

House ways means 2-22-89 (p. 534)
amend. DU PASS per amend. 3742 3-31-89 (p. 1179)

FILED FEB 09 1989

SENATE FILE 186
BY COMMITTEE ON WAYS AND MEANS
(SUCCESSOR TO SSB 35.1)

Passed Senate, Date 2-16-89 (p. 427) Passed House, Date 4-26-89 (p. 1483)
Vote: Ayes 49 Nays 0 Vote: Ayes 86 Nays 2
Approved June 1, 1989

Repassed Senate 5-1-89 (p. 1785)
Ayes 42 Nays 7 A BILL FOR

4133-
4166, 4161,
3742, H. 3733

1 An Act relating to the updating of the reference to the Internal
2 Revenue Code, and providing refund provisions for certain
3 income and inheritance tax payments, and providing
4 applicability and effective dates.

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

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SF 186

H-3733 >

1 Section 1. Section 422.3, subsection 5, Code 1989, is
2 amended to read as follows:

3 5. "Internal Revenue Code" means the Internal Revenue Code
4 of 1954, prior to the date of its redesignation as the
5 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
6 or means the Internal Revenue Code of 1986 as amended to and
7 including January 1, ~~1988~~ 1989, whichever is applicable.

4133, 4160,
3742, H-3733 >
4161,

8 Sec. 2. Section 422.73, Code 1989, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 7. Notwithstanding subsection 2, a claim
11 for credit or refund of the income tax paid is considered
12 timely if the claim is filed with the department on or before
13 November 10, 1989, if the taxpayer's federal income tax was
14 forgiven under section 170(m) of the Internal Revenue Code
15 because eighty percent of the taxpayer's payment to a college
16 or university was allowed as a charitable contribution since
17 the payment entitled the taxpayer to purchase tickets to an
18 athletic event of the college or university. To the extent
19 the federal income tax was forgiven for the tax year under
20 section 170(m) of the Internal Revenue Code, the Iowa income
21 tax is also forgiven.

22 Sec. 3. Section 450.94, Code 1989, is amended by adding
23 the following new subsections:

24 NEW SUBSECTION. 6. Notwithstanding the periods of
25 limitation for filing a claim for refund in subsection 3, with
26 respect to estates of decedents dying on or after July 1,
27 1982, a qualified heir who has paid an additional inheritance
28 tax under section 450B.3 by reason of the cessation of the
29 qualified use due to cash rent of the special use property by
30 the surviving spouse, shall have until November 10, 1989, to
31 file a claim for refund of the additional inheritance tax
32 paid.

33 NEW SUBSECTION. 7. Notwithstanding the periods of
34 limitations for filing a claim for refund in subsection 3,
35 estates of decedents dying on or after July 1, 1985, which

1 have elected to treat qualified terminable interest property
2 as passing to the surviving spouse in fee, shall have until
3 November 10, 1990, to make the election allowed under section
4 6152(c)(3) of the Technical and Miscellaneous Revenue Act of
5 1988 for joint and survivor annuities.

6 Sec. 4. Section 1 of this Act is retroactive to January 1,
7 1988, for tax years beginning on or after that date.

4133, 3742

8 Sec. 5. This Act, being deemed of immediate importance,
9 takes effect upon enactment.

10 EXPLANATION

11 Section 1. This section updates references to the Internal
12 Revenue Code and is retroactive to January 1, 1988, for tax
13 years beginning on or after that date.

14 Section 2. This section is based on a provision in the
15 Technical and Miscellaneous Revenue Act of 1988. Under the
16 Act, if a taxpayer makes a payment to or for a college or
17 university that would be deductible as a charitable
18 contribution but for the fact that the taxpayer receives the
19 right to purchase seating in the school's athletic stadium,
20 80% of the payment is treated as a charitable contribution.
21 This provision allows a claim or refund for income tax paid
22 which can pertain to tax years which are beyond the three-year
23 statute of limitations. The claim must be filed on or before
24 November 10, 1989.

25 Section 3. This section provides for filing a claim for
26 refund under the inheritance tax provisions as a result of the
27 retroactive applicability of the Technical and Miscellaneous
28 Revenue Act of 1988. The new subsection 6 allows for the
29 filing of a claim for refund of the additional inheritance tax
30 paid on special use valuation property which was imposed as a
31 result of a qualified heir receiving cash rentals from the
32 property. This provision is retroactive to estates of
33 decedents dying on or after July 1, 1982, since the special
34 use valuation provisions did not apply for state inheritance
35 tax purposes until July 1, 1982.

1 The new subsection 7 provides for the filing of a claim for
2 refund of inheritance tax on estates which elected to treat
3 qualified terminable interest property as passing to the
4 surviving spouse in fee. The provision is made retroactive to
5 July 1, 1985, for decedents dying on or after that date
6 because the state did not allow this treatment until July 1,
7 1985.

