

1-25-96 special order calendar for
Feb. 1
1-25-96 Removed & placed back on
W. & Means calendar

REPRINTED

JAN 25 1996

WAYS & MEANS CALENDAR

HOUSE FILE 2111

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 509)

(P. 286)

Passed House, Date 2-7-96 Passed Senate, Date _____
Vote: Ayes 73 Nays 25 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to taxation within the state by changing the
2 computation of the inflation factors for the tax brackets and
3 standard deduction of the state individual income tax,
4 exemptions from the state inheritance tax, and appropriating
5 moneys to a special taxpayer relief account for purposes of
6 providing tax relief and providing effective and retroactive
7 and other applicability date provisions.

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

- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

HF 2111

REPRINTED

DIVISION I

INCOME TAX INDEXATION

1

2

3 Section 1. Section 422.4, subsection 1, paragraph a, Code
4 1995, is amended to read as follows:

5 a. "Annual inflation factor" means an index, expressed as
6 a percentage, determined by the department by October 15 of
7 the calendar year preceding the calendar year for which the
8 factor is determined, which reflects the purchasing power of
9 the dollar as a result of inflation during the fiscal year
10 ending in the calendar year preceding the calendar year for
11 which the factor is determined. In determining the annual
12 inflation factor, the department shall use the annual percent
13 change, but not less than zero percent, in the ~~implicit-price~~
14 ~~deflator-for-the-gross-national-product~~ gross domestic product
15 price deflator computed for the second quarter of the calendar
16 year by the bureau of economic analysis of the United States
17 department of commerce and shall add ~~one-half~~ all of that
18 percent change to one hundred percent. The annual inflation
19 factor and the cumulative inflation factor shall each be
20 expressed as a percentage rounded to the nearest one-tenth of
21 one percent. The annual inflation factor shall not be less
22 than one hundred percent.

23 Sec. 2. Section 422.4, subsection 2, paragraph a, Code
24 1995, is amended to read as follows:

25 a. "Annual standard deduction factor" means an index,
26 expressed as a percentage, determined by the department by
27 October 15 of the calendar year preceding the calendar year
28 for which the factor is determined, which reflects the
29 purchasing power of the dollar as a result of inflation during
30 the fiscal year ending in the calendar year preceding the
31 calendar year for which the factor is determined. In
32 determining the annual standard deduction factor, the
33 department shall use the annual percent change, but not less
34 than zero percent, in the ~~implicit-price-deflator-for-the~~
35 ~~gross-national-product~~ gross domestic product price deflator

1 computed for the second quarter of the calendar year by the
2 bureau of economic analysis of the United States department of
3 commerce and shall add one-half all of that percent change to
4 one hundred percent. The annual standard deduction factor and
5 the cumulative standard deduction factor shall each be
6 expressed as a percentage rounded to the nearest one-tenth of
7 one percent. The annual standard deduction factor shall not
8 be less than one hundred percent.

9 Sec. 3. This division of this Act, being deemed of
10 immediate importance, takes effect upon enactment and applies
11 to the computation of the annual inflation factor and annual
12 standard deduction factor for calendar years beginning on or
13 after January 1, 1996. The department of revenue and finance
14 shall adjust the annual inflation factor and annual standard
15 deduction factor previously computed for the 1996 calendar
16 year to reflect the change made in the computation of those
17 factors in this Act.

18 DIVISION II

19 INHERITANCE TAXATION

20 Sec. 4. Section 450.7, subsection 1, unnumbered paragraph
21 1, Code Supplement 1995, is amended to read as follows:

22 Except for the share of the estate passing to the surviving
23 spouse, father or mother, each son and daughter, including
24 legally adopted sons and daughters or biological sons and
25 daughters, stepchildren, and grandchildren, the tax is a
26 charge against and a lien upon the estate subject to tax under
27 this chapter, and all property of the estate or owned by the
28 decedent from the death of the decedent until paid, subject to
29 the following limitation:

30 Sec. 5. Section 450.9, subsection 1, Code 1995, is amended
31 to read as follows:

32 1. Surviving spouse, father or mother, son or daughter,
33 including legally adopted sons and daughters or biological
34 sons and daughters, stepchildren, or grandchild, the entire
35 amount of property, interest in property, and income.

1 Sec. 6. Section 450.9, subsections 2 and 3, Code 1995, are
2 amended by striking the subsections.

3 Sec. 7. Section 450.10, subsection 1, unnumbered paragraph
4 1, Code 1995, is amended to read as follows:

5 When the property, interest, or income passes to ~~the father~~
6 ~~or mother, or to a child or~~ a lineal descendant of the
7 decedent, grantor, donor, or vendor, ~~including a legally~~
8 ~~adopted child or biological child entitled to inherit under~~
9 ~~the laws of this state~~ not included in subsection 7, the tax
10 imposed shall be on the individual share so passing in excess
11 of the exemptions allowed as follows:

12 Sec. 8. Section 450.10, subsection 2, unnumbered paragraph
13 1, Code 1995, is amended to read as follows:

14 When the property or any interest ~~therein~~ in property, or
15 income ~~therefrom~~ from property taxable under the provisions of
16 this chapter passes to the brother or sister, son-in-law, or
17 daughter-in-law, ~~or step-children~~, the rate of tax imposed on
18 the individual share so passing shall be as follows:

19 Sec. 9. Section 450.10, subsection 7, Code 1995, is
20 amended to read as follows:

21 7. Property, interest in property, or income passing to
22 the surviving spouse, father or mother, son or daughter,
23 including legally adopted sons and daughters or biological
24 sons and daughters, stepchild, or grandchild, is not taxable
25 under this section.

26 Sec. 10. This division of this Act applies to estates of
27 decedents dying on or after July 1, 1996.

28 DIVISION III

29 TAXPAYER RELIEF ACCOUNT

30 Sec. 11. NEW SECTION. 426C.1 TAXPAYER RELIEF ACCOUNT.

31 1. A taxpayer relief account is created in the state
32 treasury under the authority of the department of management.
33 The account shall be separate from the general fund of the
34 state and shall not be considered part of the general fund of
35 the state except in determining the cash position of the state

1 for payment of state obligations. The moneys in the account
2 are not subject to the provisions of section 8.33 and shall
3 not be transferred, used, obligated, appropriated, or
4 otherwise encumbered except as provided in this section.
5 Moneys in the account may be used for cash flow purposes
6 provided that any moneys so allocated are returned to the fund
7 by the end of each fiscal year. However, the fund shall be
8 considered a special account for the purposes of section 8.53,
9 relating to elimination of any GAAP deficit. Moneys in the
10 taxpayer relief account shall be used as appropriated by the
11 general assembly for tax relief, including but not limited to
12 reduction of school and other property taxes.

13 2. Notwithstanding section 12C.7, subsection 2, interest
14 or earnings on moneys deposited in the taxpayer relief account
15 shall be credited to the account.

16 3. There is appropriated to the tax relief account for
17 each fiscal year from the general fund of the state, one
18 hundred million dollars.

19 EXPLANATION

20 Division I - Under present law the tax brackets and
21 standard deduction for the state individual income tax are
22 adjusted by an inflation factor that uses 50 percent of the
23 change in the implicit price deflator for the gross national
24 product. The bill increases this to 100 percent of the change
25 in the gross domestic product price deflator. The bill
26 changes the reference from the gross national product price
27 deflator to the gross domestic product price deflator since
28 the former no longer exists. This division of the bill
29 applies retroactively to tax years beginning on or after
30 January 1, 1996.

31 Division II - This division exempts from the state
32 inheritance tax property, interest in property, and income
33 passing to parents, natural and adopted children,
34 stepchildren, and grandchildren.

35 The division of this bill applies to estates of decedents

1 dying on or after July 1, 1996.

2 Division III - This division creates a special taxpayer
3 relief account in the state treasury to be used solely as
4 appropriated by the general assembly for providing tax relief.
5 The tax relief may take the form of a reduction in state or
6 local taxation. There is also appropriated \$100 million to
7 the account for the fiscal year beginning July 1, 1996, and
8 for each subsequent fiscal year.

- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35

HOUSE FILE 2111
FISCAL NOTE

A fiscal note for House File 2111 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.

House File 2111 is comprised of three divisions that relate to the indexation of the individual income tax brackets and standard deduction, the State inheritance tax, and the creation of a Taxpayer Relief Account.

DIVISION I

Division I provides for an increase in the inflation adjustment, or indexation, of the individual income tax brackets and the standard deduction. Under current law, the brackets and standard deduction are indexed by 50.0% of the inflation factor. Division I would increase the adjustment to 100.0% of the inflation factor. The effect of the provision would be to reduce the effect of "bracket creep", which causes a taxpayer's tax liability to increase by more than the buying power of the taxpayer's earnings.

Full indexation is expected to result in a decrease in revenues to the General Fund of approximately \$5.0 million in FY 1997 and \$12.1 million in FY 1998.

DIVISION II

Division II provides for a 100.0% exemption from the State inheritance tax for beneficiaries who are the children, stepchildren, grandchildren, or parents of a deceased individual. Under current law, children are provided a \$50,000 exemption. Parents, grandchildren, and other lineal descendants are provided a \$15,000 exemption. Currently, there is no exemption for stepchildren.

Division II is expected to result in a decrease in revenues to the General Fund of approximately \$9.2 million in FY 1997, and \$37.6 million in FY 1998 and subsequent fiscal years.

