unmarried head of household.

11 (c) Thirty-five thousand dollars for a married couple
12 which files a joint return.

13 (d) The exemption amount shall be reduced, but not below
14 zero, by an amount equal to twenty-five percent of the amount
15 by which the alternative minimum taxable income of the
16 taxpayer, computed without regard to the exemption amount in
17 this subparagraph, exceeds the following:

18 (i) Seventy-five thousand dollars in the case of a
19 taxpayer described in subparagraph part (a).

20 (ii) One hundred twelve thousand five hundred dollars in
21 the case of a taxpayer described in subparagraph part (b).

22 (iii) One hundred fifty thousand dollars in the case of a
23 taxpayer described in subparagraph part (c).

24 (3) In the case of a net operating loss computed for a tax
25 year beginning after December 31, 1982 which is carried back
26 or carried forward to the current taxable year, the net
27 operating loss shall be reduced by the amount of the items of
28 tax preference arising in such year which was taken into
29 account in computing the net operating loss in section 422.9,
30 subsection 3. The deduction for a net operating loss for a
31 tax year beginning after December 31, 1986 which is carried
32 back or carried forward to the current taxable year shall not
33 exceed ninety percent of the alternative minimum taxable
34 income determined without regard for the net operating loss
35 deduction.

1 The state alternative minimum tax of a taxpayer whose net
2 capital gain deduction includes the gain or loss from the
3 forfeiture of an installment real estate contract, the
4 transfer of real or personal property securing a debt to a
5 creditor in cancellation of that debt or from the sale or
6 exchange of property as a result of actual notice of
7 foreclosure where the fair market value of the taxpayer's
8 assets exceeds the taxpayer's liabilities immediately before
9 such forfeiture, transfer, or sale or exchange shall not be
10 greater than such excess, including any asset transferred
11 within one hundred twenty days prior to such forfeiture,
12 transfer, or sale or exchange.

13 In the case of a resident, including a resident estate or
14 trust, the state's apportioned share of the state alternative
15 minimum tax is one hundred percent of the state alternative
16 minimum tax computed in this subsection. In the case of a
17 nonresident, including a nonresident estate or trust, or an
18 individual, estate or trust that is domiciled in the state for
19 less than the entire tax year, the state's apportioned share
20 of the state alternative minimum tax is the amount of tax
21 computed under this subsection, reduced by the applicable
22 credits in sections 422.10, 422.11, 422.11A and 422.12 and
23 this result multiplied by a fraction with a numerator of the
24 sum of state net income allocated to Iowa as determined in
25 section 422.8, subsection 2, plus tax preference items,
26 adjustments, and losses under subparagraph (1) attributable to
27 Iowa and with a denominator of the sum of total net income
28 computed under section 422.7 plus all tax preference items,
29 adjustments, and losses under subparagraph (1). In computing
30 this fraction, those items excludable under subparagraph (1)
31 shall not be used in computing the tax preference items.
32 Married taxpayers electing to file separate returns or
33 separately on a combined return must allocate the minimum tax
34 computed in this subsection in the proportion that each
35 spouse's respective preference items, adjustments, and losses

1 under subparagraph (1) bear to the combined preference items,
2 adjustments, and losses under subparagraph (1) of both
3 spouses.

4 Sec. 3. Section 422.5, subsection 2, Code Supplement 1987,
5 is amended by adding the following new unnumbered paragraph:

6 NEW UNNUMBERED PARAGRAPH. However, for married persons
7 filing jointly or filing separately on a combined return,
8 unmarried heads of household, and surviving spouses,
9 references in this subsection and subsections 6 and 10 to five
10 thousand dollars shall be interpreted to mean seven thousand
11 five hundred dollars. In addition, if the married persons
12 filing jointly or filing separately on a combined return,
13 unmarried head of household, or surviving spouse's net income
14 exceeds seven thousand five hundred dollars the regular tax
15 imposed under this division shall be the lesser of the maximum
16 state individual income tax rate times the portion of the net
17 income in excess of seven thousand five hundred dollars or the
18 regular tax liability computed without regard to this
19 sentence. Taxpayers electing to file separately shall compute
20 the alternate tax described in this paragraph using the total
21 net income of the husband and wife.