8 Sections 2 and 3 are effective upon enactment.

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**SENATE FILE 186
FISCAL NOTE**

A fiscal note for **SENATE FILE 186** 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 186 conforms the state's tax provisions with the Technical and Miscellaneous Revenue Act of 1988 and the Family Support Act of 1988. Provisions impact individual, corporate, inheritance and estate taxes directly and indirectly. Estimates were completed for relatively few items since the remaining provisions were projected to have a minimal impact.

FISCAL IMPACT

The estimated net impact of those provisions with significant impact is shown in the table below:

FY 1989	FY 1990	FY 1991
(\$1,000,000)	(\$950,000)	\$1,025,000

Source: Department of Revenue and Finance

(LSB 1906sc, PDD)

FILED FEBRUARY 14, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 186

H-3733

1 Amend Senate File 186, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. NEW SECTION. 217.38 RESTITUTION TO
6 INDIVIDUALS OF JAPANESE ANCESTRY.

7 Notwithstanding any other law of this state,
8 payments paid to an eligible individual of Japanese
9 ancestry under section 105 of the Civil Liberties Act
10 of 1988, Pub. L. 100-383, Title I, shall not be
11 considered as income or an asset for determining the
12 eligibility for state or local government benefit or
13 entitlement programs. The proceeds are not subject to
14 recoupment for the receipt of governmental benefits or
15 entitlements and liens are not enforceable against
16 these sums for any reason."

17 2. Page 1, by inserting after line 7 the
18 following:

19 "Sec. 10. Section 422.7, Code 1989, is amended by
20 adding the following new subsection:

21 NEW SUBSECTION. 19. Subtract, to the extent
22 included, the amounts paid to an eligible individual
23 under section 105 of the Civil Liberties Act of 1988,
24 Pub. L. 100-383, Title I, as satisfaction for a claim
25 against the United States arising out of the
26 confinement, holding in custody, relocation, or other
27 deprivation of liberty or property of an individual of
28 Japanese ancestry."

29 3. Page 2, line 6, by striking the words and
30 figure "Section 1 of this Act is" and inserting the
31 following: "Sections 1 and 10 of this Act are".

32 4. Title page, line 2, by inserting after the
33 word "Code" the following: "and treatment of payments
34 to individuals of Japanese ancestry".

By DODERER of Johnson
TABOR of Jackaon

H-3733 FILED MARCH 30, 1989

NOT Germane 426-89 (p.1977) - Rules suspended

Adopted 426-89 (p.1977)

SENATE FILE 186

H-3742

1 Amend Senate File 186 as passed by the Senate as
2 follows:

3 1. Page 1, by inserting after line 7, the
4 following:

5 "Sec. 100. NEW SECTION. 422.11B MINIMUM TAX
6 CREDIT.

7 1. There is allowed as a credit against the tax
8 determined in section 422.5, subsection 1, paragraphs
9 "a" through "j" for a tax year an amount equal to the
10 minimum tax credit for that tax year.

11 The minimum tax credit for a tax year is the
12 excess, if any, of the adjusted net minimum tax
13 imposed for all prior tax years beginning on or after
14 January 1, 1987, over the amount allowable as a credit
15 under this section for those prior tax years.

16 2. The allowable credit under subsection 1 for a
17 tax year shall not exceed the excess, if any, of the
18 tax determined in section 422.5, subsection 1,
19 paragraphs "a" through "j" over the state alternative
20 minimum tax as determined in section 422.5, subsection
21 1, paragraph "k".

22 The net minimum tax for a tax year is the excess,
23 if any, of the tax determined in section 422.5,
24 subsection 1, paragraph "k" for the tax year over the
25 tax determined in section 422.5, subsection 1,
26 paragraphs "a" through "j" for the tax year.

27 The adjusted net minimum tax for a tax year is the
28 net minimum tax for the tax year reduced by the amount
29 which would be the net minimum tax if the only item of
30 tax preference taken into account was that described
31 in paragraph (6) of section 57(a) of the Internal
32 Revenue Code.

33 Sec. 101. Section 422.33, Code 1989, is amended by
34 adding the following new subsection:

35 NEW SUBSECTION. 9. a. There is allowed as a
36 credit against the tax determined in subsection 1 for
37 a tax year an amount equal to the minimum tax credit
38 for that tax year.

39 The minimum tax credit for a tax year is the
40 excess, if any, of the adjusted net minimum tax
41 imposed for all prior tax years beginning on or after
42 January 1, 1987, over the amount allowable as a credit
43 under this subsection for those prior tax years.