DIVISION III

Division III creates a Taxpayer Relief Account, and establishes a standing limited appropriation of \$100.0 million for FY 1997 and subsequent fiscal years. Monies in the Account must be used for the reduction of State or local taxes. The Bill does not specify which taxes, if any, must be curtailed.

FISCAL IMPACT

In total, HF 2111 is expected to result in a decrease in General Fund revenues of approximately \$114.2 million in FY 1997, and \$149.7 million in FY 1998 and subsequent fiscal years. The following table shows the fiscal impact by provision.

-2-

Fiscal Impact of HF 2111
(Dollars in Millions)

<u>Provision</u>	<u>Description</u>	<u>FY 1997</u>	<u>FY 1998</u>
Division I	Indexation	\$ -5.0	\$ -12.1
Division II	Inheritance Tax	-9.2	-37.6
Division III	Taxpayer Relief Account	-100.0	-100.0
Total		<u>\$-114.2</u>	<u>\$-149.7</u>

SOURCES: Department of Revenue and Finance

(LSB 3629hv, JAM)

FILED JANUARY 30, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 2111
FISCAL NOTE**

A fiscal note for House File 2111 as amended by Amendment H-5017 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.

Amendment H-5017 to HF 2111 strikes the inheritance tax provisions in Division II. Rather than eliminate the inheritance tax on close relatives, the Amendment reduces the number of inheritance tax brackets to five, and doubles the bracket amounts. The effect is to reduce inheritance tax liability for children, grandchildren, parents, and other lineal descendants.

FISCAL IMPACT

Amendment H-5017 reduces the impact to the General Fund of HF 2111. Division II as amended would result in a decrease in revenues to the General Fund of approximately \$3.4 million in FY 1997 and \$13.9 million in FY 1998 and subsequent fiscal years.

In total, HF 2111 as amended by H-5017 is expected to result in a decrease in General Fund revenues of approximately \$108.4 million in FY 1997, and \$126.0 million in FY 1998 and subsequent fiscal years. The following table shows the fiscal impact by provision.

Fiscal Impact of HF 2111 as Amended by H-5017
(Dollars in Millions)

<u>Provision</u>	<u>Description</u>	<u>FY 1997</u>	<u>FY 1998</u>
Division I	Indexation	\$ -5.0	\$ -12.1
Division II	Inheritance Tax	-3.4	-13.9
Division III	Taxpayer Relief Account	-100.0	-100.0
Total		<u>\$-108.4</u>	<u>\$-126.0</u>

SOURCES: Department of Revenue and Finance

(LSB 3629hv.2, JAM)

FILED JANUARY 30, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 2111
FISCAL NOTE**

A fiscal note for House File 2111 as amended by Amendment H-5030 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.

Amendment H-5030 expands the inheritance tax provisions in HF 2111. Division II of HF 2111 provides for a 100.0% inheritance tax exemption for children, parents, grandchildren, and stepchildren. Amendment H-5030 provides the same exemption for nieces and nephews. Under current law, nieces and nephews are classified as Schedule C beneficiaries and receive no exemption from the Iowa inheritance tax.

FISCAL IMPACT

Amendment H-5030 would decrease revenues to the General Fund by an additional \$4.3 million in FY 1997 and \$17.8 million in FY 1998. Division II as amended would result in a total decrease in revenues to the General Fund of approximately \$13.5 million in FY 1997, and \$55.4 million in FY 1998 and subsequent fiscal years.

In total, HF 2111 as amended by H-5030 is expected to result in a decrease in General Fund revenues of approximately \$118.5 million in FY 1997, and \$167.5 million in FY 1998. The following table shows the fiscal impact by provision.

Fiscal Impact of HF 2111 as Amended by H-5030
(Dollars in Millions)

<u>Provision</u>	<u>Description</u>	<u>FY 1997</u>	<u>FY 1998</u>
Division I	Indexation	\$ -5.0	\$ -12.1
Division II	Inheritance Tax	-13.5	-55.4
Division III	Taxpayer Relief Account	-100.0	-100.0
Total		<u>\$-118.5</u>	<u>\$-167.5</u>

SOURCES: Department of Revenue and Finance

(LSB 3629hv.4, JAM)

FILED FEBRUARY 6, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2111
FISCAL NOTE

A fiscal note for House File 2111 as amended by Amendment H-5037 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.

Amendment H-5037 to HF 2111 strikes the inheritance tax provisions in Division II. The Amendment provides for a non-refundable State income tax credit equal to inheritance taxes paid minus the federal pick-up credit and allows a ten-year carry forward. Taxpayers who have no State income tax liability for ten years following an inheritance (regardless of the taxpayers' state of residence) would receive no benefit from this provision. Parents, children, grandchildren, and stepchildren would be eligible for the credit.

ASSUMPTIONS

1. The credit could be carried forward for ten years to be used against future State income tax liability. The lag time involved with the carry-forward is expected to reduce the impact of the proposal to 80.0% of the annual estimate in FY 1998, 86.0% in FY 1999, 96.0% in FY 2000, and 100.0% in each subsequent year. This estimate does not directly take into account a reduction due to some resident taxpayers being unable to utilize the entire credit.
2. Due to the lag time involved with estates and income taxes, this estimate assumes that the first impact to the State would be realized in the spring of FY 1998.
3. Non-resident taxpayers account for approximately 31.0% of inherited estates and approximately 37.0% of inheritance tax liability. For purposes of this estimate, it is assumed that 63.0% of the taxpayers eligible for the credit would be able to utilize the credit. Non-residents would only be able to utilize the credit if they have a State income tax liability. This estimate does not directly take into account an increase due to some non-resident taxpayers being able to utilize the credit resulting from State income tax liability.

FISCAL IMPACT

Amendment H-5037 reduces the impact to the General Fund of HF 2111. Division II as amended would result in a decrease in revenues to the General Fund of approximately \$0.0 million in FY 1997, and \$19.0 million in FY 1998. The impact would grow gradually, rising to a maximum of \$24.0 million in FY 2001 and subsequent fiscal years.

In total, HF 2111 as amended by H-5037 is expected to result in a decrease in General Fund revenues of approximately \$105.0 million in FY 1997, and \$131.1 million in FY 1998. The following table shows the fiscal impact by provision.

-2-

Fiscal Impact of HF 2111 as Amended by H-5037
(Dollars in Millions)

<u>Provision</u>	<u>Description</u>	<u>FY 1997</u>	<u>FY 1998</u>
Division I	Indexation	\$ -5.0	\$ -12.1
Division II	Inheritance Tax	0.0	-19.0
Division III	Taxpayer Relief Account	-100.0	-100.0
Total		<u>\$-105.0</u>	<u>\$-131.1</u>

SOURCES: Department of Revenue and Finance

(LSB 3629hv.5, JAM)

FILED FEBRUARY 6, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2111

H-5011

1 Amend House File 2111 as follows:

2 1. Page 1, line 3, by striking the words

3 "paragraph a" and inserting the following:

4 "paragraphs a and d".

5 2. Page 1, line 4, by striking the word "is" and

6 inserting the following: "are".

7 3. Page 1, by inserting after line 22 the

8 following:

9 "d. Notwithstanding the computation of the annual
10 inflation factor under paragraph "a", the annual
11 inflation factor is one hundred percent for any
12 calendar year in which the unobligated state general
13 fund balance on June 30 as certified by the director
14 of the department of management by October 10, is less
15 than sixty million dollars. Notwithstanding section
16 8.58, in determining the unobligated state general
17 fund balance on June 30, unobligated moneys in the
18 cash reserve fund and Iowa economic emergency fund on
19 June 30 shall be counted as part of the unobligated
20 state general fund balance for purposes of this
21 paragraph."

By HALVORSON of Clayton

H-5011 FILED JANUARY 25, 1996

(p. 268) Adopted 2/7/96

H-5017

1 Amend House File 2111 as follows:

2 1. By striking page 2, line 20, through page 3,
3 line 25, and inserting the following:

4 "Sec. ____ . Section 450.10, subsection 1, Code
5 1995, is amended to read as follows:

6 1. When the property, interest, or income passes
7 to the father or mother, or to a child or lineal
8 descendant of the decedent, grantor, donor, or vendor,
9 including a legally adopted child or biological child
10 entitled to inherit under the laws of this state, the
11 tax imposed shall be on the individual share so
12 passing in excess of the exemptions allowed as
13 follows:

14 One percent of the first five ten thousand dollars.

15 Two percent of any amount in excess of five ten
16 thousand dollars and up to twelve twenty-five thousand
17 five-hundred dollars.

18 Three percent on any amount in excess of twelve
19 twenty-five thousand five-hundred dollars and up to
20 twenty-five fifty thousand dollars.

21 Four percent on any amount in excess of twenty-five
22 fifty thousand dollars and up to fifty one hundred
23 thousand dollars.

24 Five percent on any-amount all sums in excess of
25 fifty one hundred thousand dollars and-up-to-seventy-
26 five-thousand-dollars.

27 Six-percent-on-any-amount-in-excess-of-seventy-five
28 thousand-dollars-and-up-to-one-hundred-thousand
29 dollars.

30 Seven-percent-on-any-amount-in-excess-of-one
31 hundred-thousand-dollars-and-up-to-one-hundred-fifty
32 thousand-dollars.