22 Sec. 4. Section 422.7, Code Supplement 1987, is amended by
23 adding after subsection 16 the following new subsection:

24 NEW SUBSECTION. 16A. Notwithstanding any other provision,
* 25 add the amounts deducted and subtract the amounts included as
26 income as a result of the treatment provided sale-leaseback
27 agreements under section 168(f)(8) of the Internal Revenue
28 Code of 1954 for property placed in service by the transferee
29 prior to January 1, 1986 to the extent that the amounts
30 deducted and the amounts included in income are not otherwise
31 deductible or included in income under the Internal Revenue
32 Code of 1954 as amended to and including December 31, 1985.
33 Entitlement to depreciation on any property included in a
34 sale-leaseback agreement which is placed in service by the
35 transferee prior to January 1, 1986 shall be determined under

1 the Internal Revenue Code of 1954 as amended to and including
2 December 31, 1985, excluding section 168(f)(8) in making the
3 determination.

4 Sec. 5. Section 422.7, subsections 23 and 24, Code
5 Supplement 1987, are amended to read as follows:

6 23. Add the amount of intangible drilling and development
7 costs optionally deducted in the year paid or incurred as
8 allowed under section 263(e) described in section 57(a)(2) of
9 the Internal Revenue Code of 1954. This amount may be
10 recovered through cost depletion or depreciation, as
11 appropriate under rules prescribed by the director.

12 24. Add the percentage depletion amount determined with
13 respect to an oil, gas, or geothermal well using methods as
14 described in section 613 57(a)(1) of the Internal Revenue Code
15 of 1954 that is in excess of the cost depletion amount
16 determined under section 611 of the Internal Revenue Code of
17 1954.

18 Sec. 6. Section 422.7, Code Supplement 1987, is amended by
19 adding the following new subsection:

20 NEW SUBSECTION. 27. Add interest and dividends from
21 regulated investment companies exempt from federal income tax
22 under the Internal Revenue Code of 1986 and subtract the loss
23 on the sale or exchange of a share of a regulated investment
24 company held for six months or less to the extent the loss was
25 disallowed under section 852(b)(4)(B) of the Internal Revenue
26 Code of 1986.

27 Sec. 7. Section 422.9, subsection 1, unnumbered paragraph
28 1, Code Supplement 1987, is amended to read as follows:

29 An optional standard deduction of fifteen percent of the
30 net income after deduction of federal income tax, not to
31 exceed one thousand two hundred dollars for a married person
32 who files separately, one thousand two hundred dollars for a
33 single person or three thousand dollars for a husband and wife
34 who file a joint return, a surviving spouse as defined in
35 section 2 of the Internal Revenue Code of 1954, or an

1 unmarried head of household as defined in the Internal Revenue
*2 Code of 1954 or an optional standard deduction after deduction
3 of federal income tax equal to one thousand two hundred thirty
4 dollars for a married person who files separately or a single
5 person or equal to three thousand thirty dollars for a husband
6 and wife who file a joint return, a surviving spouse, or an
7 unmarried head of household. The optional standard deduction
8 shall not exceed the amount remaining after deduction of the
9 federal income tax.

10 Sec. 8. Section 422.9, subsection 2, unnumbered paragraph
11 1, Code Supplement 1987, is amended to read as follows:

12 The total of contributions, interest, taxes, medical
13 expense, nonbusiness losses and miscellaneous expenses; and
*14 moving expenses; deductible for federal income tax purposes
15 under the Internal Revenue Code of 1954, with the following
16 adjustments:

17 Sec. 9. Section 422.9, Code Supplement 1987, is amended by
18 adding the following new subsection:

19 NEW SUBSECTION. 6. The taxpayer may recompute the
20 taxpayer's income tax liability for the tax year by
21 subtracting from the taxpayer's taxable income, as computed
22 without regard to this subsection, sixty percent of the net
23 capital gain as computed in section 1202 of the Internal
24 Revenue Code of 1986 in effect for tax years beginning in the
25 1986 calendar year. For purposes of determining the amount to
26 be subtracted, the net capital gain shall not exceed seventeen
27 thousand five hundred dollars. Married taxpayers who elect
28 separate filing on a combined return for state tax purposes
29 are treated as one taxpayer and the amount of net capital gain
30 to be used to determine the total amount to be subtracted by
31 them shall not exceed seventeen thousand five hundred dollars
32 in the aggregate. Married taxpayers who file jointly or
33 separately on a combined return shall prorate the seventeen
34 thousand five hundred dollar limitation between them based on
35 the ratio of each spouse's net capital gain to the total net

1 capital gain of both spouses. In the case of married
2 taxpayers filing separate returns, the amount of net capital
3 gain to be used to determine the amount to be subtracted by
4 each spouse shall not exceed eight thousand seven hundred and
5 fifty dollars. To the extent that the adjusted gross income
6 reflects capital gain treatment for sales of dairy cattle made
7 between January 1, 1987, and September 1, 1987, under the
8 federal milk production termination program, the capital gains
9 from such sales shall not be used in computing net capital
10 gain for purposes of this subsection. Any income or loss
11 resulting from the forfeiture, transfer, or sale or exchange
12 described in section 422.7, subsection 25, shall not be used
13 in computing net capital gain for purposes of this subsection.