44 b. The allowable credit under paragraph "a" for a
45 tax year shall not exceed the excess, if any, of the
46 tax determined in subsection 1 over the state
47 alternative minimum tax as determined in subsection 4.

48 The net minimum tax for a tax year is the excess,
49 if any, of the tax determined in subsection 4 for the
50 tax year over the tax determined in subsection 1 for

1 the tax year.

2 The adjusted net minimum tax for a tax year is the
3 net minimum tax for the tax year reduced by the amount
4 which would be the net minimum tax if the only item of
5 tax preference taken into account was that described
6 in paragraph (6) of section 57(a) of the Internal
7 Revenue Code.

8 Sec. 102. Section 422.60, Code 1989, is amended by
9 adding the following new subsection:

10 NEW SUBSECTION. 3. a. There is allowed as a
11 credit against the tax determined in section 422.63
12 for a tax year an amount equal to the minimum tax
13 credit for that tax year.

14 The minimum tax credit for a tax year is the
15 excess, if any, of the adjusted net minimum tax
16 imposed for all prior tax years beginning on or after
17 January 1, 1987, over the amount allowable as a credit
18 under this subsection for those prior tax years.

19 b. The allowable credit under paragraph "a" for a
20 tax year shall not exceed the excess, if any, of the
21 tax determined in section 422.63 over the state
22 alternative minimum tax as determined in subsection 2.

23 The net minimum tax for a tax year is the excess,
24 if any, of the tax determined in subsection 2 for the
25 tax year over the tax determined in section 422.63 for
26 the tax year.

27 The adjusted net minimum tax for a tax year is the
28 net minimum tax for the tax year reduced by the amount
29 which would be the net minimum tax if the only item of
30 tax preference taken into account was that described
31 in paragraph (6) of section 57(a) of the Internal
32 Revenue Code."

33 2. Page 2, by inserting after line 7 the
34 following:

35 "Sec. _____. Sections 100, 101, and 102 of this Act
36 apply retroactively to January 1, 1987, for tax years
37 beginning on or after that date."

38 3. Title page, line 2, by inserting after the
39 word "Code," the following: "providing minimum tax
40 credits,".

By COMMITTEE ON WAYS AND MEANS
TABOR of Jackson, Chairperson

Adopted 4-26-89 (p.1976)

SENATE FILE 186

H-4133

1 Amend Senate File 186, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 8 the
4 following:

5 "Sec. 100. Section 422.4, subsection 17, Code
6 1989, is amended by striking the subsection and
7 inserting in lieu thereof the following:

8 17. a. "Inflation factor for a calendar year"
9 means one hundred percent plus the percent, determined
10 by the department by December 15 of the calendar year
11 preceding the calendar year for which the factor is
12 determined, equal to the percentage, if any, by which
13 the consumer price index for the calendar year
14 preceding the calendar year for which the factor is
15 determined exceeds the consumer price index for the
16 1987 calendar year. The inflation factor for a
17 calendar year applies to tax years beginning in the
18 calendar year for which it was determined.

19 b. "Consumer price index for a calendar year"
20 means the average of the consumer price index for all-
21 urban consumers published by the United States
22 department of labor, as of the close of the twelve-
23 month period ending on August 31 of that calendar
24 year.

25 Sec. 101. Section 422.5, subsection 7, Code 1989,
26 is amended to read as follows:

27 7. Upon determination of the ~~latest-cumulative~~
28 inflation factor for a calendar year, the director
29 shall multiply each dollar amount set forth in
30 subsection 1, paragraphs "a" and through "i" of this
31 ~~section, and, each dollar amount set forth in~~
32 subsection 1, paragraph "k", subparagraph (2), each
33 dollar amount specified in this section as the minimum
34 below which tax is not imposed, each dollar amount
35 specified in this section as the maximum amount of
36 annuities received which may be excluded in
37 determining final taxable income, the dollar amount of
38 the standard deduction under section 422.9, subsection
39 1, and the personal exemption amounts set out in
40 section 422.12, subsection 1, by this cumulative
41 inflation factor, shall round off the resulting
42 product to the nearest one dollar, and shall
43 incorporate the result into the income tax forms and
44 instructions for each the tax year.

45 Sec. 102. Section 422.21, unnumbered paragraph 4,
46 Code 1989, is amended to read as follows:

47 The director shall determine for the 1989 and each
48 subsequent calendar year the ~~annual-and-cumulative~~
49 inflation factors factor for each calendar year to be
50 applied to tax years beginning ~~on-or-after-January-1~~

H-4133

Page 2

1 of in that calendar year. The director shall compute
 2 the new dollar amounts as specified to be adjusted in
 3 section sections 422.5 and 422.33 by the latest
 4 cumulative inflation factor and round off the result
 5 to the nearest one dollar. The ~~annual-and-cumulative~~
 6 inflation factors determined by the director are not
 7 rules as defined in section 17A.2, subsection 7.