33 Eight-percent-on-all-sums-in-excess-of-one-hundred
34 fifty-thousand-dollars."

By DINKLA of Guthrie

MILLAGE of Scott

WISE of Lee

O'BRIEN of Boone

OLLIE of Clinton

WARNSTADT of Woodbury

NELSON OF Pottawattamie

McCOY of Polk

MYERS of Johnson

H-5017 FILED JANUARY 29, 1996

(P. 269) Last 2-7-96

HOUSE FILE 2111

H-5021

1 Amend House File 2111 as follows:

2 1. By striking page 3, line 28, through page 4,
3 line 18, and inserting the following:

4 "DIVISION
5 SCHOOL FUNDING

6 Sec. _____. Section 256B.9, Code 1995, is amended by
7 adding the following new subsection:

8 NEW SUBSECTION. 10. For the school year
9 commencing July 1, 1996, the director of the
10 department of education shall report to the school
11 budget review committee the total statewide deficit,
12 actual or estimate for the most recent school year
13 available, in costs for providing instruction for
14 children requiring special education in the categories
15 of the weighting plan established under this section,
16 and for providing services to nonpublic school
17 students pursuant to section 256.12, subsection 2.
18 The school budget review committee shall adjust the
19 weighting plan beginning with the school year
20 beginning July 1, 1996, so as to eliminate the amount
21 of the statewide deficit as reported by the director.
22 Any adjustment to weightings made under this
23 subsection shall be in addition to any adjustments
24 made pursuant to subsection 4.

25 Sec. _____. Section 257.1, subsection 2, unnumbered
26 paragraph 2, Code Supplement 1995, is amended to read
27 as follows:

28 For the budget year commencing July 1, ~~1995~~ 1996,
29 ~~and-for-each-succeeding-budget-year~~ the regular
30 program foundation base per pupil is ~~eighty-three~~
31 ~~eighty-five~~ percent of the regular program state cost
32 ~~per pupil, except that the regular program foundation~~
33 ~~base per pupil for the portion of weighted enrollment~~
34 ~~that is additional enrollment because of special~~
35 ~~education is seventy-nine percent of the regular~~
36 ~~program state cost per pupil.~~ For each succeeding
37 budget year, the regular program foundation base shall
38 increase one-half of one percent per year until the
39 regular program foundation base reaches ninety percent
40 of the regular program state cost per pupil. For the
41 budget year commencing July 1, ~~1995~~ 1996, ~~and-for-each~~
42 ~~succeeding-budget-year~~ the special education support
43 services foundation base is ~~seventy-nine~~ eighty-five
44 percent of the special education support services
45 state cost per pupil. It shall increase at the same
46 rate as the regular program foundation base. The
47 combined foundation base is the sum of the regular
48 program foundation base and the special education
49 support services foundation base.

50 Sec. _____. Section 257.11, unnumbered paragraph 1,

H-5021

-1-

H-5021

Page 2

1 Code Supplement 1995, is amended to read as follows:
2 In order to provide additional funds for school
3 districts which send their resident pupils to another
4 school district or to a community college for classes,
5 which jointly employ and share the services of
6 teachers under section 280.15, which use the services
7 of a teacher employed by another school district, or
8 which jointly employ and share the services of a
9 school superintendent under section 280.15 or 273.7A,
10 have established programs for returning dropouts and
11 dropout prevention, or which have established gifted
12 and talented children programs, a supplementary
13 weighting plan for determining enrollment is adopted
14 as follows:

15 Sec. ____ . Section 257.11, Code Supplement 1995, is
16 amended by adding the following new subsections:

17 NEW SUBSECTION. 8. GIFTED AND TALENTED CHILDREN
18 PROGRAMS. School districts that have established
19 gifted and talented children programs approved
20 pursuant to sections 257.42 through 257.49 may receive
21 supplementary weighting for each pupil enrolled in the
22 program equal to two-tenths. However, the total
23 additional weighting allowed under this subsection for
24 a budget year for a school district shall not result
25 in additional funding in excess of the lesser of the
26 product of one-fifth of the district cost per pupil
27 multiplied by one-twentieth of the budget enrollment,
28 or of the amount established by the department of
29 management, as required in section 257.46, to be
30 raised from supplementary weighting.

31 NEW SUBSECTION. 9. RETURNING DROPOUTS AND DROPOUT
32 PREVENTION PROGRAMS. School districts that have
33 established returning dropouts and dropout prevention
34 programs approved pursuant to sections 257.38 through
35 257.41 may receive supplementary weighting for each
36 pupil enrolled in the program equal to two-tenths.
37 However, the total additional weighting allowed under
38 this subsection for a budget year for a school
39 district shall not result in additional funding in
40 excess of the lesser of the product of one-fifth of
41 the district cost per pupil multiplied by one-
42 twentieth of the budget enrollment, or of the amount
43 established by the department of management, as
44 required in section 257.41, to be raised from
45 supplementary weighting.

46 Sec. ____ . Section 257.20, subsection 1, Code 1995,
47 is amended to read as follows:

48 1. In order to determine the amount of
49 instructional support state aid and the amount of
50 local funding for the instructional support program

H-5021

-2-

H-5021

Page 3

1 for a district, the department of management shall
2 divide the total assessed valuation in the state by
3 the total budget enrollment for the budget year in the
4 state to determine a state assessed valuation per
5 pupil and shall divide the assessed valuation in each
6 district by the district's budget enrollment for the
7 budget year to determine the district assessed
8 valuation per pupil. The department of management
9 shall multiply the ratio of the state's valuation per
10 pupil to the district's valuation per pupil by twenty-
11 five hundredths and subtract that result from one to
12 determine the portion of the instructional support
13 program budget that is local funding. The remaining
14 portion of the budget shall be funded by instructional
15 support state aid. ~~However, for the budget year~~
16 ~~beginning July 1, 1992, only, the amount of state aid~~
17 ~~is three and one quarter percent less than the amount~~
18 ~~computed under this paragraph for that budget year.~~

19 Sec. _____. Section 257.20, subsection 2, paragraphs
20 a and b, Code 1995, are amended by striking the
21 paragraphs.

22 Sec. _____. Section 257.20, subsection 3, Code 1995,
23 is amended by striking the subsection.

24 Sec. _____. Section 257.38, unnumbered paragraphs 1
25 and 2, Code 1995, are amended to read as follows:

26 Boards of school districts, individually or jointly
27 with boards of other school districts, requesting to
28 ~~use additional allowable growth~~ receive supplementary
29 weighting for programs for returning dropouts and
30 dropout prevention, shall annually submit
31 comprehensive program plans for the programs and
32 budget costs, including requests for ~~additional~~
33 ~~allowable growth~~ supplementary weighting for funding
34 the programs, to the department of education as
35 provided in this chapter. The program plans shall
36 include:

37 Program plans shall identify the parts of the plan
38 that will be implemented first upon approval of the
39 application. If a district is requesting to ~~use~~
40 ~~additional allowable growth~~ receive supplementary
41 weighting to finance the program, it shall not
42 identify more than five percent of its budget
43 enrollment for the budget year as returning dropouts
44 and potential dropouts.

45 Sec. _____. Section 257.40, Code 1995, is amended to
46 read as follows:

47 257.40 PLANS FOR RETURNING DROPOUTS AND DROPOUT
48 PREVENTION.

49 The board of directors of a school district
50 requesting to ~~use additional allowable growth~~ receive

H-5021

-3-

H-5021

Page 4

1 supplementary weighting for programs for returning
2 dropouts and dropout prevention shall submit
3 applications for approval for the programs to the
4 department not later than November 1 preceding the
5 budget year during which the program will be offered.
6 The department shall review the program plans and
7 shall prior to January 15 either grant approval for
8 the program or return the request for approval with
9 comments of the department included. An unapproved
10 request for a program may be resubmitted with
11 modifications to the department not later than
12 February 1. Not later than February 15, the
13 department shall notify the department of management
14 and the school budget review committee of the names of
15 the school districts for which programs using
16 ~~additional-allowable-growth~~ receiving supplementary
17 weighting for funding have been approved and the
18 approved budget of each program listed separately for
19 each school district having an approved program.

20 Sec. ____ . Section 257.41, Code 1995, is amended to
21 read as follows:

22 257.41 FUNDING FOR PROGRAMS FOR RETURNING DROPOUTS
23 AND DROPOUT PREVENTION.

24 The budget of an approved program for returning
25 dropouts and dropout prevention for a school district,
26 after subtracting funds received from other sources
27 for that purpose, shall be funded annually on a basis
28 of one-fourth or more from the district cost of the
29 school district and up to three-fourths by ~~an-increase~~
30 ~~in-allowable-growth-as-defined-in-section-257-8~~
31 receipt of supplementary weighting as provided in
32 section 257.11, subsection 9. Annually, the
33 department of management shall establish ~~a-modified~~
34 ~~allowable-growth~~ the amount of additional funding
35 needed to be raised from the supplementary weighting
36 for each such district equal to the difference between
37 the approved budget for the program for returning
38 dropouts and dropout prevention for that district and
39 the sum of the amount funded from the district cost of
40 the school district plus funds received from other
41 sources.

42 Sec. ____ . Section 257.42, unnumbered paragraph 1,
43 Code 1995, is amended to read as follows:

44 Boards of school districts, individually or jointly
45 with the boards of other school districts, requesting
46 to ~~use-additional-allowable-growth~~ receive
47 supplementary weighting for gifted and talented
48 children programs, may annually submit program plans
49 for gifted and talented children programs and budget
50 costs, including requests for ~~additional-allowable~~

H-5021

-4-

H-5021

Page 5

1 growth supplementary weighting for funding the
2 programs, to the department of education and to the
3 applicable gifted and talented children advisory
4 council, if an advisory council has been established,
5 as provided in this chapter.

