

House Ways + Means 2-8-89 (p. 352)
to pass 2-8-89 (p. 379)

FILED JAN 31 1989

SENATE FILE 113
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 34.1)

Passed Senate, Date 2/2/89 (p. 484) Passed House, Date 2-16-89 (p. 493)
Vote: Ayes 46 Nays 0 Vote: Ayes 97 Nays 0
Approved 3-7-89 (p. 650)

A BILL FOR

1 An Act relating to state taxes and tax administration by
2 increasing the threshold for making estimated income tax
3 payments, allowing an election by withholding agents to make
4 estimated tax payments on behalf of nonresidents on incomes
5 from agricultural products, providing for the adoption of
6 federal estate tax values by agreement between the estate and
7 the department, and the repealing of the railway vehicle fuel
8 tax and railway mileage tax, and providing effective dates and
9 applicability provisions.

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

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SF 113

1 Section 1. Section 307B.23, subsection 1, Code 1989, is
2 amended to read as follows:

3 1. There is created in the office of the state treasurer a
4 "special railroad facility fund". This fund shall include
5 moneys credited to this fund under ~~sections~~ section 307.29
6 435-97 and other moneys which by law may be credited to the
7 special railroad facility fund. The moneys in the special
8 railroad facility fund are appropriated to and for the
9 purposes of the authority as provided in this chapter. The
10 funds in the special railroad facility fund shall not be
11 considered as a part of the general fund of the state, are not
12 subject to appropriation for any other purpose by the general
13 assembly, and in determining a general fund balance shall not
14 be included in the general fund of the state but shall remain
15 in the special railroad facility fund to be used for the
16 purposes set forth in this section. The treasurer of state
17 shall act as custodian of the fund and disburse amounts
18 contained in it as directed by the authority. The treasurer
19 of state is authorized to invest the funds deposited in the
20 special railroad facility fund at the direction of the
21 authority and subject to any limitations contained in the bond
22 proceedings. The income from such investment shall be
23 credited to and deposited in the special railroad facility
24 fund. This fund shall be administered by the authority and
25 may be used to purchase or upgrade railroad right-of-way and
26 trackage facilities or to purchase general or limited
27 partnership interests in a partnership formed to purchase,
28 upgrade, or operate railroad right-of-way and trackage
29 facilities, to pay or secure obligations issued by the
30 authority, to pay obligations, judgments, or debts for which
31 the authority becomes liable in its capacity as a general
32 partner, or for any other use authorized under this chapter.
33 The fund may also be used to purchase or upgrade railroad
34 right-of-way and trackage facilities for the development of
35 railroad passenger tourism.

1 Sec. 2. Section 307B.23, subsection 2, Code 1989, is
2 amended by striking the subsection.

3 Sec. 3. Section 421.27, unnumbered paragraph 1, Code 1989,
4 is amended to read as follows:

5 The penalty provided for failure to remit at least ninety
6 percent of the tax due or of the tax due with the filing of
7 the deposit form or return or to pay at least ninety percent
8 of the tax required to be shown on the return under section
9 98.28, 98.46, 324.65, 422.16, 422.25, 422.58, 422.66, 423.18,
10 ~~435.57~~, 450.63, 450A.12, or 451.12 shall not be assessed by the
11 department under any of the following conditions:

12 Sec. 4. Section 422.16, subsection 11, paragraph a, Code
13 1989, is amended to read as follows:

14 a. Every person or married couple filing a return shall
15 make estimated tax payments if the person's or couple's Iowa
16 income tax attributable to income other than wages subject to
17 withholding can reasonably be expected to amount to fifty two
18 hundred dollars or more for the taxable year, except that, in
19 the cases of farmers and fishermen, the exceptions provided in
20 the Internal Revenue Code with respect to making estimated
21 payments apply. The estimated tax shall be paid in quarterly
22 installments. The first installment shall be paid on or
23 before the last day of the fourth month of the taxpayer's tax
24 year for which the estimated payments apply. The other
25 installments shall be paid on or before June 30, September 30,
26 and January 31. However, at the election of the person or
27 married couple, any installment of the estimated tax may be
28 paid prior to the date prescribed for its payment. If a
29 person or married couple filing a return has reason to believe
30 that the person's or couple's Iowa income tax may increase or
31 decrease, either for purposes of meeting the requirement to
32 make estimated tax payments or for the purpose of increasing
33 or decreasing estimated tax payments, the person or married
34 couple shall increase or decrease any subsequent estimated tax
35 payments accordingly.