8 Sec. 103. Section 422.33, subsection 1, Code 1989,
 9 is amended by adding the following new unnumbered
 10 paragraph:

11 NEW UNNUMBERED PARAGRAPH. Upon determination of
 12 the inflation factor for a calendar year, the director
 13 shall multiply each dollar amount set forth in this
 14 subsection by this inflation factor, shall round off
 15 the resulting product to the nearest one dollar, and
 16 shall incorporate the result into the income tax forms
 17 and instructions for the tax year."

18 2. Page 2, by inserting after line 7, the
 19 following:

20 "Sec. ____ . Sections 100 through 103 of this Act
 21 apply retroactively to January 1, 1989, for tax years
 22 beginning on or after that date."

23 3. Title page, line 1, by inserting after the
 24 word "Act" the following: "relating to indexing for
 25 state individual and corporate income tax purposes,".

26 4. By renumbering as necessary.

By HALVORSON of Clayton
 HARBOR of Mills

H-4133 FILED APRIL 20, 1989

Not Germane 4-26-89 (p. 1979)

SENATE FILE 186

H-3751

1 Amend amendment, H-3733, to Senate File 186, as
 2 passed by the Senate, as follows:

3 1. Page 1, line 15, by inserting after the word
 4 "liens" the following: ", except liens for child
 5 support,".

By SCHNEKLOTH of Scott

H-3751 FILED MARCH 31, 1989

Adopted 4-26-89 (p. 177)

H-4166

1 Amend Senate File 186, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 8 the
4 following:

5 "Sec. ____ . Section 422.45, subsection 7,
6 unnumbered paragraph 1, Code 1989, is amended to read
7 as follows:

8 A private nonprofit educational institution in this
9 state or a tax-certifying or tax-levying body or
10 governmental subdivision of the state, including the
11 state board of regents, state department of human
12 services, state department of transportation, a
13 municipally owned solid waste facility which sells all
14 or part of its processed waste as fuel to a
15 municipally owned public utility, a historical society
16 of the state, a county, or a city, or any combination
17 of these, and all divisions, boards, commissions,
18 agencies or instrumentalities of state, federal,
19 county or municipal government which do not have
20 earnings going to the benefit of an equity investor or
21 stockholder may make application to the department for
22 the refund of the sales, services, or use tax upon the
23 gross receipts of all sales of goods, wares or
24 merchandise, or from services rendered, furnished, or
25 performed, to a contractor, used in the fulfillment of
26 a written contract with the state of Iowa, any
27 political subdivision of the state, or a division,
28 board, commission, agency or instrumentality of the
29 state or a political subdivision, or a private
30 nonprofit educational institution in this state, or a
31 historical society of the state, a county, or a city,
32 or any combination of these, if the property becomes
33 an integral part of the project under contract and at
34 the completion of the project becomes public property,
35 or is devoted to historical or educational uses;
36 except goods, wares or merchandise or services
37 rendered, furnished, or performed used in the
38 performance of any contract in connection with the
39 operation of any municipal utility engaged in selling
40 gas, electricity, or heat to the general public; and
41 except goods, wares, and merchandise used in the
42 performance of a contract for a "project" under
43 chapter 419 as defined in that chapter other than
44 goods, wares or merchandise used in the performance of
45 a contract for a "project" under chapter 419 for which
46 a bond issue was or will have been approved by a
47 municipality prior to July 1, 1968, or for which the
48 goods, wares, or merchandise becomes an integral part
49 of the project under contract and at the completion of
50 the project becomes public property or is devoted to

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1 historical or educational uses."

2 2. Title page, line 2, by inserting after the
3 word "Code," the following: "providing sales tax
4 exemptions in connection with certain historical
5 societies,".

6 3. By numbering and renumbering as necessary.

By VAN MAANEN of Mahaska

SENATE FILE 186

H-4161

1 Amend Senate File 186, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting after line 7 the
4 following:

5 "Sec. ____ . Section 422.61, subsection 1, Code
6 1989, is amended to read as follows:

7 1. "Financial institution" means a state bank as
8 defined in section 524.103, subsection 19, a state
9 bank chartered under the laws of any other state, a
10 national banking association ~~having-its-principal~~
11 ~~office-within-this-state~~, a trust company, a federally
12 chartered savings and loan association, an out-of-
13 state state chartered savings bank, a financial
14 institution chartered by the federal home loan bank
15 board, a non-Iowa chartered savings and loan
16 association, an association incorporated or authorized
17 to do business under chapter 534, or a production
18 credit association."

19 2. Title page, line 2, by inserting after the
20 word "Code," the following: "relating to the
21 franchise tax and".