6 Sec. _____. Section 257.42, unnumbered paragraphs 4
7 and 5, Code 1995, are amended to read as follows:

8 The department of education shall adopt rules under
9 chapter 17A relating to the administration of sections
10 257.42 through 257.49. The rules shall prescribe the
11 format of program plans submitted under section 257.43
12 and shall require that programs fulfill specified
13 objectives. The department shall encourage and assist
14 school districts to provide programs for gifted and
15 talented children whether or not ~~additional-allowable~~
16 growth supplementary weighting is requested under this
17 chapter.

18 The department may request that the staff of the
19 auditor of state conduct an independent program audit
20 to verify that the gifted and talented children
21 programs funded by ~~additional-allowable-growth~~
22 supplementary weighting conform to a district's
23 program plans.

24 Sec. _____. Section 257.45, subsection 1, Code 1995,
25 is amended to read as follows:

26 1. The board of directors of a school district
27 requesting to ~~use-additional-allowable-growth~~ receive
28 supplementary weighting for gifted and talented
29 children programs shall submit applications for
30 approval for the programs to the department not later
31 than November 1 preceding the fiscal year during which
32 the program will be offered. The board shall also
33 submit a copy of the program plans to the gifted and
34 talented children advisory council, if an advisory
35 council has been established. The department shall
36 review the program plans and shall prior to January 15
37 either grant approval for the program or return the
38 request for approval with comments of the department
39 included. Any unapproved request for a program may be
40 resubmitted with modifications to the department not
41 later than a date established by the department. Not
42 later than February 15 the department shall notify the
43 department of management and the school budget review
44 committee of the names of the school districts for
45 which gifted and talented children programs ~~using~~
46 additional-allowable-growth receiving supplementary
47 weighting for funding have been approved and the
48 approved budget of each program listed separately for
49 each school district having an approved program.

50 Sec. _____. Section 257.46, Code 1995, is amended to

H-5021

-5-

H-5021

Page 6

1 read as follows:

2 257.46 FUNDING.

3 The budget of an approved gifted and talented
4 children program for a school district, after
5 subtracting funds received from other sources for that
6 purpose, shall be funded annually on a basis of one-
7 fourth or more from the district cost of the school
8 district and up to three-fourths by ~~an-increase-in~~
9 ~~allowable-growth-as-defined-in-section-257.8~~ receipt
10 of supplementary weighting as provided in section
11 257.11, subsection 8. The approved budget for a
12 gifted and talented children program shall not exceed
13 an amount equal to one and twenty-four-hundredths
14 percent of the district cost per pupil of the district
15 for the base year multiplied by the budget enrollment
16 of the district for the budget year. Annually, the
17 department of management shall establish ~~a-modified~~
18 ~~allowable-growth~~ the amount of additional funding
19 needed to be raised from the supplementary weighting
20 for each such district equal to the difference between
21 the approved budget for the gifted and talented
22 children program for that district and the sum of the
23 amount funded from the district cost of the school
24 district plus funds received from other sources.

25 If any portion of the gifted and talented program
26 budget remains unexpended at the end of the budget
27 year, the part of the remainder equal to the
28 proportion of the original budget which was funded by
29 ~~an-increase-in-allowable-growth, -as-defined-in-section~~
30 ~~257.8, supplementary weightings~~ shall be carried over
31 to the subsequent budget year and added to the gifted
32 and talented program budget for that year.

33 Sec. _____. This division of this Act, being deemed
34 of immediate importance, takes effect upon enactment,
35 and applies to the computation of school funding for
36 school budget years commencing on or after July 1,
37 1996."

38 2. Title page, lines 4 and 5, by striking the
39 words "appropriating moneys to a special taxpayer
40 relief account" and inserting the following:
41 "providing additional state aid to school districts".

By SHOULTZ of Black Hawk
MORELAND of Wapello
MURPHY of Dubuque
BRAND of Benton
DODERER of Johnson
BELL of Jasper
HARPER of Black Hawk
WEIGEL of Chickasaw
JOCHUM of Dubuque
LARKIN of Lee
MYERS of Johnson
BERNAU of Story
BURNETT of Story
OLLIE of Clinton
MASCHER of Johnson
NELSON of Pottawattamie
MUNDIE of Webster
MAY of Worth

H-5021 FILED JANUARY 30, 1996

Lost - 2/7/96
(P. 276)

KOENIGS of Mitchell
WARNSTADT of Woodbury
TAYLOR of Linn
MERTZ of Kossuth
KREIMAN of Davis
CATALDO of Polk
WISE of Lee
McCOY of Polk
OSTERHAUS of Jackson
O'BRIEN of Boone
DREES of Carroll
CONNORS of Polk
BAKER of Polk
WITT of Black Hawk
FALLON of Polk
HOLVECK of Polk
SCHRADER of Marion
COHOON of Des Moines

HOUSE FILE 2111

H-5019

1 Amend House File 2111 as follows:

2 1. By striking page 2, line 19, through page 3,
3 line 25, and inserting the following:

4 "INHERITANCE TAX CREDIT ON INCOME TAX
5 Sec. ____ . NEW SECTION. 422.12A INHERITANCE TAX
6 CREDIT.

7 The taxes imposed under this division, less the
8 credits allowed under sections 422.12 and 422.12B,
9 shall be reduced by an inheritance tax credit. The
10 inheritance tax credit is equal to the amount of Iowa
11 inheritance tax paid under chapter 450 by the taxpayer
12 who is the father or mother, son or daughter,
13 including legally adopted sons and daughters or
14 biological sons and daughters, stepchild, or
15 grandchild of the decedent.

16 Any credit in excess of the tax liability for the
17 tax year may be credited to the tax liability for the
18 following ten tax years or until depleted, whichever
19 is the earlier."

20 2. Page 3, line 27, by inserting after the figure
21 "1996" the following: "for inheritance tax paid
22 during income tax years ending after that date".

23 3. Title page, line 4, by striking the words
24 "exemptions from the state inheritance tax" and
25 inserting the following: "income tax credit for state
26 inheritance tax paid".

By WEIGEL of Chickasaw

H-5019 FILED JANUARY 30, 1996

WITHDRAWN — 2/7/96

(p.269)

HOUSE FILE 2111

H-5024

1 Amend House File 2111 as follows:

2 1. Page 4, by inserting after line 18 the
3 following:

4 "DIVISION

5 INCOME TAX REFUNDS

6 Sec. ____ . Section 422.73, Code 1995, is amended by
7 adding the following new subsection:8 NEW SUBSECTION. 3. Notwithstanding subsection 2,
9 a claim for credit or refund of individual income tax
10 paid for any tax year beginning on or after January 1,
11 1985, and before January 1, 1989, is considered timely
12 if filed with the department on or before April 30,
13 1997, if the taxpayer's claim is the result of the
14 unconstitutional taxation of federal pension benefits
15 based upon the decision in Davis v. Michigan
16 Department of Treasury, 489 U.S. 803, 109 S. Ct. 1500
17 (1989).18 A taxpayer entitled to a credit or refund of tax
19 paid under this subsection shall receive an amount
20 equal to one hundred percent of the credit or refund
21 plus interest with interest not accruing after January
22 12, 1994. The claim for credit or refund shall be
23 made on the income tax return for the tax year
24 beginning in the 1996 calendar year. If the taxpayer
25 does not owe tax or the credit is in excess of the tax
26 computed, the taxpayer may claim a refund of the
27 excess or carry forward the excess credit to the
28 following tax year. A credit carried forward shall be
29 used or a refund of the remaining credit given for the
30 tax year beginning in the 1997 calendar year."31 2. Title page, line 3, by inserting after the
32 word "tax," the following: "extending the time for
33 filing claims for refunds and credits for
34 unconstitutionally levied income tax".(P.283) WITHDRAWN 2-7-96 By O'BRIEN of Boone
MAY of Worth

H-5024 FILED JANUARY 30, 1996

HOUSE FILE 2111

H-5028

1 Amend House File 2111 as follows:

2 1. Page 4, by striking lines 11 and 12 and
3 inserting the following: "general assembly for
4 property tax relief."5 2. Title page, line 6, by inserting before the
6 word "tax" the following: "property".

By SHOULTZ of Black Hawk

H-5028 FILED JANUARY 30, 1996

*Out of order 2-7-96
P.283*

HOUSE FILE 2111

H-5032

1 Amend House File 2111 as follows:

2 1. Page 4, by striking lines 10 and 11, and
3 inserting the following: "taxpayer relief account
4 shall be used for property tax relief by the".

5 2. Page 4, line 18, by striking the word
6 "dollars." and inserting the following: "dollars to
7 offset the cost of school property tax relief through
8 additional school funding provided in division IV of
9 this Act.

10

DIVISION IV

11

SCHOOL FUNDING

12

13 Sec. ____ . Section 256B.9, Code 1995, is amended by
14 adding the following new subsection:

15

16 NEW SUBSECTION. 10. For the school year
17 commencing July 1, 1996, the director of the
18 department of education shall report to the school
19 budget review committee the total statewide deficit,
20 actual or estimate for the most recent school year
21 available, in costs for providing instruction for
22 children requiring special education in the categories
23 of the weighting plan established under this section,
24 and for providing services to nonpublic school
25 students pursuant to section 256.12, subsection 2.
26 The school budget review committee shall adjust the
27 weighting plan beginning with the school year
28 beginning July 1, 1996, so as to eliminate the amount
29 of the statewide deficit as reported by the director.
30 Any adjustment to weightings made under this
31 subsection shall be in addition to any adjustments
32 made pursuant to subsection 4.