14 In order for the taxpayer to claim this capital gain
15 deduction, the taxpayer must completely fill out the return,
16 determine the taxpayer's income tax liability without this
17 deduction, and pay the amount of tax that is owed. The
18 taxpayer shall recompute the taxpayer's income tax liability,
19 with this deduction, on a special return. This special return
20 shall be filed with the regular return and constitutes a claim
21 for refund of the difference between the amount of tax the
22 taxpayer paid as determined without the net capital gain
23 deduction and the amount of tax determined with the net
24 capital gain deduction. In recomputing the taxpayer's
25 alternative minimum tax liability, the amount of net capital
26 gain deduction taken shall be treated as a tax preference item
27 for purposes of the recomputation only.

28 The provisions of this subsection shall not affect the
29 amount of the taxpayer's checkoff to the Iowa election
30 campaign fund under section 56.18, the checkoff for the fish
31 and game protection fund in section 107.16, the credits from
32 tax provided in sections 422.10, 422.11A, and 422.12 and the
33 allocation of these credits between spouses if the taxpayers
34 filed separate returns or separately on combined returns, or
35 the amount of the taxpayer's school district income surtax

1 liability under section 442.15 as these items were properly
2 computed or claimed on taxpayers' returns.

3 For the tax year the total amount of refund claims that
4 shall be paid shall not exceed eight million dollars. If the
5 total amount of the claims for refund does exceed that amount,
6 each claim for refund shall be paid on a pro rata basis so
7 that the total amount paid for the tax year does not exceed
8 eight million dollars. In the case where refund claims are
9 not paid in full, the amount of the refund to which the
10 taxpayer is entitled under this subsection is the pro rata
11 amount that was paid and the taxpayer is not entitled to a
12 refund for the unpaid portion and is not entitled to carry
13 that amount forward or backward to another tax year.

14 Taxpayers shall not use refunds as estimated payments for the
15 succeeding tax year. Taxpayers whose tax years begin on
16 January 1 must file their refund claims by October 31, 1988,
17 to be eligible for refunds. Taxpayers whose tax years begin
18 on a date in 1987 other than January 1 must file their refund
19 claims by the end of the sixth month following the end of
20 their tax years. The department shall determine on February
21 1, 1989, if the total amount of claims for refund exceeds
22 eight million dollars for the tax year. Notwithstanding any
23 other provision, interest shall not be due on any refund
24 claims that are paid by February 28, 1989. If the claim is
25 not payable on February 28, 1989 because the taxpayer is a
26 fiscal year filer, then the amount of the claim allowed shall
27 be in the same ratio as refund claims available on February 1,
28 1989. These claims shall be funded by moneys appropriated for
29 payment of refunds of individual income tax.

30 Sec. 10. Section 422.10, unnumbered paragraph 1, Code
31 1987, is amended to read as follows:

32 The taxes imposed under this division shall be reduced by a
33 state tax credit for increasing research activities in this
34 state. For individuals, the credit shall equal six and one-
35 half percent of the state's apportioned share of the

1 qualifying expenditures for increasing research activities.
2 The state's apportioned share of the qualifying expenditures
3 for increasing research activities is a percent equal to the
4 ratio of qualified research expenditures in this state to
5 total qualified research expenditures. For purposes of this
6 section, an individual may claim a research credit for
7 qualifying research expenditures incurred by a partnership,
8 subchapter S corporation, and estate or trust electing to have
9 the income taxed directly to the individual. The amount
10 claimed by the individual shall be based upon the pro rata
11 share of the individual's earnings of a partnership,
12 subchapter S corporation, or estate or trust. For purposes of
13 this section, "qualifying expenditures for increasing research
14 activities" means the qualifying expenditures as defined for
15 the federal credit for increasing research activities which
16 would be allowable under section 30 of the Internal Revenue
* 17 Code of 1954, in effect on January 1, 1985 or which would be
18 allowable under section 41 of the Internal Revenue Code of
19 1986.