By TABOR of Jackson

H-4161 FILED APRIL 24, 1989

Adopted 4-26-89 (p. 1979)

SENATE FILE 186
H-3742 TO SENATE FILE 186
FISCAL NOTE

A fiscal note for H-3742 TO SENATE FILE 186 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.

H-3742 to Senate File 186 allows a credit against future regular taxes for net minimum tax paid on deferral preferences. The credit cannot offset the minimum tax liability, however, the credit may be carried forward indefinitely and used in future years to the extent that the regular tax exceeds the minimum tax. The credit may not be used to reduce regular tax below any alternative minimum tax liability. The purpose of the credit is to mitigate the double taxation of the deferral preferences. H-3742 would provide such a credit for Iowa individual and corporate income tax.

Fiscal Effect

An estimate of the impact of this provision is not possible due to lack of information on either the number of taxpayers who would benefit from such a credit or the dollar amount of such credits.

Source: Department of Revenue and Finance

(LSB 1906sv, PDD)

FILED APRIL 25, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

**SENATE FILE 186
AMENDMENT H-4166 TO SENATE FILE 186
FISCAL NOTE**

A fiscal note for H-4166 TO SENATE FILE 186 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.

H-4166 to Senate File 186 would exempt state, county or city historical societies from payment of sales tax on taxable sales and services.

Fiscal Effect

The Department does not have the information available to estimate the extent of the reduction in sales tax receipts that would result from this amendment.

Source: Department of Revenue and Finance

(LSB 1906sv.2, PDD)

FILED APRIL 26, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE AMENDMENT TO
SENATE FILE 186

S-3980

1 Amend Senate File 186, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. NEW SECTION. 217.38 RESTITUTION TO
6 INDIVIDUALS OF JAPANESE ANCESTRY.

7 Notwithstanding any other law of this state,
8 payments paid to an eligible individual of Japanese
9 ancestry under section 105 of the Civil Liberties Act
10 of 1988, Pub. L. 100-383, Title I, shall not be
11 considered as income or an asset for determining the
12 eligibility for state or local government benefit or
13 entitlement programs. The proceeds are not subject to
14 recoupment for the receipt of governmental benefits or
15 entitlements and liens, except liens for child
16 support, are not enforceable against these sums for
17 any reason."

18 2. Page 1, by inserting after line 7 the
19 following:

20 "Sec. 10. Section 422.7, Code 1989, is amended by
21 adding the following new subsection:

22 NEW SUBSECTION. 19. Subtract, to the extent
23 included, the amounts paid to an eligible individual
24 under section 105 of the Civil Liberties Act of 1988,
25 Pub. L. 100-383, Title I, as satisfaction for a claim
26 against the United States arising out of the
27 confinement, holding in custody, relocation, or other
28 deprivation of liberty or property of an individual of
29 Japanese ancestry."

30 3. Page 1, by inserting after line 7, the
31 following:

32 "Sec. 100. NEW SECTION. 422.11B MINIMUM TAX
33 CREDIT.

34 1. There is allowed as a credit against the tax
35 determined in section 422.5, subsection 1, paragraphs
36 "a" through "j" for a tax year an amount equal to the
37 minimum tax credit for that tax year.

38 The minimum tax credit for a tax year is the
39 excess, if any, of the adjusted net minimum tax
40 imposed for all prior tax years beginning on or after
41 January 1, 1987, over the amount allowable as a credit
42 under this section for those prior tax years.

43 2. The allowable credit under subsection 1 for a
44 tax year shall not exceed the excess, if any, of the
45 tax determined in section 422.5, subsection 1,
46 paragraphs "a" through "j" over the state alternative
47 minimum tax as determined in section 422.5, subsection
48 1, paragraph "k".

49 The net minimum tax for a tax year is the excess,
50 if any, of the tax determined in section 422.5,

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1 subsection 1, paragraph "k" for the tax year over the
2 tax determined in section 422.5, subsection 1,
3 paragraphs "a" through "j" for the tax year.

4 The adjusted net minimum tax for a tax year is the
5 net minimum tax for the tax year reduced by the amount
6 which would be the net minimum tax if the only item of
7 tax preference taken into account was that described
8 in paragraph (6) of section 57(a) of the Internal
9 Revenue Code.

10 Sec. 101. Section 422.33, Code 1989, is amended by
11 adding the following new subsection:

12 NEW SUBSECTION. 9. a. There is allowed as a
13 credit against the tax determined in subsection 1 for
14 a tax year an amount equal to the minimum tax credit
15 for that tax year.

16 The minimum tax credit for a tax year is the
17 excess, if any, of the adjusted net minimum tax
18 imposed for all prior tax years beginning on or after
19 January 1, 1987, over the amount allowable as a credit
20 under this subsection for those prior tax years.