1 Sec. 5. Section 422.16, subsection 12, unnumbered
2 paragraph 2, Code 1989, is amended to read as follows:

3 Notwithstanding this subsection, withholding agents are not
4 required to withhold state income tax from payments subject to
5 taxation made to nonresidents for commodity credit
6 certificates, grain, livestock, domestic fowl, or other
7 agricultural commodities or products sold to the withholding
8 agents by the nonresidents or their representatives, if the
9 withholding agents provide on forms prescribed by the
10 department information relating to the sales required by the
11 department to determine the state income tax liabilities of
12 the nonresidents. However, the withholding agents may elect
13 to make estimated tax payments on behalf of the nonresidents
14 on the basis of the net incomes of the nonresidents from the
15 agricultural commodities or products, if the estimated tax
16 payments are made on or before the last day of the first month
17 after the end of the tax years of the nonresidents.

18 Sec. 6. Section 450.37, subsection 2, unnumbered paragraph
19 1, Code 1989, is amended to read as follows:

20 Fair market value in the ordinary course of trade shall be
21 established by agreement, including an agreement to accept the
22 values as finally determined for federal estate tax purposes.
23 The agreement shall be between the department of revenue and
24 finance, the personal representative, and the persons who have
25 an interest in the property.

26 Sec. 7. Chapters 324A and 435, Code 1989, are repealed.

27 Sec. 8. EFFECTIVE DATES AND APPLICABILITY.

28 1. Section 4 of this Act takes effect January 1, 1990, and
29 is applicable to tax years beginning on or after that date.

30 2. Section 5 of this Act applies retroactively to January
31 1, 1989, for tax years beginning on or after that date.

32 3. Section 6 of this Act is applicable to the estates of
33 decedents dying on or after July 1, 1989.

34 4. This Act, being deemed of immediate importance, takes
35 effect upon enactment.

EXPLANATION

2 The bill repeals the railway vehicle fuel tax and railway
3 mileage tax, increases the threshold for making estimated
4 income tax payments from \$50 to \$200, allows withholding
5 agents to elect to make estimated tax payments on behalf of
6 nonresidents on incomes from agricultural products, and
7 authorizes use of federal estate tax values for computing
8 inheritance tax. Effective dates and applicability provisions
9 are included.

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**SENATE FILE 113
FISCAL NOTE**

A fiscal note for SENATE FILE 113 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 113 relates to state taxes and tax administration. The bill repeals the railway vehicle fuel tax and railway mileage tax, increases the threshold for making estimated income tax payments from \$50 to \$200, allows withholding agents to elect to make estimated tax payments on behalf of nonresidents on incomes from agricultural products, and authorizes use of federal estate tax values for inheritance tax purposes.

Fiscal Effect

Repeal of the railway vehicle fuel tax and the railway mileage tax will not have a significant impact on tax receipts. In FY 1988, only \$1,300 was collected from these taxes.

Raising the threshold for making estimated income tax payments from \$50 to \$200 will result in a reduction in the number of filers required to submit estimated tax payments. Taxpayer liability will not be effected, although the timing of tax receipts would be effected. Whatever impact occurs will result in a one-time downward adjustment to FY 1990 receipts. It is not known how many eligible filers will choose to shift away from making estimated payments, but if 100% of filers effected by this section chose to shift away from making estimated payments, the effect is projected to be \$1.5 million.

