

In Ways Means B, Pass 4/29 (p. 17.0)

APR 22 1992

WAYS & MEANS CALENDAR

HOUSE FILE 2483

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 732)

Passed House, Date 4/23/92 (p. 1755) Passed Senate, Date 4/30/92 (p. 1718)

Vote: Ayes 96 Nays 0 Vote: Ayes 46 Nays 0

Approved May 2, 1992

A BILL FOR

1 An Act relating to interstate income tax agreements and the
2 withholding of income tax from or the reporting of pensions,
3 annuities, or deferred compensation paid to nonresidents and
4 providing effective and retroactive applicability provisions.

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

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HF 2483

1 Section 1. Section 422.8, subsection 2, Code 1991, is
2 amended to read as follows:

3 2. Nonresident's net income allocated to Iowa is the net
4 income, or portion thereof, which is derived from a business,
5 trade, profession, or occupation carried on within this state
6 or income from any property, trust, estate, or other source
7 within Iowa. If a business, trade, profession, or occupation
8 is carried on partly within and partly without the state, only
9 the portion of the net income which is fairly and equitably
10 attributable to that part of the business, trade, profession,
11 or occupation carried on within the state is allocated to Iowa
12 for purposes of section 422.5, subsection 1, paragraph "j" and
13 section 422.13 and income from any property, trust, estate, or
14 other source partly within and partly without the state is
15 allocated to Iowa in the same manner, except that annuities,
16 interest on bank deposits and interest-bearing obligations,
17 and dividends are allocated to Iowa only to the extent to
18 which they are derived from a business, trade, profession, or
19 occupation carried on within the state. However, ~~income~~
20 ~~received by an individual who is a resident of another state~~
21 ~~is not allocated to Iowa if the income is subject to an income~~
22 ~~tax imposed by the state where the individual resides, and if~~
23 ~~the state of residence allows a similar exclusion for income~~
24 ~~received in that state by residents of Iowa. In order to~~
25 ~~implement the exclusions, the director shall designate by rule~~
26 ~~the states which allow a similar exclusion for income received~~
27 ~~by residents of Iowa, and may enter into agreements with other~~
28 ~~states to provide that similar exclusions will be allowed, and~~
29 ~~to provide suitable withholding requirements in each state.~~

30 Sec. 2. Section 422.8, Code 1991, is amended by adding the
31 following new subsection:

32 NEW SUBSECTION. 5. The director may, when cost-efficient,
33 administratively feasible, and of mutual benefit to both
34 states, enter into reciprocal agreements with tax
35 administration agencies of other states to further tax

1 administration and eliminate duplicate withholding by
2 exempting from Iowa taxation income earned from personal
3 services in Iowa by residents of another state, if the other
4 state provides a tax exemption for the same type of income
5 earned from personal services by Iowa residents in the other
6 state. For purposes of this subsection, "income earned from
7 personal services" means wages, salaries, commissions, and
8 tips, and earned income from other sources. This subsection
9 does not authorize the department to withhold taxes on
10 deferred compensation payments, pension distributions, and
11 annuity payments when paid to a nonresident of the state of
12 Iowa. All the terms of the agreements shall be described in
13 the rules adopted by the department.

14 Sec. 3. Section 422.15, Code 1991, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 4. Notwithstanding subsections 1, 2, and
17 3, or any other provision of this chapter, withholding of
18 income tax and any reporting requirement shall not be imposed
19 upon a person, corporation, or withholding agent or any payor
20 of deferred compensation, pensions, or annuities with regard
21 to such payments made to a nonresident of the state.

22 Sec. 4. This Act, being deemed of immediate importance,
23 takes effect upon enactment and applies retroactively to
24 January 1, 1992, for tax years beginning on or after that
25 date.

26 **EXPLANATION**

27 The bill repeals present language providing authority for
28 the director of revenue and finance to enter into reciprocal
29 agreements with tax officials of other states and provides new
30 language for entering into these agreements. The bill also
31 prohibits the withholding of Iowa income taxes or information
32 reporting associated with pensions, annuities, or deferred
33 compensation paid to a nonresident of Iowa. However, the
34 income would remain taxable if it is associated with
35 employment within the state.

1 The bill takes effect upon enactment and is retroactively
2 applicable to January 1, 1992, for tax years beginning on or
3 after that date.