20 Sec. 11. Section 422.21, Code Supplement 1987, is amended
21 by adding the following new unnumbered paragraphs:

22 NEW UNNUMBERED PARAGRAPH. The department shall provide on
23 income forms or in the instruction booklets in a manner that
24 will be noticeable to the taxpayers a statement to the extent
25 that even though the taxpayer may not have any federal or
26 state income tax liability that the taxpayer may be eligible
27 for the federal earned income tax credit. The statement shall
28 also contain notice of where the taxpayer may check on the
29 taxpayer's eligibility for this credit.

30 NEW UNNUMBERED PARAGRAPH. The department shall prepare and
31 make available a special return for filing a tax refund claim
32 resulting from the net capital gain deduction authorized in
33 section 422.9, subsection 6. The special returns shall be
34 designed so that the department will be able to compile data
35 that identifies the source and type of the capital gains and

1 losses and the geographical location of the transactions
2 involving the capital gains and losses. By January 15, 1989,
3 the department shall make available to the general assembly
4 the data compiled from the special returns filed during the
5 previous calendar year.

6 Sec. 12. Section 422.73, Code 1987, is amended by adding
7 the following new subsections:

8 NEW SUBSECTION. Notwithstanding subsection 2, a claim for
9 credit or refund of the income tax paid for a tax year
10 beginning in the 1983 calendar year is considered timely if
11 the claim is filed with the department on or before April 30,
12 1988, if the taxpayer's federal income tax was forgiven under
13 section 692 of the Internal Revenue Code of 1986 because the
14 taxpayer died, or was missing in action and determined dead,
15 while serving in a combat zone. To the extent the federal
16 income tax was forgiven under section 692 of the Internal
17 Revenue Code of 1986 for the tax year, the Iowa income tax is
18 also forgiven.

19 NEW SUBSECTION. Notwithstanding subsection 2, a claim for
20 credit or refund of the state alternative minimum tax paid for
21 any tax year beginning on or after January 1, 1982 and before
22 January 1, 1984 is considered timely if the claim is filed
23 with the department on or before April 30, 1988, if the
24 taxpayer's capital gains preference items for purposes of the
25 federal individual alternative minimum tax was reduced as a
26 result of section 13208 of the Consolidated Omnibus Budget
27 Reconciliation Act of 1985 as amended by section 1896 of the
28 Tax Reform Act of 1986.

29 Sec. 13. Section 422.7, subsections 10, 12, 14, 15, 22,
30 and 26, section 422.9, subsection 2, paragraph "e", and
31 section 422.21, unnumbered paragraph 4, do not apply.

32 Sec. 14. References in section 422.8 and in any other
33 provision of law to section 422.5, subsection 1 shall be
34 interpreted to mean the corresponding provision of section
35 422.5, subsection 1A.

1 Sec. 15. No addition to the tax shall be made under
2 section 422.16, subsection 11, paragraph "d" or section
3 422.88, relating to the underpayment of estimated tax, for any
4 tax year beginning before January 1, 1988 with respect to any
5 underpayment, to the extent such underpayment was created or
6 increased by any provision of the federal Tax Reform Act of
7 1986 or this Act.

8 Sec. 16. Sections 1 through 10, 13, and 14 of this Act are
9 retroactive to January 1, 1987 for tax years beginning in the
10 1987 calendar year only.

11 Sec. 17. This Act, being deemed of immediate importance,
12 takes effect upon enactment.

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HOUSE FILE 689

4147

1 Amend House File 689 as amended and passed by the
2 House, as follows:

3 1. Page 10, by inserting after line 19 the
4 following:

5 "Sec. . NEW SECTION. 422.12A INCOME TAX
6 REFUND CHECKOFF FOR OLYMPICS.

7 A person who files an individual or a joint income
8 tax return with the department of revenue and finance
9 under section 422.13 may designate one dollar to be
10 paid to the United States olympic committee fund. If
11 the refund due on the return or the payment remitted
12 with the return is insufficient to pay the amount
13 designated by the taxpayer to the United States
14 olympic committee fund, the amount designated shall be
15 reduced to the remaining amount of refund or the
16 remaining amount remitted with the return.

17 The director of revenue and finance shall draft the
18 income tax form to allow the designation of
19 contributions to the United States olympic committee
20 fund on the tax return.

21 The department of revenue and finance on or before
22 January 31 of the year following the preceding
23 calendar year shall certify the total amount
24 designated on the tax return forms due in the
25 preceding calendar year and shall report the amount to
26 the treasurer of state. The treasurer of state shall
27 credit the amount to the United States olympic
28 committee fund.

29 The moneys in the United States olympic committee
30 fund are appropriated annually for the purposes
31 specified in this section.