21 b. The allowable credit under paragraph "a" for a
22 tax year shall not exceed the excess, if any, of the
23 tax determined in subsection 1 over the state
24 alternative minimum tax as determined in subsection 4.

25 The net minimum tax for a tax year is the excess,
26 if any, of the tax determined in subsection 4 for the
27 tax year over the tax determined in subsection 1 for
28 the tax year.

29 The adjusted net minimum tax for a tax year is the
30 net minimum tax for the tax year reduced by the amount
31 which would be the net minimum tax if the only item of
32 tax preference taken into account was that described
33 in paragraph (6) of section 57(a) of the Internal
34 Revenue Code.

35 Sec. 102. Section 422.60, Code 1989, is amended by
36 adding the following new subsection:

37 NEW SUBSECTION. 3. a. There is allowed as a
38 credit against the tax determined in section 422.63
39 for a tax year an amount equal to the minimum tax
40 credit for that tax year.

41 The minimum tax credit for a tax year is the
42 excess, if any, of the adjusted net minimum tax
43 imposed for all prior tax years beginning on or after
44 January 1, 1987, over the amount allowable as a credit
45 under this subsection for those prior tax years.

46 b. The allowable credit under paragraph "a" for a
47 tax year shall not exceed the excess, if any, of the
48 tax determined in section 422.63 over the state
49 alternative minimum tax as determined in subsection 2.

50 The net minimum tax for a tax year is the excess,

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1 if any, of the tax determined in subsection 2 for the
2 tax year over the tax determined in section 422.63 for
3 the tax year.

4 The adjusted net minimum tax for a tax year is the
5 net minimum tax for the tax year reduced by the amount
6 which would be the net minimum tax if the only item of
7 tax preference taken into account was that described
8 in paragraph (6) of section 57(a) of the Internal
9 Revenue Code."

10 4. Page 1, by inserting after line 7 the
11 following:

12 "Sec. ____ . Section 422.61, subsection 1, Code
13 1989, is amended to read as follows:

14 1. "Financial institution" means a state bank as
15 defined in section 524.103, subsection 19, a state
16 bank chartered under the laws of any other state, a
17 national banking association having its principal
18 office within this state, a trust company, a federally
19 chartered savings and loan association, an out-of-
20 state state chartered savings bank, a financial
21 institution chartered by the federal home loan bank
22 board, a non-Iowa chartered savings and loan
23 association, an association incorporated or authorized
24 to do business under chapter 534, or a production
25 credit association."

26 5. Page 2, line 6, by striking the words and
27 figure "Section 1 of this Act is" and inserting the
28 following: "Sections 1 and 10 of this Act are".

29 6. Page 2, by inserting after line 7 the
30 following:

31 "Sec. ____ . Sections 100, 101, and 102 of this Act
32 apply retroactively to January 1, 1987, for tax years
33 beginning on or after that date."

34 7. Title page, line 2, by inserting after the
35 word "Code" the following: "and treatment of payments
36 to individuals of Japanese ancestry".

37 8. Title page, line 2, by inserting after the
38 word "Code," the following: "providing minimum tax
39 credits,".

40 9. Title page, line 2, by inserting after the
41 word "Code," the following: "relating to the
42 franchise tax and".

43 10. By renumbering, relettering, or redesignating
44 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-3980 FILED APRIL 28, 1989

Senate Concurred 5-1-89 (p. 1785)

SZYMONIAK, CH.
KIBBIE
DRAKE

SSB 35.1
WAYS & MEANS

SENATE FILE 186
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the updating of the reference to the Internal
2 Revenue Code, and providing refund provisions for certain
3 income and inheritance tax payments, and providing
4 applicability and effective dates.

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

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1 Section 1. Section 422.3, subsection 5, Code 1989, is
2 amended to read as follows:

3 5. "Internal Revenue Code" means the Internal Revenue Code
4 of 1954, prior to the date of its redesignation as the
5 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
6 or means the Internal Revenue Code of 1986 as amended to and
7 including January 1, ~~1988~~ 1989, whichever is applicable.

8 Sec. 2. Section 422.73, Code 1989, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 7. Notwithstanding subsection 2, a claim
11 for credit or refund of the income tax paid is considered
12 timely if the claim is filed with the department on or before
13 November 10, 1989, if the taxpayer's federal income tax was
14 forgiven under section 170(m) of the Internal Revenue Code
15 because eighty percent of the taxpayer's payment to a college
16 or university was allowed as a charitable contribution since
17 the payment entitled the taxpayer to purchase tickets to an
18 athletic event of the college or university. To the extent
19 the federal income tax was forgiven for the tax year under
20 section 170(m) of the Internal Revenue Code, the Iowa income
21 tax is also forgiven.