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HOUSE FILE 2483

H-6014

1 Amend House File 2483 as follows:
2 1. Page 1, by inserting before line 1 the
3 following:
4 "Section 1. NEW SECTION. 246.303A RECIPROCITY.
5 When the laws of a state or the rules of the
6 authorities of that state place a requirement or
7 disability upon a person employed as a correctional
8 officer in this state, which affects the right of the
9 person to be employed as a correctional officer in
10 that state, the same requirement or disability shall
11 be placed upon a person from that state when applying
12 for employment as a correctional officer in this
13 state."

By SPENNER of Henry
SPEAR of Lee
COHOON of Des Moines

H-6014 FILED APRIL 23, 1992
NOT GERMANE (p. 1754)

HOUSE FILE 2483

H-6017

1 Amend House File 2483 as follows:
2 1. Page 1, line 29, by inserting after the word
3 "~~state-~~" the following: "However, a nonresident's net
4 income allocated to Iowa does not include any deferred
5 compensation, pensions, or annuities regardless of
6 where the deferred compensation, pensions, or
7 annuities are derived."
8 2. Page 2, line 9, by inserting after the word
9 "not" the following: "impose state income taxes on
10 or".

By RAFFERTY of Scott

H-6017 FILED APRIL 23, 1992
LOST (p. 1755)

HSB 732

WAYS AND MEANS *Now*

HOUSE FILE *2483*

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON GRONINGA)

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

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SUB COMMITTEE ASSIGNMENTS
CHAIR: *Groninga*
COMMITTEE: *W. & M.*
3-26-92

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HOUSE FILE 2483

AN ACT

RELATING TO INTERSTATE INCOME TAX AGREEMENTS AND THE WITHHOLDING OF INCOME TAX FROM OR THE REPORTING OF PENSIONS, ANNUITIES, OR DEFERRED COMPENSATION PAID TO NONRESIDENTS AND PROVIDING EFFECTIVE AND RETROACTIVE APPLICABILITY PROVISIONS.

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

Section 1. Section 422.8, subsection 2, Code 1991, is amended to read as follows:

2. Nonresident's net income allocated to Iowa is the net income, or portion thereof, which is derived from a business, trade, profession, or occupation carried on within this state or income from any property, trust, estate, or other source within Iowa. If a business, trade, profession, or occupation is carried on partly within and partly without the state, only the portion of the net income which is fairly and equitably attributable to that part of the business, trade, profession, or occupation carried on within the state is allocated to Iowa for purposes of section 422.5, subsection 1, paragraph "j" and section 422.13 and income from any property, trust, estate, or other source partly within and partly without the state is allocated to Iowa in the same manner, except that annuities, interest on bank deposits and interest-bearing obligations, and dividends are allocated to Iowa only to the extent to which they are derived from a business, trade, profession, or occupation carried on within the state. However, income received by an individual who is a resident of another state is not allocated to Iowa if the income is subject to an income

tax imposed by the state where the individual resides, and if the state of residence allows a similar exclusion for income received in that state by residents of Iowa. In order to implement the exclusions, the director shall designate by rule the states which allow a similar exclusion for income received by residents of Iowa, and may enter into agreements with other states to provide that similar exclusions will be allowed, and to provide suitable withholding requirements in each state.

Sec. 2. Section 422.8, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 5. The director may, when cost-efficient, administratively feasible, and of mutual benefit to both states, enter into reciprocal agreements with tax administration agencies of other states to further tax administration and eliminate duplicate withholding by exempting from Iowa taxation income earned from personal services in Iowa by residents of another state, if the other state provides a tax exemption for the same type of income earned from personal services by Iowa residents in the other state. For purposes of this subsection, "income earned from personal services" means wages, salaries, commissions, and tips, and earned income from other sources. This subsection does not authorize the department to withhold taxes on deferred compensation payments, pension distributions, and annuity payments when paid to a nonresident of the state of Iowa. All the terms of the agreements shall be described in the rules adopted by the department.

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Sec. 4. This Act, being deemed of immediate importance, takes effect upon enactment and applies retroactively to January 1, 1992, for tax years beginning on or after that date.

ROBERT C. ARNOULD
Speaker of the House

MICHAEL E. GRONSTAL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2483, Seventy-fourth General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 2, 1992

TERRY E. BRANSTAD
Governor