32 On or before March 1 of each year, the department
33 of revenue and finance shall pay the moneys in the
34 fund to the United States olympic committee.

35 The action taken by a person for the checkoff is
36 irrevocable.

37 The department shall adopt rules to implement this
38 section. However, before a checkoff pursuant to this
39 section shall be permitted, all liabilities on the
40 books of the department of revenue and finance and
41 accounts identified as owing under section 421.17 and
42 the political contribution allowed under section 56.18
43 shall be satisfied."

44 2. Renumber sections and correct internal
45 references as necessary in accordance with this
46 amendment.

Filed October 27, 1987 Withdrawn BY TOM MANN, JR.

HOUSE FILE 689

S-4146

1 Amend House File 689 as amended, passed and
2 reprinted by the House as follows:

3 1. Page 11, line 5, by inserting after the word
4 "year." the following: "Because of the changes made
5 in this Act and the lateness of its passage, the
6 director is authorized to use any funds that have been
7 appropriated to the department for the purpose of the
8 printing of the 1987 income tax forms and instruction
9 booklets, and the distribution of them so that such
10 forms and booklets will be available to the taxpayers
11 at the same time as for normal years."

S-4146

Filed October 27, 1987 Withdrawn BY JOSEPH J. WELSH
LARRY MURPHY

HOUSE FILE 689

AN ACT

RELATING TO THE STATE'S INDIVIDUAL INCOME TAX FOR INCOME TAX YEARS BEGINNING IN THE 1987 CALENDAR YEAR AND MAKING IT RETROACTIVE AND PROVIDING FOR IT TO BE EFFECTIVE UPON ENACTMENT.

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

Section 1. Section 422.4, Code Supplement 1987, is amended by adding the following new subsections:

NEW SUBSECTION. 19. The definition of the Internal Revenue Code of 1954 in section 422.3, subsection 5, shall be interpreted to include provisions of the Tax Reform Act of 1986, Pub. L. No. 99-514 which amended the Internal Revenue Code of 1954, unless the context otherwise requires.

NEW SUBSECTION. 20. "Internal Revenue Code of 1986" means the Internal Revenue Code of 1954 as amended by the Tax Reform Act of 1986, Pub. L. No. 99-514.

Sec. 2. Section 422.5, Code Supplement 1987, is amended by adding after subsection 1 the following new subsection:

NEW SUBSECTION. 1A. In lieu of subsection 1, a tax is imposed upon every resident and nonresident of the state which tax shall be levied, collected, and paid annually upon and with respect to the entire taxable income as defined in this division at rates as follows:

a. On all taxable income from zero through one thousand dollars, four-tenths of one percent.

b. On all taxable income exceeding one thousand dollars but not exceeding two thousand dollars, eight-tenths of one percent.

c. On all taxable income exceeding two thousand dollars but not exceeding four thousand dollars, two and seven-tenths percent.

d. On all taxable income exceeding four thousand dollars but not exceeding nine thousand dollars, five percent.

e. On all taxable income exceeding nine thousand dollars but not exceeding fifteen thousand dollars, six and eight-tenths percent.

f. On all taxable income exceeding fifteen thousand dollars but not exceeding twenty thousand dollars, seven and two-tenths percent.

g. On all taxable income exceeding twenty thousand dollars but not exceeding thirty thousand dollars, seven and fifty-five hundredths percent.

h. On all taxable income exceeding thirty thousand dollars but not exceeding forty-five thousand dollars, eight and eight-tenths percent.

i. On all taxable income exceeding forty-five thousand dollars, nine and ninety-eight hundredths percent.

j. The tax imposed upon the taxable income of a nonresident shall be computed by reducing the amount determined pursuant to paragraphs "a" through "i" by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the nonresident's net income allocated to Iowa, as determined in section 422.8, subsection 2, is the numerator and the nonresident's total net income computed under section 422.7 is the denominator. This provision also applies to individuals who are residents of Iowa for less than the entire tax year.

k. There is imposed upon every resident and nonresident of this state, including estates and trusts, the greater of the tax determined in paragraphs "a" through "j" or the state alternative minimum tax equal to seventy-five percent of the maximum state individual income tax rate for the tax year, rounded to the nearest one-tenth of one percent, of the state alternative minimum taxable income of the taxpayer as computed under this paragraph.