Source: Department of Revenue and Finance

(LSB 1668s, PDD)

FILED FEBRUARY 2, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

DIELEMAN, CH.
PALMER
SOORNOLTZ

SSB 34.1
WAYS & MEANS
Now

SENATE FILE 113
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

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2 increasing the threshold for making estimated income tax
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7 the department, and the repealing of the railway vehicle fuel
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4 "special railroad facility fund". This fund shall include
5 moneys credited to this fund under ~~sections~~ section 307.29,
6 ~~435-97~~ and other moneys which by law may be credited to the
7 special railroad facility fund. The moneys in the special
8 railroad facility fund are appropriated to and for the
9 purposes of the authority as provided in this chapter. The
10 funds in the special railroad facility fund shall not be
11 considered as a part of the general fund of the state, are not
12 subject to appropriation for any other purpose by the general
13 assembly, and in determining a general fund balance shall not
14 be included in the general fund of the state but shall remain
15 in the special railroad facility fund to be used for the
16 purposes set forth in this section. The treasurer of state
17 shall act as custodian of the fund and disburse amounts
18 contained in it as directed by the authority. The treasurer
19 of state is authorized to invest the funds deposited in the
20 special railroad facility fund at the direction of the
21 authority and subject to any limitations contained in the bond
22 proceedings. The income from such investment shall be
23 credited to and deposited in the special railroad facility
24 fund. This fund shall be administered by the authority and
25 may be used to purchase or upgrade railroad right-of-way and
26 trackage facilities or to purchase general or limited
27 partnership interests in a partnership formed to purchase,
28 upgrade, or operate railroad right-of-way and trackage
29 facilities, to pay or secure obligations issued by the
30 authority, to pay obligations, judgments, or debts for which
31 the authority becomes liable in its capacity as a general
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33 The fund may also be used to purchase or upgrade railroad
34 right-of-way and trackage facilities for the development of
35 railroad passenger tourism.

1 Sec. 2. Section 307B.23, subsection 2, Code 1989, is
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4 is amended to read as follows:

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6 percent of the tax due or of the tax due with the filing of
7 the deposit form or return or to pay at least ninety percent
8 of the tax required to be shown on the return under section
9 98.28, 98.46, 324.65, 422.16, 422.25, 422.58, 422.66, 423.18,
10 ~~435.57~~, 450.63, 450A.12, or 451.12 shall not be assessed by the
11 department under any of the following conditions:

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13 1989, is amended to read as follows:

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15 make estimated tax payments if the person's or couple's Iowa
16 income tax attributable to income other than wages subject to
17 withholding can reasonably be expected to amount to fifty two
18 hundred dollars or more for the taxable year, except that, in
19 the cases of farmers and fishermen, the exceptions provided in
20 the Internal Revenue Code with respect to making estimated
21 payments apply. The estimated tax shall be paid in quarterly
22 installments. The first installment shall be paid on or
23 before the last day of the fourth month of the taxpayer's tax
24 year for which the estimated payments apply. The other
25 installments shall be paid on or before June 30, September 30,
26 and January 31. However, at the election of the person or
27 married couple, any installment of the estimated tax may be
28 paid prior to the date prescribed for its payment. If a
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EXPLANATION

The bill repeals the railway vehicle fuel tax and railway mileage tax, increases the threshold for making estimated income tax payments from \$50 to \$200, allows withholding agents to elect to make estimated tax payments on behalf of nonresidents on incomes from agricultural products, and authorizes use of federal estate tax values for computing inheritance tax. Effective dates and applicability provisions are included.

SENATE FILE 113

AN ACT

RELATING TO STATE TAXES AND TAX ADMINISTRATION BY INCREASING THE THRESHOLD FOR MAKING ESTIMATED INCOME TAX PAYMENTS, ALLOWING AN ELECTION BY WITHHOLDING AGENTS TO MAKE ESTIMATED TAX PAYMENTS ON BEHALF OF NONRESIDENTS ON INCOMES FROM AGRICULTURAL PRODUCTS, PROVIDING FOR THE ADOPTION OF FEDERAL ESTATE TAX VALUES BY AGREEMENT BETWEEN THE ESTATE AND THE DEPARTMENT, AND THE REPEALING OF THE RAILWAY VEHICLE FUEL TAX AND RAILWAY MILEAGE TAX, AND PROVIDING EFFECTIVE DATES AND APPLICABILITY PROVISIONS.