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

48

49

50

51

52

53

54

55

56

57

58

59

60

61

62

63

64

65

66

67

68

69

70

71

72

73

74

75

76

77

78

79

80

81

82

83

84

85

86

87

88

89

90

91

92

93

94

95

96

97

98

99

100

101

102

103

104

105

106

107

108

109

110

111

112

113

114

115

116

117

118

119

120

121

122

123

124

125

126

127

128

129

130

131

132

133

134

135

136

137

138

139

140

141

142

143

144

145

146

147

148

149

150

151

152

153

154

155

156

157

158

159

160

161

162

163

164

165

166

167

168

169

170

171

172

173

174

175

176

177

178

179

180

181

182

183

184

185

186

187

188

189

190

191

192

193

194

195

196

197

198

199

200

201

202

203

204

205

206

207

208

209

210

211

212

213

214

215

216

217

218

219

220

221

222

223

224

225

226

227

228

229

230

231

232

233

234

235

236

237

238

239

240

241

242

243

244

245

246

247

248

249

250

251

252

253

254

255

256

257

258

259

260

261

262

263

264

265

266

267

268

269

270

271

272

273

274

275

276

277

278

279

280

281

282

283

284

285

286

287

288

289

290

291

292

293

294

295

296

297

298

299

300

301

302

303

304

305

306

307

308

309

310

311

312

313

314

315

316

317

318

319

320

321

322

323

324

325

326

327

328

329

330

331

332

333

334

335

336

337

338

339

340

341

342

343

344

345

346

347

348

349

350

351

352

353

354

355

356

357

358

359

360

H-5032

Page 2

1 state cost per pupil. It shall increase at the same
2 rate as the regular program foundation base. The
3 combined foundation base is the sum of the regular
4 program foundation base and the special education
5 support services foundation base.

6 Sec. _____. Section 257.11, unnumbered paragraph 1,
7 Code Supplement 1995, is amended to read as follows:

8 In order to provide additional funds for school
9 districts which send their resident pupils to another
10 school district or to a community college for classes,
11 which jointly employ and share the services of
12 teachers under section 280.15, which use the services
13 of a teacher employed by another school district, ~~or~~
14 which jointly employ and share the services of a
15 school superintendent under section 280.15 or 273.7A,
16 have established programs for returning dropouts and
17 dropout prevention, or which have established gifted
18 and talented children programs, a supplementary
19 weighting plan for determining enrollment is adopted
20 as follows:

21 Sec. _____. Section 257.11, Code Supplement 1995, is
22 amended by adding the following new subsections:

23 NEW SUBSECTION. 8. GIFTED AND TALENTED CHILDREN
24 PROGRAMS. School districts that have established
25 gifted and talented children programs approved
26 pursuant to sections 257.42 through 257.49 may receive
27 supplementary weighting for each pupil enrolled in the
28 program equal to two-tenths. However, the total
29 additional weighting allowed under this subsection for
30 a budget year for a school district shall not result
31 in additional funding in excess of the lesser of the
32 product of one-fifth of the district cost per pupil
33 multiplied by one-twentieth of the budget enrollment,
34 or of the amount established by the department of
35 management, as required in section 257.46, to be
36 raised from supplementary weighting.

37 NEW SUBSECTION. 9. RETURNING DROPOUTS AND DROPOUT
38 PREVENTION PROGRAMS. School districts that have
39 established returning dropouts and dropout prevention
40 programs approved pursuant to sections 257.38 through
41 257.41 may receive supplementary weighting for each
42 pupil enrolled in the program equal to two-tenths.
43 However, the total additional weighting allowed under
44 this subsection for a budget year for a school
45 district shall not result in additional funding in
46 excess of the lesser of the product of one-fifth of
47 the district cost per pupil multiplied by one-
48 twentieth of the budget enrollment, or of the amount
49 established by the department of management, as
50 required in section 257.41, to be raised from

H-5032

-2-

H-5032

Page 3

1 supplementary weighting.

2 Sec. ____ . Section 257.20, subsection 1, Code 1995,
3 is amended to read as follows:

4 1. In order to determine the amount of
5 instructional support state aid and the amount of
6 local funding for the instructional support program
7 for a district, the department of management shall
8 divide the total assessed valuation in the state by
9 the total budget enrollment for the budget year in the
10 state to determine a state assessed valuation per
11 pupil and shall divide the assessed valuation in each
12 district by the district's budget enrollment for the
13 budget year to determine the district assessed
14 valuation per pupil. The department of management
15 shall multiply the ratio of the state's valuation per
16 pupil to the district's valuation per pupil by twenty-
17 five hundredths and subtract that result from one to
18 determine the portion of the instructional support
19 program budget that is local funding. The remaining
20 portion of the budget shall be funded by instructional
21 support state aid. ~~However, for the budget year~~
22 ~~beginning July 1, 1992, only, the amount of state aid~~
23 ~~is three and one quarter percent less than the amount~~
24 ~~computed under this paragraph for that budget year.~~

25 Sec. ____ . Section 257.20, subsection 2, paragraphs
26 a and b, Code 1995, are amended by striking the
27 paragraphs.

28 Sec. ____ . Section 257.20, subsection 3, Code 1995,
29 is amended by striking the subsection.

30 Sec. ____ . Section 257.38, unnumbered paragraphs 1
31 and 2, Code 1995, are amended to read as follows:

32 Boards of school districts, individually or jointly
33 with boards of other school districts, requesting to
34 use additional allowable growth receive supplementary
35 weighting for programs for returning dropouts and
36 dropout prevention, shall annually submit
37 comprehensive program plans for the programs and
38 budget costs, including requests for ~~additional~~
39 allowable growth supplementary weighting for funding
40 the programs, to the department of education as
41 provided in this chapter. The program plans shall
42 include:

43 Program plans shall identify the parts of the plan
44 that will be implemented first upon approval of the
45 application. If a district is requesting to ~~use~~
46 additional allowable growth receive supplementary
47 weighting to finance the program, it shall not
48 identify more than five percent of its budget
49 enrollment for the budget year as returning dropouts
50 and potential dropouts.

H-5032

-3-

H-5032

Page 4

1 Sec. ____ . Section 257.40, Code 1995, is amended to
2 read as follows:

3 257.40 PLANS FOR RETURNING DROPOUTS AND DROPOUT
4 PREVENTION.

5 The board of directors of a school district
6 requesting to ~~use additional allowable growth~~ receive
7 supplementary weighting for programs for returning
8 dropouts and dropout prevention shall submit
9 applications for approval for the programs to the
10 department not later than November 1 preceding the
11 budget year during which the program will be offered.
12 The department shall review the program plans and
13 shall prior to January 15 either grant approval for
14 the program or return the request for approval with
15 comments of the department included. An unapproved
16 request for a program may be resubmitted with
17 modifications to the department not later than
18 February 1. Not later than February 15, the
19 department shall notify the department of management
20 and the school budget review committee of the names of
21 the school districts for which programs using
22 ~~additional allowable growth~~ receiving supplementary
23 weighting for funding have been approved and the
24 approved budget of each program listed separately for
25 each school district having an approved program.

26 Sec. ____ . Section 257.41, Code 1995, is amended to
27 read as follows:

28 257.41 FUNDING FOR PROGRAMS FOR RETURNING DROPOUTS
29 AND DROPOUT PREVENTION.

30 The budget of an approved program for returning
31 dropouts and dropout prevention for a school district,
32 after subtracting funds received from other sources
33 for that purpose, shall be funded annually on a basis
34 of one-fourth or more from the district cost of the
35 school district and up to three-fourths by ~~an increase~~
36 ~~in allowable growth as defined in section 257.8~~
37 receipt of supplementary weighting as provided in
38 section 257.11, subsection 9. Annually, the
39 department of management shall establish ~~a modified~~
40 ~~allowable growth~~ the amount of additional funding
41 needed to be raised from the supplementary weighting
42 for each such district equal to the difference between
43 the approved budget for the program for returning
44 dropouts and dropout prevention for that district and
45 the sum of the amount funded from the district cost of
46 the school district plus funds received from other
47 sources.

48 Sec. ____ . Section 257.42, unnumbered paragraph 1,
49 Code 1995, is amended to read as follows:

50 Boards of school districts, individually or jointly

H-5032

-4-

H-5032

Page 5

1 with the boards of other school districts, requesting
2 to ~~use-additional-allowable-growth~~ receive
3 supplementary weighting for gifted and talented
4 children programs, may annually submit program plans
5 for gifted and talented children programs and budget
6 costs, including requests for ~~additional-allowable~~
7 growth supplementary weighting for funding the
8 programs, to the department of education and to the
9 applicable gifted and talented children advisory
10 council, if an advisory council has been established,
11 as provided in this chapter.

12 Sec. _____. Section 257.42, unnumbered paragraphs 4
13 and 5, Code 1995, are amended to read as follows:

14 The department of education shall adopt rules under
15 chapter 17A relating to the administration of sections
16 257.42 through 257.49. The rules shall prescribe the
17 format of program plans submitted under section 257.43
18 and shall require that programs fulfill specified
19 objectives. The department shall encourage and assist
20 school districts to provide programs for gifted and
21 talented children whether or not ~~additional-allowable~~
22 growth supplementary weighting is requested under this
23 chapter.