The state alternative minimum taxable income of a taxpayer is equal to the taxpayer's state taxable income, as computed with the deductions in section 422.9, except for the net capital gain deduction, with the following adjustments:

(1) Add items of tax preference included in federal alternative minimum taxable income under section 57, except subsections (a)(1), (a)(2), and (a)(5), of the Internal Revenue Code of 1986, make the adjustments included in federal alternative minimum taxable income under section 56, except subsections (a)(4), (b)(1)(C)(iii), and (d), of the Internal Revenue Code of 1986, and add losses as required by section 58 of the Internal Revenue Code of 1986. In the case of an estate or trust, the items of tax preference, adjustments, and losses shall be apportioned between the estate or trust and the beneficiaries in accordance with rules prescribed by the director.

(2) Subtract the applicable exemption amount as follows:

(a) Seventeen thousand five hundred dollars for a married person who files separately or for an estate or trust.

(b) Twenty-six thousand dollars for a single person or an unmarried head of household.

(c) Thirty-five thousand dollars for a married couple which files a joint return.

(d) The exemption amount shall be reduced, but not below zero, by an amount equal to twenty-five percent of the amount by which the alternative minimum taxable income of the taxpayer, computed without regard to the exemption amount in this subparagraph, exceeds the following:

(i) Seventy-five thousand dollars in the case of a taxpayer described in subparagraph part (a).

(ii) One hundred twelve thousand five hundred dollars in the case of a taxpayer described in subparagraph part (b).

(iii) One hundred fifty thousand dollars in the case of a taxpayer described in subparagraph part (c).

(3) 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. The deduction for a net operating loss for a

tax year beginning after December 31, 1986 which is carried back or carried forward to the current taxable year shall not exceed ninety percent of the alternative minimum taxable income determined without regard for the net operating loss deduction.

The state alternative minimum tax of a taxpayer whose net capital gain deduction includes the gain or loss from the forfeiture of an installment real estate contract, the transfer of real or personal property securing a debt to a creditor in cancellation of that debt or from the sale or exchange of property as a result of actual notice of foreclosure where the fair market value of the taxpayer's assets exceeds the taxpayer's liabilities immediately before such forfeiture, transfer, or sale or exchange shall not be greater than such excess, including any asset transferred within one hundred twenty days prior to such forfeiture, transfer, or sale or exchange.

In the case of a resident, including a resident estate or trust, the state's apportioned share of the state alternative minimum tax is one hundred percent of the state alternative minimum tax computed in this subsection. In the case of a nonresident, including a nonresident estate or trust, or an individual, estate or trust that is domiciled in the state for less than the entire tax year, the state's apportioned share of the state alternative minimum tax is the amount of tax computed under this subsection, reduced by the applicable credits in sections 422.10, 422.11, 422.11A, and 422.12 and this result multiplied by a fraction with a numerator of the sum of state net income allocated to Iowa as determined in section 422.8, subsection 2, plus tax preference items, adjustments, and losses under subparagraph (1) attributable to Iowa and with a denominator of the sum of total net income computed under section 422.7 plus all tax preference items, adjustments, and losses under subparagraph (1). In computing this fraction, those items excludable under subparagraph (1) shall not be used in computing the tax preference items. Married taxpayers electing to file separate returns or

separately on a combined return must allocate the minimum tax computed in this subsection in the proportion that each spouse's respective preference items, adjustments, and losses under subparagraph (1) bear to the combined preference items, adjustments, and losses under subparagraph (1) of both spouses.

Sec. 3. Section 422.5, subsection 2, Code Supplement 1987, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. However, for married persons filing jointly or filing separately on a combined return, unmarried heads of household, and surviving spouses, references in this subsection and subsections 6 and 10 to five thousand dollars shall be interpreted to mean seven thousand five hundred dollars. In addition, if the married persons filing jointly or filing separately on a combined return, unmarried head of household, or surviving spouse's net income exceeds seven thousand five hundred dollars the regular tax imposed under this division shall be the lesser of the maximum state individual income tax rate times the portion of the net income in excess of seven thousand five hundred dollars or the regular tax liability computed without regard to this sentence. Taxpayers electing to file separately shall compute the alternate tax described in this paragraph using the total net income of the husband and wife.

Sec. 4. Section 422.7, Code Supplement 1987, is amended by adding after subsection 16 the following new subsection:

NEW SUBSECTION. 16A. Notwithstanding any other provision, add the amounts deducted and subtract the amounts included as income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 for property placed in service by the transferee prior to January 1, 1986 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the Internal Revenue Code of 1954 as amended to and including December 31, 1985. Entitlement to depreciation on any property included in a sale-leaseback agreement which is placed in service by the

transferee prior to January 1, 1986 shall be determined under the Internal Revenue Code of 1954 as amended to and including December 31, 1985, excluding section 168(f)(8) in making the determination.