22 Sec. 3. Section 450.94, Code 1989, is amended by adding
23 the following new subsections:

24 NEW SUBSECTION. 6. Notwithstanding the periods of
25 limitation for filing a claim for refund in subsection 3, with
26 respect to estates of decedents dying on or after July 1,
27 1982, a qualified heir who has paid an additional inheritance
28 tax under section 450B.3 by reason of the cessation of the
29 qualified use due to cash rent of the special use property by
30 the surviving spouse, shall have until November 10, 1989, to
31 file a claim for refund of the additional inheritance tax
32 paid.

33 NEW SUBSECTION. 7. Notwithstanding the periods of
34 limitations for filing a claim for refund in subsection 3,
35 estates of decedents dying on or after July 1, 1985, which

1 have elected to treat qualified terminable interest property
2 as passing to the surviving spouse in fee, shall have until
3 November 10, 1990, to make the election allowed under section
4 6152(c)(3) of the Technical and Miscellaneous Revenue Act of
5 1988 for joint and survivor annuities.

6 Sec. 4. Section 1 of this Act is retroactive to January 1,
7 1988, for tax years beginning on or after that date.

8 Sec. 5. This Act, being deemed of immediate importance,
9 takes effect upon enactment.

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EXPLANATION

11 Section 1. This section updates references to the Internal
12 Revenue Code and is retroactive to January 1, 1988, for tax
13 years beginning on or after that date.

14 Section 2. This section is based on a provision in the
15 Technical and Miscellaneous Revenue Act of 1988. Under the
16 Act, if a taxpayer makes a payment to or for a college or
17 university that would be deductible as a charitable
18 contribution but for the fact that the taxpayer receives the
19 right to purchase seating in the school's athletic stadium,
20 80% of the payment is treated as a charitable contribution.
21 This provision allows a claim or refund for income tax paid
22 which can pertain to tax years which are beyond the three-year
23 statute of limitations. The claim must be filed on or before
24 November 10, 1989.

25 Section 3. This section provides for filing a claim for
26 refund under the inheritance tax provisions as a result of the
27 retroactive applicability of the Technical and Miscellaneous
28 Revenue Act of 1988. The new subsection 6 allows for the
29 filing of a claim for refund of the additional inheritance tax
30 paid on special use valuation property which was imposed as a
31 result of a qualified heir receiving cash rentals from the
32 property. This provision is retroactive to estates of
33 decedents dying on or after July 1, 1982, since the special
34 use valuation provisions did not apply for state inheritance
35 tax purposes until July 1, 1982.

1 The new subsection 7 provides for the filing of a claim for
2 refund of inheritance tax on estates which elected to treat
3 qualified terminable interest property as passing to the
4 surviving spouse in fee. The provision is made retroactive to
5 July 1, 1985, for decedents dying on or after that date
6 because the state did not allow this treatment until July 1,
7 1985.

8 Sections 2 and 3 are effective upon enactment.

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SENATE FILE 186

AN ACT

RELATING TO THE UPDATING OF THE REFERENCE TO THE INTERNAL REVENUE CODE AND TREATMENT OF PAYMENTS TO INDIVIDUALS OF JAPANESE ANCESTRY, PROVIDING MINIMUM TAX CREDITS, RELATING TO THE FRANCHISE TAX AND PROVIDING REFUND PROVISIONS FOR CERTAIN INCOME AND INHERITANCE TAX PAYMENTS, AND PROVIDING APPLICABILITY AND EFFECTIVE DATES.

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

Section 1. NEW SECTION. 217.38 RESTITUTION TO INDIVIDUALS OF JAPANESE ANCESTRY.

Notwithstanding any other law of this state, payments paid to an eligible individual of Japanese ancestry under section 105 of the Civil Liberties Act of 1988, Pub. L. 100-383, Title I, shall not be considered as income or an asset for determining the eligibility for state or local government

benefit or entitlement programs. The proceeds are not subject to recoupment for the receipt of governmental benefits or entitlements and liens, except liens for child support, are not enforceable against these sums for any reason.

Sec. 2. Section 422.3, subsection 5, Code 1989, is amended to read as follows:

5. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including January 1, ~~1988~~ 1989, whichever is applicable.

Sec. 3. Section 422.7, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 19. Subtract, to the extent included, the amounts paid to an eligible individual under section 105 of the Civil Liberties Act of 1988, Pub. L. 100-383, Title I, as satisfaction for a claim against the United States arising out of the confinement, holding in custody, relocation, or other deprivation of liberty or property of an individual of Japanese ancestry.

Sec. 4. NEW SECTION. 422.11B MINIMUM TAX CREDIT.

1. There is allowed as a credit against the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" for a tax year an amount equal to the minimum tax credit for that tax year.