24 The department may request that the staff of the
25 auditor of state conduct an independent program audit
26 to verify that the gifted and talented children
27 programs funded by ~~additional-allowable-growth~~
28 supplementary weighting conform to a district's
29 program plans.

30 Sec. _____. Section 257.45, subsection 1, Code 1995,
31 is amended to read as follows:

32 1. The board of directors of a school district
33 requesting to ~~use-additional-allowable-growth~~ receive
34 supplementary weighting for gifted and talented
35 children programs shall submit applications for
36 approval for the programs to the department not later
37 than November 1 preceding the fiscal year during which
38 the program will be offered. The board shall also
39 submit a copy of the program plans to the gifted and
40 talented children advisory council, if an advisory
41 council has been established. The department shall
42 review the program plans and shall prior to January 15
43 either grant approval for the program or return the
44 request for approval with comments of the department
45 included. Any unapproved request for a program may be
46 resubmitted with modifications to the department not
47 later than a date established by the department. Not
48 later than February 15 the department shall notify the
49 department of management and the school budget review
50 committee of the names of the school districts for

H-5032

H-5032

Page 6

1 which gifted and talented children programs using
2 ~~additional-allowable-growth~~ receiving supplementary
3 ~~weighting~~ for funding have been approved and the
4 approved budget of each program listed separately for
5 each school district having an approved program.

6 Sec. ____ . Section 257.46, Code 1995, is amended to
7 read as follows:

8 257.46 FUNDING.

9 The budget of an approved gifted and talented
10 children program for a school district, after
11 subtracting funds received from other sources for that
12 purpose, shall be funded annually on a basis of one-
13 fourth or more from the district cost of the school
14 district and up to three-fourths by ~~an-increase-in~~
15 ~~allowable-growth-as-defined-in-section-257-8~~ receipt
16 of supplementary weighting as provided in section
17 257.11, subsection 8. The approved budget for a
18 gifted and talented children program shall not exceed
19 an amount equal to one and twenty-four-hundredths
20 percent of the district cost per pupil of the district
21 for the base year multiplied by the budget enrollment
22 of the district for the budget year. Annually, the
23 department of management shall establish ~~a-modified~~
24 ~~allowable-growth~~ the amount of additional funding
25 needed to be raised from the supplementary weighting
26 for each such district equal to the difference between
27 the approved budget for the gifted and talented
28 children program for that district and the sum of the
29 amount funded from the district cost of the school
30 district plus funds received from other sources.

31 If any portion of the gifted and talented program
32 budget remains unexpended at the end of the budget
33 year, the part of the remainder equal to the
34 proportion of the original budget which was funded by
35 ~~an-increase-in-allowable-growth,-as-defined-in-section~~
36 ~~257-8,~~ supplementary weightings shall be carried over
37 to the subsequent budget year and added to the gifted
38 and talented program budget for that year.

39 Sec. ____ . This division of this Act, being deemed
40 of immediate importance, takes effect upon enactment,
41 and applies to the computation of school funding for
42 school budget years commencing on or after July 1,
43 1996."

44 3. Title page, line 6, by inserting before the
45 word "tax" the following: "additional state aid to
46 school districts and other property".

By SHOULTZ of Black Hawk
 MORELAND of Wapello
 MURPHY of Dubuque
 BRAND of Benton
 DODERER of Johnson
 BELL of Jasper
 HARPER of Black Hawk
 WEIGEL of Chickasaw
 JOCHUM of Dubuque
 LARKIN of Lee
 MYERS of Johnson
 BURNETT of Story
 OLLIE of Clinton
 MASCHER of Johnson
 NELSON of Pottawattamie
 MUNDIE of Webster
 MAY of Worth

KOENIGS of Mitchell
 WARNSTADT of Woodbury
 TAYLOR of Linn
 MERTZ of Kossuth
 KREIMAN of Davis
 CATALDO of Polk
 WISE of Lee
 OSTERHAUS of Jackson
 O'BRIEN of Boone
 DREES of Carroll
 CONNORS of Polk
 BAKER of Polk
 WITT of Black Hawk
 FALLON of Polk
 SCHRADER of Marion
 COHOON of Des Moines

(P. 283)
out of order
2-7-96

H-5032 FILED JANUARY 30, 1996

HOUSE FILE 2111

H-5037

- 1 Amend House File 2111 as follows:
- 2 1. By striking page 2, line 19, through page 3,
- 3 line 25, and inserting the following:
- 4 "INHERITANCE TAX CREDIT ON INCOME TAX
- 5 Sec. ____ . NEW SECTION. 422.12A INHERITANCE TAX
- 6 CREDIT.
- 7 The taxes imposed under this division, less the
- 8 credits allowed under sections 422.12 and 422.12B,
- 9 shall be reduced by an inheritance tax credit. The
- 10 inheritance tax credit is equal to the amount of Iowa
- 11 inheritance tax paid under chapter 450, to the extent
- 12 not taken as a credit for federal estate tax purposes,
- 13 by the taxpayer who is the father or mother, son or
- 14 daughter, including legally adopted sons and daughters
- 15 or biological sons and daughters, stepchild, or
- 16 grandchild of the decedent.
- 17 Any credit in excess of the tax liability for the
- 18 tax year may be credited to the tax liability for the
- 19 following ten tax years or until depleted, whichever
- 20 is the earlier."
- 21 2. Page 3, line 27, by inserting after the figure
- 22 "1996" the following: "for inheritance tax paid
- 23 during income tax years ending after that date".
- 24 3. Title page, line 4, by striking the words
- 25 "exemptions from the state inheritance tax" and
- 26 inserting the following: "income tax credit for state
- 27 inheritance tax paid".

(P. 270)
lost 2-7-96

By WEIGEL of Chickasaw

H-5037 FILED FEBRUARY 1, 1996

HOUSE FILE 2111

H-5029

1 Amend House File 2111 as follows:

2 1. Page 4, by inserting before line 19 the
3 following:

4 "DIVISION

5 CHILD CARE EXPENSES DEDUCTIBLE

6 Sec. ____ . Section 422.7, Code Supplement 1995, is
7 amended by adding the following new subsection:8 NEW SUBSECTION. 35. Subtract child care costs
9 incurred by the taxpayer to enable the taxpayer to be
10 gainfully employed. "Child care costs" means
11 employment related expenses as that term is used under
12 section 21 of the Internal Revenue Code relating to
13 expenses for household and dependent care services
14 necessary for gainful employment.15 Sec. ____ . This division of this Act, being deemed
16 of immediate importance, takes effect upon enactment
17 and applies retroactively to January 1, 1996, for tax
18 years beginning on or after that date."19 2. Title page, line 3, by inserting after the
20 word "tax," the following: "allowing an income tax
21 deduction for child care costs,".

By CATALDO of Polk

H-5029 FILED JANUARY 30, 1996

WITHDRAWN 2-7-96
(P. 283)

HOUSE FILE 2111

H-5030

1 Amend House File 2111 as follows:

2 1. Page 2, line 25, by inserting after the word
3 "stepchildren," the following: "nephews, nieces,".4 2. Page 2, line 34, by inserting after the word
5 "stepchildren," the following: "nephews, nieces,".6 3. Page 3, line 24, by inserting after the word
7 "stepchild," the following: "nephew, niece,".

By CARROLL of Poweshiek

H-5030 FILED JANUARY 30, 1996

Lost 2-7-96
(P. 285)

HOUSE FILE 2111

H-5031

1 Amend House File 2111 as follows:

2 1. Page 4, by inserting after line 18 the
3 following:4 "4. Of the funds in the tax relief account, there
5 is appropriated each fiscal year an amount sufficient
6 to fully fund the homestead credit under section
7 425.1."

By WEIGEL of Chickasaw

H-5031 FILED JANUARY 30, 1996

WITHDRAWN 2-7-96
(P. 283)

HOUSE FILE 2111

H-5039

1 Amend House File 2111 as follows:

2 1. Page 4, by inserting after line 18 the
3 following:

4 "4. Moneys in the taxpayer relief account shall be
5 used to compensate the general fund of the state for
6 lost income tax revenue resulting from the increase in
7 the child and dependent care credit under this Act.

8 Sec. 400. Section 422.12C, subsection 1,
9 unnumbered paragraph 1, Code 1995, is amended to read
10 as follows:

11 1. The taxes imposed under this division, less the
12 credits allowed under sections 422.11A, 422.11B,
13 422.11C, 422.12, and 422.12B shall be reduced by a
14 child and dependent care credit equal to the following
15 percentages amount of the federal child and dependent
16 care credit provided in section 21 of the Internal
17 Revenue Code.

18 Sec. 401. Section 422.12C, subsection 1,
19 paragraphs a, b, c, d, e, and f, Code 1995, are
20 amended by striking the paragraphs.

21 Sec. _____. Sections 400 and 401 of this division,
22 being deemed of immediate importance, take effect upon
23 enactment and apply retroactively to tax years
24 beginning on or after that date."

25 2. Title page, line 3, by inserting after the
26 word "tax," the following: "increasing the child and
27 dependent care individual income tax credit,".

By CATALDO of Polk

H-5039 FILED FEBRUARY 5, 1996

*Rules not germane
motion to suspend rules lost 2/7/96
(P. 284)*

HOUSE FILE 2111

H-5046

1 Amend House File 2111 as follows:

2 1. Page 4, by inserting after line 18 the
3 following:

4 "4. Moneys from the taxpayer relief account shall
5 be used to pay refund claims pursuant to section
6 422.73, subsection 3.