Sec. 5. Section 422.7, subsections 23 and 24, Code Supplement 1987, are amended to read as follows:

23. Add the amount of intangible drilling and development costs optionally deducted in the year paid or incurred as ~~allowed under section 263(e)~~ described in section 57(a)(2) of the Internal Revenue Code of 1954. This amount may be recovered through cost depletion or depreciation, as appropriate under rules prescribed by the director.

24. Add the percentage depletion amount determined with respect to an oil, gas, or geothermal well ~~using methods as described in section 613 57(a)(1) of the Internal Revenue Code of 1954 that is in excess of the cost depletion amount determined under section 613 of the Internal Revenue Code of 1954.~~

Sec. 6. Section 422.7, Code Supplement 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 27. Add interest and dividends from regulated investment companies exempt from federal income tax under the Internal Revenue Code of 1986 and subtract the loss on the sale or exchange of a share of a regulated investment company held for six months or less to the extent the loss was disallowed under section 852(b)(4)(B) of the Internal Revenue Code of 1986.

Sec. 7. Section 422.9, subsection 1, unnumbered paragraph 1, Code Supplement 1987, is amended to read as follows:

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

Code of 1954 or an optional standard deduction after deduction of federal income tax equal to one thousand two hundred thirty dollars for a married person who files separately or a single person or equal to three thousand thirty dollars for a husband and wife who file a joint return, a surviving spouse, or an unmarried head of household. The optional standard deduction shall not exceed the amount remaining after deduction of the federal income tax.

Sec. 8. Section 422.9, subsection 2, unnumbered paragraph 1, Code Supplement 1987, is amended to read as follows:

The total of contributions, interest, taxes, medical expense, nonbusiness losses and miscellaneous expenses; and moving expenses; deductible for federal income tax purposes under the Internal Revenue Code of 1954, with the following adjustments:

Sec. 9. Section 422.9, Code Supplement 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 6. The taxpayer may recompute the taxpayer's income tax liability for the tax year by subtracting from the taxpayer's taxable income, as computed without regard to this subsection, sixty percent of the net capital gain as computed in section 1202 of the Internal Revenue Code of 1986 in effect for tax years beginning in the 1986 calendar year. For purposes of determining the amount to be subtracted, the net capital gain shall not exceed seventeen thousand five hundred dollars. Married taxpayers who elect separate filing on a combined return for state tax purposes are treated as one taxpayer and the amount of net capital gain to be used to determine the total amount to be subtracted by them shall not exceed seventeen thousand five hundred dollars in the aggregate. Married taxpayers who file jointly or separately on a combined return shall prorate the seventeen thousand five hundred dollar limitation between them based on the ratio of each spouse's net capital gain to the total net capital gain of both spouses. In the case of married taxpayers filing separate returns, the amount of net capital gain to be used to determine the amount to be subtracted by

each spouse shall not exceed eight thousand seven hundred and fifty dollars. To the extent that the adjusted gross income reflects capital gain treatment for sales of dairy cattle made between January 1, 1987, and September 1, 1987, under the federal milk production termination program, the capital gains from such sales shall not be used in computing net capital gain for purposes of this subsection. Any income or loss resulting from the forfeiture, transfer, or sale or exchange described in section 422.7, subsection 25, shall not be used in computing net capital gain for purposes of this subsection.

In order for the taxpayer to claim this capital gain deduction, the taxpayer must completely fill out the return, determine the taxpayer's income tax liability without this deduction, and pay the amount of tax that is owed. The taxpayer shall recompute the taxpayer's income tax liability, with this deduction, on a special return. This special return shall be filed with the regular return and constitutes a claim for refund of the difference between the amount of tax the taxpayer paid as determined without the net capital gain deduction and the amount of tax determined with the net capital gain deduction. In recomputing the taxpayer's alternative minimum tax liability, the amount of net capital gain deduction taken shall be treated as a tax preference item for purposes of the recomputation only.

The provisions of this subsection shall not affect the amount of the taxpayer's checkoff to the Iowa election campaign fund under section 56.18, the checkoff for the fish and game protection fund in section 107.16, the credits from tax provided in sections 422.10, 422.11A, and 422.17 and the allocation of these credits between spouses if the taxpayers filed separate returns or separately on combined returns, or the amount of the taxpayer's school district income surtax liability under section 442.15 as these items were properly computed or claimed on taxpayers' returns.