The minimum tax credit for a tax year is the excess, if any, of the adjusted net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, over the amount allowable as a credit under this section for those prior tax years.

2. The allowable credit under subsection 1 for a tax year shall not exceed the excess, if any, of the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" over the state alternative minimum tax as determined in section 422.5, subsection 1, paragraph "k".

The net minimum tax for a tax year is the excess, if any, of the tax determined in section 422.5, subsection 1, paragraph "k" for the tax year over the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" for the tax year.

The adjusted net minimum tax for a tax year is the net minimum tax for the tax year reduced by the amount which would be the net minimum tax if the only item of tax preference taken into account was that described in paragraph (6) of section 57(a) of the Internal Revenue Code.

Sec. 5. Section 422.33, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 9. a. There is allowed as a credit against the tax determined in subsection 1 for a tax year an amount equal to the minimum tax credit for that tax year.

The minimum tax credit for a tax year is the excess, if any, of the adjusted net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, over the amount allowable as a credit under this subsection for those prior tax years.

b. The allowable credit under paragraph "a" for a tax year shall not exceed the excess, if any, of the tax determined in subsection 1 over the state alternative minimum tax as determined in subsection 4.

The net minimum tax for a tax year is the excess, if any, of the tax determined in subsection 4 for the tax year over the tax determined in subsection 1 for the tax year.

The adjusted net minimum tax for a tax year is the net minimum tax for the tax year reduced by the amount which would be the net minimum tax if the only item of tax preference taken into account was that described in paragraph (6) of section 57(a) of the Internal Revenue Code.

Sec. 6. Section 422.60, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 3. a. There is allowed as a credit against the tax determined in section 422.63 for a tax year an amount equal to the minimum tax credit for that tax year.

The minimum tax credit for a tax year is the excess, if any, of the adjusted net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, over the amount allowable as a credit under this subsection for those prior tax years.

b. The allowable credit under paragraph "a" for a tax year shall not exceed the excess, if any, of the tax determined in section 422.63 over the state alternative minimum tax as determined in subsection 2.

The net minimum tax for a tax year is the excess, if any, of the tax determined in subsection 2 for the tax year over the tax determined in section 422.63 for the tax year.

The adjusted net minimum tax for a tax year is the net minimum tax for the tax year reduced by the amount which would be the net minimum tax if the only item of tax preference taken into account was that described in paragraph (6) of section 57(a) of the Internal Revenue Code.

Sec. 7. Section 422.61, subsection 1, Code 1989, is amended to read as follows:

1. "Financial institution" means a state bank as defined in section 524.103, subsection 19, a state bank chartered under the laws of any other state, a national banking association ~~having-its-principal-office-within-this-state~~, a trust company, a federally chartered savings and loan association, an out-of-state state chartered savings bank, a financial institution chartered by the federal home loan bank board, a non-Iowa chartered savings and loan association, an association incorporated or authorized to do business under chapter 534, or a production credit association.

Sec. 8. Section 422.73, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 7. Notwithstanding subsection 2, a claim for credit or refund of the income tax paid is considered timely if the claim is filed with the department on or before November 10, 1989, if the taxpayer's federal income tax was forgiven under section 170(m) of the Internal Revenue Code because eighty percent of the taxpayer's payment to a college or university was allowed as a charitable contribution since the payment entitled the taxpayer to purchase tickets to an athletic event of the college or university. To the extent the federal income tax was forgiven for the tax year under section 170(m) of the Internal Revenue Code, the Iowa income tax is also forgiven.

Sec. 9. Section 450.94, Code 1989, is amended by adding the following new subsections:

NEW SUBSECTION. 6. Notwithstanding the periods of limitation for filing a claim for refund in subsection 3, with respect to estates of decedents dying on or after July 1, 1982, a qualified heir who has paid an additional inheritance tax under section 450B.3 by reason of the cessation of the qualified use due to cash rent of the special use property by the surviving spouse, shall have until November 10, 1989, to file a claim for refund of the additional inheritance tax paid.

NEW SUBSECTION. 7. Notwithstanding the periods of limitations for filing a claim for refund in subsection 3, estates of decedents dying on or after July 1, 1985, which have elected to treat qualified terminable interest property as passing to the surviving spouse in fee, shall have until November 10, 1990, to make the election allowed under section 6152(c)(3) of the Technical and Miscellaneous Revenue Act of 1988 for joint and survivor annuities.

Sec. 10. Sections 1 and 3 of this Act are retroactive to January 1, 1988, for tax years beginning on or after that date.

Sec. 11. Sections 4, 5, and 6 of this Act apply retroactively to January 1, 1987, for tax years beginning on or after that date.

Sec. 12. 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 186, Seventy-third General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved _____, 1989

TERRY E. BRANSTAD
Governor