7 Sec. 200. Section 422.73, Code 1995, is amended by
8 adding the following new subsection:

9 NEW SUBSECTION. 3. Notwithstanding subsection 2,
10 a claim for refund of individual income tax paid for
11 any tax year beginning on or after January 1, 1985,
12 and before January 1, 1989, is considered timely if
13 filed with the department on or before October 31,
14 1996, if the taxpayer's claim is the result of the
15 unconstitutional taxation of federal pension benefits
16 based upon the decision in Davis v. Michigan
17 Department of Treasury, 489 U.S. 803, 109 S. Ct. 1500
18 (1989).

19 A taxpayer entitled to a refund of tax paid under
20 this subsection shall receive an amount equal to one
21 hundred percent of the refund plus interest, with
22 interest not accruing after January 31, 1996. The
23 claim for refund shall be filed separate from any
24 income tax return and shall not be allowed as a credit
25 for income taxes owed. A claim shall be filed between
26 the effective date of this subsection and October 31,
27 1996. An extension for filing shall not be allowed
28 and claims disallowed on the basis of timeliness shall
29 not be allowed upon appeal to any other state agency
30 notwithstanding any other provision of law.

31 The claim for refund shall be made on claim forms
32 to be made available by the department. In order for
33 a taxpayer to have a valid refund claim, the taxpayer
34 must supply legible copies of documents the director
35 deems necessary to show entitlement to the refund,
36 including but not limited to income tax forms and W-2P
37 forms, which will establish the state income tax that
38 was paid on the federal pension benefits for the tax
39 years in question. The burden of proof is on the
40 taxpayer to show that the claim for refund is valid.
41 Estates are not entitled to file a claim for refund
42 under this subsection. However, if a taxpayer has
43 filed a claim under this subsection and subsequently
44 dies before receipt of the refund, the taxpayer's
45 estate is entitled to receipt of any valid refund
46 claim.

47 The department shall make a reasonable attempt to
48 notify individuals who are entitled to a refund under
49 this subsection.

50 Sec. ____ . Section 200 of this division, being

H-5046

-1-

H-5046

Page 2

1 deemed of immediate importance, takes effect upon
2 enactment."

3 2. Title page, line 3, by inserting after the
4 word "tax," the following: "filing of claims for
5 refunds under the state individual income tax as a
6 result of taxes paid on certain pensions,".

By O'BRIEN of Boone
MAY of Worth

H-5046 FILED FEBRUARY 5, 1996

WITHDRAWN

2-7-96

H-5052

1 Amend House File 2111 as follows:

2 1. By striking page 3, line 28, through page 4,
3 line 18, and inserting the following:

4 "DIVISION

5 SCHOOL PROPERTY TAX

6 Sec. 101. Section 257.3, subsection 1, unnumbered
7 paragraph 1, Code Supplement 1995, is amended to read
8 as follows:

9 ~~Except-as-provided-in-subsections-2-and-3,-a~~ A
10 school district shall cause to be levied each year,
11 for the school general fund, a foundation property tax
12 equal to five four dollars and forty fifteen cents per
13 thousand dollars of assessed valuation on all taxable
14 property in the district. The county auditor shall
15 spread the foundation levy over all taxable property
16 in the district.

17 Sec. 102. Section 257.3, subsections 2 and 3, Code
18 Supplement 1995, are amended by striking the
19 subsections.

20 Sec. 103. Section 257.3, subsection 4, Code
21 Supplement 1995, is amended to read as follows:

22 4. RAILWAY CORPORATIONS. For purposes of section
23 257.1, the "amount per pupil of foundation property
24 tax" does not include the tax levied under subsection
25 ~~17-27-or-3~~ on the property of a railway corporation,
26 or on its trustee if the corporation has been declared
27 bankrupt or is in bankruptcy proceedings.

28 Sec. 104. Section 275.55, unnumbered paragraph 4,
29 Code 1995, is amended by striking the unnumbered
30 paragraph.

31 Sec. 105. Section 425A.3, subsection 1, Code 1995,
32 is amended to read as follows:

33 1. The family farm tax credit fund shall be
34 apportioned each year in the manner provided in this
35 chapter so as to give a credit against the tax on each
36 eligible tract of agricultural land within the several
37 school districts of the state in which the levy for
38 the general school fund exceeds five four dollars and
39 forty fifteen cents per thousand dollars of assessed
40 value. The amount of the credit on each eligible
41 tract of agricultural land shall be the amount the tax
42 levied for the general school fund exceeds the amount
43 of tax which would be levied on each eligible tract of
44 agricultural land were the levy for the general school
45 fund five four dollars and forty fifteen cents per
46 thousand dollars of assessed value for the previous
47 year. However, in the case of a deficiency in the
48 family farm tax credit fund to pay the credits in
49 full, the credit on each eligible tract of
50 agricultural land in the state shall be proportionate

H-5052

H-5052

Page 2

1 and applied as provided in this chapter.

2 Sec. 106. Section 425A.5, Code 1995, is amended to
3 read as follows:

4 425A.5 COMPUTATION BY COUNTY AUDITOR.

5 The family farm tax credit allowed each year shall
6 be computed as follows: On or before March 1, the
7 county auditor shall list by school districts all
8 tracts of agricultural land which are entitled to
9 credit, the taxable value for the previous year, the
10 budget from each school district for the previous
11 year, and the tax rate determined for the general fund
12 of the school district in the manner prescribed in
13 section 444.3 for the previous year, and if the tax
14 rate is in excess of five four dollars and forty
15 fifteen cents per thousand dollars of assessed value,
16 the auditor shall multiply the tax levy which is in
17 excess of five four dollars and forty fifteen cents
18 per thousand dollars of assessed value by the total
19 taxable value of the agricultural land entitled to
20 credit in the school district, and on or before March
21 1, certify the total amount of credit and the total
22 number of acres entitled to the credit to the
23 department of revenue and finance.

24 Sec. 107. Section 426.3, Code 1995, is amended to
25 read as follows:

26 426.3 WHERE CREDIT GIVEN.

27 The agricultural land credit fund shall be
28 apportioned each year in the manner hereinafter
29 provided in this chapter so as to give a credit
30 against the tax on each tract of agricultural lands
31 within the several school districts of the state in
32 which the levy for the general school fund exceeds
33 five four dollars and forty fifteen cents per thousand
34 dollars of assessed value; the amount of such credit
35 on each tract of such lands shall be the amount the
36 tax levied for the general school fund exceeds the
37 amount of tax which would be levied on said the tract
38 of such lands were the levy for the general school
39 fund five four dollars and forty fifteen cents per
40 thousand dollars of assessed value for the previous
41 year, except in the case of a deficiency in the
42 agricultural land credits fund to pay said credits in
43 full, in which case the credit on each eligible tract
44 of such lands in the state shall be proportionate and
45 shall be applied as hereinafter provided in this
46 chapter.

47 Sec. 108. Section 426.6, unnumbered paragraph 1,
48 Code 1995, is amended to read as follows:

49 The agricultural land tax credit allowed each year
50 shall be computed as follows: On or before the first

H-5052

-2-

H-5052

Page 3

1 of June the county auditor shall list by school
2 districts all tracts of agricultural lands which they
3 are entitled to credit, together with the taxable
4 value for the previous year, together with the budget
5 from each school district for the previous year, and
6 the tax rate determined for the general fund of the
7 district in the manner prescribed in section 444.3 for
8 the previous year, and if such the tax rate is in
9 excess of five four dollars and forty fifteen cents
10 per thousand dollars of assessed value, the auditor
11 shall multiply the tax levy which is in excess of five
12 four dollars and forty fifteen cents per thousand
13 dollars of assessed value by the total taxable value
14 of the agricultural lands entitled to credit in the
15 district, and on or before the first of June certify
16 the amount to the department of revenue and finance.

17 Sec. 109.

18 1. Sections 101 through 104 of this division of
19 this Act, being deemed of immediate importance, take
20 effect upon enactment, and apply to the computation of
21 school foundation property taxes payable during school
22 budget years beginning on or after July 1, 1996.

23 2. Sections 105 through 108 of this division of
24 this Act take effect January 1, 1997, and apply to the
25 computation of family farm tax credits and
26 agricultural land tax credits granted for property
27 taxes payable in school budget years beginning on or
28 after July 1, 1997."

29 2. Title page, lines 4 and 5, by striking the
30 words "appropriating moneys to a special taxpayer
31 relief account" and inserting the following:
32 "reducing the school district uniform levy".

By HALVORSON of Clayton
GRIES of Crawford

BRUNKHORST of Bremer
CORMACK of Webster

H-5052 FILED FEBRUARY 6, 1996

*Adopted 2-7-96
(p. 283)*

WILSON

WITHDRAWN

HOUSE FILE 2111

H-5056

1 Amend House File 2111 as follows:

2 1. Page 4, by striking lines 10 and 11, and
3 inserting the following: "taxpayer relief account
4 shall be used for property tax relief by the".

5 2. Page 4, line 18, by striking the word
6 "dollars." and inserting the following: "dollars to
7 offset the cost of school property tax relief through
8 additional school funding provided by an increase in
9 the foundation base starting with the budget year
10 commencing July 1, 1996.