For the tax year the total amount of refund claims that shall be paid shall not exceed eight million dollars. If the total amount of the claims for refund does exceed that amount

each claim for refund shall be paid on a pro rata basis so that the total amount paid for the tax year does not exceed eight million dollars. In the case where refund claims are not paid in full, the amount of the refund to which the taxpayer is entitled under this subsection is the pro rata amount that was paid and the taxpayer is not entitled to a refund for the unpaid portion and is not entitled to carry that amount forward or backward to another tax year.

Taxpayers shall not use refunds as estimated payments for the succeeding tax year. Taxpayers whose tax years begin on January 1 must file their refund claims by October 31, 1988, to be eligible for refunds. Taxpayers whose tax years begin on a date in 1987 other than January 1 must file their refund claims by the end of the sixth month following the end of their tax years. The department shall determine on February 1, 1989, if the total amount of claims for refund exceeds eight million dollars for the tax year. Notwithstanding any other provision, interest shall not be due on any refund claims that are paid by February 28, 1989. If the claim is not payable on February 28, 1989 because the taxpayer is a fiscal year filer, then the amount of the claim allowed shall be in the same ratio as refund claims available on February 1, 1989. These claims shall be funded by moneys appropriated for payment of refunds of individual income tax.

Sec. 10. Section 422.10, unnumbered paragraph 1, Code 1987, is amended to read as follows:

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state. For individuals, the credit shall equal six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership,

subchapter S corporation, and estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 30 of the Internal Revenue Code of 1954, in effect on January 1, 1985 or which would be allowable under section 41 of the Internal Revenue Code of 1986.

Sec. 11. Section 422.21, Code Supplement 1987, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. The department shall provide on income forms or in the instruction booklets in a manner that will be noticeable to the taxpayers a statement to the extent that even though the taxpayer may not have any federal or state income tax liability that the taxpayer may be eligible for the federal earned income tax credit. The statement shall also contain notice of where the taxpayer may check on the taxpayer's eligibility for this credit.

NEW UNNUMBERED PARAGRAPH. The department shall prepare and make available a special return for filing a tax refund claim resulting from the net capital gain deduction authorized in section 422.9, subsection 6. The special returns shall be designed so that the department will be able to compile data that identifies the source and type of the capital gains and losses and the geographical location of the transactions involving the capital gains and losses. By January 15, 1989, the department shall make available to the general assembly the data compiled from the special returns filed during the previous calendar year.

Sec. 12. Section 422.73, Code 1987, is amended by adding the following new subsections:

NEW SUBSECTION. Notwithstanding subsection 2, a claim for credit or refund of the income tax paid for a tax year

beginning in the 1983 calendar year is considered timely if the claim is filed with the department on or before April 30, 1988, if the taxpayer's federal income tax was forgiven under section 692 of the Internal Revenue Code of 1986 because the taxpayer died, or was missing in action and determined dead, while serving in a combat zone. To the extent the federal income tax was forgiven under section 692 of the Internal Revenue Code of 1986 for the tax year, the Iowa income tax is also forgiven.

NEW SUBSECTION. Notwithstanding subsection 2, a claim for credit or refund of the state alternative minimum tax paid for any tax year beginning on or after January 1, 1982 and before January 1, 1984 is considered timely if the claim is filed with the department on or before April 30, 1988, if the taxpayer's capital gains preference items for purposes of the federal individual alternative minimum tax was reduced as a result of section 13208 of the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended by section 1896 of the Tax Reform Act of 1986.

Sec. 13. Section 422.7, subsections 10, 12, 14, 15, 22, and 26, section 422.9, subsection 2, paragraph "e", and section 422.21, unnumbered paragraph 4, do not apply.

Sec. 14. References in section 422.8 and in any other provision of law to section 422.5, subsection 1 shall be interpreted to mean the corresponding provision of section 422.5, subsection 1A.

Sec. 15. No addition to the tax shall be made under section 422.16, subsection 11, paragraph "d" or section 422.88, relating to the underpayment of estimated tax, for any tax year beginning before January 1, 1988 with respect to any underpayment, to the extent such underpayment was created or increased by any provision of the federal Tax Reform Act of 1986 or this Act.

Sec. 16. Sections 1 through 10, 13, and 14 of this Act are retroactive to January 1, 1987 for tax years beginning in the 1987 calendar year only.

Sec. 17. This Act, being deemed of immediate importance, takes effect upon enactment.

DONALD D. AVENSON
Speaker of the House

JO ANN ZIMMERMAN
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 689 Seventy-second General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved Oct. 29, 1987

TERRY E. BRANSTAD
Governor