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

Section 1. Section 307B.23, subsection 1, Code 1989, is amended to read as follows:

1. There is created in the office of the state treasurer a "special railroad facility fund". This fund shall include moneys credited to this fund under sections ~~section~~ 307.29, 435.97, and other moneys which by law may be credited to the special railroad facility fund. The moneys in the special railroad facility fund are appropriated to and for the purposes of the authority as provided in this chapter. The funds in the special railroad facility fund shall not be considered as a part of the general fund of the state, are not subject to appropriation for any other purpose by the general assembly, and in determining a general fund balance shall not be included in the general fund of the state but shall remain in the special railroad facility fund to be used for the purposes set forth in this section. The treasurer of state shall act as custodian of the fund and disburse amounts contained in it as directed by the authority. The treasurer of state is authorized to invest the funds deposited in the special railroad facility fund at the direction of the

authority and subject to any limitations contained in the bond proceedings. The income from such investment shall be credited to and deposited in the special railroad facility fund. This fund shall be administered by the authority and may be used to purchase or upgrade railroad right-of-way and trackage facilities or to purchase general or limited partnership interests in a partnership formed to purchase, upgrade, or operate railroad right-of-way and trackage facilities, to pay or secure obligations issued by the authority, to pay obligations, judgments, or debts for which the authority becomes liable in its capacity as a general partner, or for any other use authorized under this chapter. The fund may also be used to purchase or upgrade railroad right-of-way and trackage facilities for the development of railroad passenger tourism.

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Sec. 4. Section 422.16, subsection 11, paragraph a, Code 1989, is amended to read as follows:

a. Every person or married couple filing a return shall make estimated tax payments if the person's or couple's Iowa income tax attributable to income other than wages subject to withholding can reasonably be expected to amount to ~~forty~~ fifty ~~hundred~~ hundred dollars or more for the taxable year, except that, in the cases of farmers and fishermen, the exceptions provided in the Internal Revenue Code with respect to making estimated payments apply. The estimated tax shall be paid in quarterly installments. The first installment shall be paid on or

before the last day of the fourth month of the taxpayer's tax year for which the estimated payments apply. The other installments shall be paid on or before June 30, September 30, and January 31. However, at the election of the person or married couple, any installment of the estimated tax may be paid prior to the date prescribed for its payment. If a person or married couple filing a return has reason to believe that the person's or couple's Iowa income tax may increase or decrease, either for purposes of meeting the requirement to make estimated tax payments or for the purpose of increasing or decreasing estimated tax payments, the person or married couple shall increase or decrease any subsequent estimated tax payments accordingly.

Sec. 5. Section 422.16, subsection 12, unnumbered paragraph 2, Code 1989, is amended to read as follows:

Notwithstanding this subsection, withholding agents are not required to withhold state income tax from payments subject to taxation made to nonresidents for commodity credit certificates, grain, livestock, domestic fowl, or other agricultural commodities or products sold to the withholding agents by the nonresidents or their representatives, if the withholding agents provide on forms prescribed by the department information relating to the sales required by the department to determine the state income tax liabilities of the nonresidents. However, the withholding agents may elect to make estimated tax payments on behalf of the nonresidents on the basis of the net incomes of the nonresidents from the agricultural commodities or products, if the estimated tax payments are made on or before the last day of the first month after the end of the tax years of the nonresidents.

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Sec. 7. Chapters 324A and 435, Code 1989, are repealed.

Sec. 8. EFFECTIVE DATES AND APPLICABILITY.

1. Section 4 of this Act takes effect January 1, 1990, and is applicable to tax years beginning on or after that date.
2. Section 5 of this Act applies retroactively to January 1, 1989, for tax years beginning on or after that date.
3. Section 6 of this Act is applicable to the estates of decedents dying on or after July 1, 1989.
4. This Act, being deemed of immediate importance, takes effect upon enactment.

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 113, Seventy-third General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved March 7, 1989

TERRY E. HRANSTAD
Governor