

FILED MAR 13 1989

Ways & Means  
Dopass 3-31-89 (p.1117)  
House Ways & Means  
Dopass 4-23-89 (p.1962)

SENATE FILE 423

BY VANDE HOEF

Passed Senate, Date 4-17-89 (p.1488) Passed House, Date 5-1-89 (p.2246)  
Vote: Ayes 42 Nays 0 Vote: Ayes 91 Nays 0  
Approved May 18, 1989

**A BILL FOR**

1 An Act exempting from state taxes certain bonds and notes issued  
2 by the agricultural development authority.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 423

1 Section 1. Section 175.17, Code 1989, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 10. Bonds and notes issued by the  
4 authority for purposes of financing the beginning farmer loan  
5 program provided in section 175.12 are exempt from taxation by  
6 the state, and interest earned on the bonds and notes is  
7 deductible in determining net income for purposes of the state  
8 individual and corporate income tax under divisions II and III  
9 of chapter 422.

10 Sec. 2. Section 422.7, Code 1989, is amended by adding the  
11 following new subsection:

12 NEW SUBSECTION. 19. Subtract interest earned on bonds and  
13 notes issued by the agricultural development authority as  
14 provided in section 175.17, subsection 10, to the extent the  
15 interest is included in federal adjusted gross income.

16 Sec. 3. Section 422.35, Code 1989, is amended by adding  
17 the following new subsection:

18 NEW SUBSECTION. 13. Subtract the interest earned from  
19 bonds and notes issued by the agricultural development  
20 authority as provided in section 175.17, subsection 10, to the  
21 extent the interest is included in federal taxable income.

22 EXPLANATION

23 This bill provides that bonds and notes issued by the  
24 agricultural development authority under section 175.17 to  
25 support the beginning farmer loan program are not subject to  
26 state taxation, including individual and corporate income tax  
27 on interest earned on the bonds and notes. The interest would  
28 be subtracted in computing state taxable income, provided that  
29 the interest is subject to federal income tax and therefore  
30 included in the computations of adjusted gross income or  
31 taxable income on which the state tax determinations are  
32 based.

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SENATE FILE 423  
FISCAL NOTE

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A fiscal note for SENATE FILE 423 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.

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Senate File 423 provides that bonds and notes issued by the agricultural development authority under Section 175.17, Iowa Code to support the beginning farmer loan program are not subject to state taxation, including individual and corporate income tax on interest earned on the bonds and notes. The interest would be subtracted in computing state taxable income, provided that the interest is subject to federal income tax and therefore included in the computations adjusted gross income or taxable income on which the state tax determinations are based.

Fiscal Effect

An estimate cannot be provided due to lack of information on interest income from these bonds.

Source: Department of Revenue and Finance

(LSB 2178s, PDD)

FILED APRIL 17, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

authority as provided in section 175.17, subsection 10, to the extent the interest is included in federal taxable income.

SENATE FILE 423

AN ACT  
EXEMPTING FROM STATE TAXES CERTAIN BONDS AND NOTES ISSUED  
BY THE AGRICULTURAL DEVELOPMENT AUTHORITY.

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

Section 1. Section 175.17, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 10. Bonds and notes issued by the authority for purposes of financing the beginning farmer loan program provided in section 175.12 are exempt from taxation by the state, and interest earned on the bonds and notes is deductible in determining net income for purposes of the state individual and corporate income tax under divisions II and III of chapter 422.

Sec. 2. Section 422.7, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 19. Subtract interest earned on bonds and notes issued by the agricultural development authority as provided in section 175.17, subsection 10, to the extent the interest is included in federal adjusted gross income.

Sec. 3. Section 422.35, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 13. Subtract the interest earned from bonds and notes issued by the agricultural development

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JO ANN ZIMMERMAN  
President of the Senate

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DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 423, Seventy-third General Assembly.

Approved  1989

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JOHN F. DNYER  
Secretary of the Senate

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TERRY E. BRANSTAD  
Governor