11 Sec. 300. Section 257.1, subsection 2, unnumbered
12 paragraph 2, Code Supplement 1995, is amended to read
13 as follows:

14 For the budget year commencing July 1, ~~1991~~ 1996,
15 ~~and-for-each-succeeding-budget-year~~ the regular
16 program foundation base per pupil is ~~eighty-three~~
17 ~~eighty-seven~~ percent of the regular program state cost
18 ~~per pupil, except that the regular program foundation~~
19 ~~base per pupil for the portion of weighted enrollment~~
20 ~~that is additional enrollment because of special~~
21 ~~education is seventy-nine percent of the regular~~
22 ~~program state cost per pupil.~~ For each succeeding
23 budget year, the regular program foundation base shall
24 increase one-half of one percent per year until the
25 regular program foundation base reaches ninety percent
26 of the regular program state cost per pupil. For the
27 budget year commencing July 1, ~~1991~~ 1996, ~~and-for-each~~
28 ~~succeeding-budget-year~~ the special education support
29 services foundation base is ~~seventy-nine~~ eighty-seven
30 percent of the special education support services
31 state cost per pupil. It shall increase at the same
32 rate as the regular program foundation base. The
33 combined foundation base is the sum of the regular
34 program foundation base and the special education
35 support services foundation base.

36 Sec. ____ . Section 300 of this division, being
37 deemed of immediate importance, takes effect upon
38 enactment, and applies to the computation of school
39 funding for school budget years commencing on or after
40 July 1, 1996."

41 3. Title page, line 6, by inserting before the
42 word "tax" the following: "additional state aid to
43 school districts and other property".

By WISE of Lee

H-5056 FILED FEBRUARY 6, 1996

WITHDRAWN - 2-7-96

(p. 277)

HOUSE FILE 2111

H-5058

- 1 Amend the amendment, H-5052, to House File 2111 as
2 follows:
3 1. Page 1, by inserting after line 5 the
4 following:
5 "Sec. 100. Section 257.1, subsection 2, unnumbered
6 paragraph 2, Code Supplement 1995, is amended to read
7 as follows:
8 For the budget year commencing July 1, ~~1991~~ 1996,
9 ~~and for each succeeding budget year~~ the regular
10 program foundation base per pupil is ~~eighty-three~~
11 ~~eighty-four and eight-tenths~~ percent of the regular
12 program state cost per pupil, ~~except that the regular~~
13 ~~program foundation base per pupil for the portion of~~
14 ~~weighted enrollment that is additional enrollment~~
15 ~~because of special education is seventy-nine percent~~
16 ~~of the regular program state cost per pupil.~~ For the
17 budget year commencing July 1, ~~1991~~ 1996, ~~and for each~~
18 ~~succeeding budget year~~ the special education support
19 services foundation base is ~~seventy-nine~~ eighty-four
20 ~~and eight-tenths~~ percent of the special education
21 support services state cost per pupil. The combined
22 foundation base is the sum of the regular program
23 foundation base and the special education support
24 services foundation base."
25 2. Page 1, line 12, by striking the word
26 "fifteen" and inserting the following: "seventy-
27 eight".
28 3. Page 1, line 39, by striking the word
29 "fifteen" and inserting the following: "seventy-
30 eight".
31 4. Page 1, line 45, by striking the word
32 "fifteen" and inserting the following: "seventy-
33 eight".
34 5. Page 2, line 15, by striking the word
35 "fifteen" and inserting the following: "seventy-
36 eight".
37 6. Page 2, line 17, by striking the word
38 "fifteen" and inserting the following: "seventy-
39 eight".
40 7. Page 2, line 33, by striking the word
41 "fifteen" and inserting the following: "seventy-
42 eight".
43 8. Page 2, line 39, by striking the word
44 "fifteen" and inserting the following: "seventy-
45 eight".
46 9. Page 3, line 9, by striking the word "fifteen"
47 and inserting the following: "seventy-eight".
48 10. Page 3, line 12, by striking the word
49 "fifteen" and inserting the following: "seventy-
50 eight".

H-5058

-1-

H-5058

Page 2

- 1 11. Page 3, line 18, by striking the figure "101"
2 and inserting the following: "100".
3 12. Page 3, line 32, by inserting after the word
4 "levy" the following: "and increasing the foundation
5 base level".

By DAGGETT of Union

H-5058 FILED FEBRUARY 7, 1996

LOST

P.281

HOUSE FILE 2111

H-5059

1 Amend the amendment, H-5052, to House File 2111 as
2 follows:

3 1. By striking page 1, line 6, through page 3,
4 line 32 and inserting the following:

5 "Sec. 300. Section 257.1, subsection 2, unnumbered
6 paragraph 2, Code Supplement 1995, is amended to read
7 as follows:

8 For the budget year commencing July 1, ~~1991~~ 1996,
9 ~~and-for-each-succeeding-budget-year~~ the regular
10 program foundation base per pupil is ~~eighty-three~~
11 ~~eighty-seven~~ percent of the regular program state cost
12 per pupil, ~~except that the regular program foundation~~
13 ~~base per pupil for the portion of weighted enrollment~~
14 ~~that is additional enrollment because of special~~
15 ~~education is seventy-nine percent of the regular~~
16 ~~program state cost per pupil.~~ For each succeeding
17 budget year, the regular program foundation base shall
18 increase one-half of one percent per year until the
19 regular program foundation base reaches ninety percent
20 of the regular program state cost per pupil. For the
21 budget year commencing July 1, ~~1991~~ 1996, ~~and-for-each~~
22 ~~succeeding-budget-year~~ the special education support
23 services foundation base is ~~seventy-nine~~ eighty-seven
24 percent of the special education support services
25 state cost per pupil. It shall increase at the same
26 rate as the regular program foundation base. The
27 combined foundation base is the sum of the regular
28 program foundation base and the special education
29 support services foundation base.

30 Sec. _____. Section 300 of this division, being
31 deemed of immediate importance, takes effect upon
32 enactment, and applies to the computation of school
33 funding for school budget years commencing on or after
34 July 1, 1996."

35 2. Title page, line 6, by inserting before the
36 word "tax" the following: "additional state aid to
37 school districts and other property"."

By WISE of Lee

H-5059 FILED FEBRUARY 7, 1996

LOST

(p.282)

5-2/8/96 ... mo

HOUSE FILE 2111
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 509)

(As Amended and Passed by the House February 7, 1996)

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

A BILL FOR

1 An Act relating to taxation within the state by changing the
2 computation of the inflation factors for the tax brackets and
3 standard deduction of the state individual income tax,
4 exemptions from the state inheritance tax, and reducing the
5 school district uniform levy for purposes of providing tax
6 relief and providing effective and retroactive and other
7 applicability date provisions.

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

9
10
11
12
13
14
15
16
17
18
19
20
21

House Amendments _____

DIVISION I

INCOME TAX INDEXATION

1
2
3 Section 1. Section 422.4, subsection 1, paragraphs a and
4 d, Code 1995, are amended to read as follows:

5 a. "Annual inflation factor" means an index, expressed as
6 a percentage, determined by the department by October 15 of
7 the calendar year preceding the calendar year for which the
8 factor is determined, which reflects the purchasing power of
9 the dollar as a result of inflation during the fiscal year
10 ending in the calendar year preceding the calendar year for
11 which the factor is determined. In determining the annual
12 inflation factor, the department shall use the annual percent
13 change, but not less than zero percent, in the ~~implicit-price~~
14 ~~deflator-for-the-gross-national-product~~ gross domestic product
15 price deflator computed for the second quarter of the calendar
16 year by the bureau of economic analysis of the United States
17 department of commerce and shall add ~~one-half~~ all of that
18 percent change to one hundred percent. The annual inflation
19 factor and the cumulative inflation factor shall each be
20 expressed as a percentage rounded to the nearest one-tenth of
21 one percent. The annual inflation factor shall not be less
22 than one hundred percent.

23 d. Notwithstanding the computation of the annual inflation
24 factor under paragraph "a", the annual inflation factor is one
25 hundred percent for any calendar year in which the unobligated
26 state general fund balance on June 30 as certified by the
27 director of the department of management by October 10, is
28 less than sixty million dollars. Notwithstanding section
29 8.58, in determining the unobligated state general fund
30 balance on June 30, unobligated moneys in the cash reserve
31 fund and Iowa economic emergency fund on June 30 shall be
32 counted as part of the unobligated state general fund balance
33 for purposes of this paragraph.

34 Sec. 2. Section 422.4, subsection 2, paragraph a, Code
35 1995, is amended to read as follows:

1 a. "Annual standard deduction factor" means an index,
2 expressed as a percentage, determined by the department by
3 October 15 of the calendar year preceding the calendar year
4 for which the factor is determined, which reflects the
5 purchasing power of the dollar as a result of inflation during
6 the fiscal year ending in the calendar year preceding the
7 calendar year for which the factor is determined. In
8 determining the annual standard deduction factor, the
9 department shall use the annual percent change, but not less
10 than zero percent, in the ~~implicit-price-deflator-for-the~~
11 ~~gross-national-product~~ gross domestic product price deflator
12 computed for the second quarter of the calendar year by the
13 bureau of economic analysis of the United States department of
14 commerce and shall add ~~one-half~~ all of that percent change to
15 one hundred percent. The annual standard deduction factor and
16 the cumulative standard deduction factor shall each be
17 expressed as a percentage rounded to the nearest one-tenth of
18 one percent. The annual standard deduction factor shall not
19 be less than one hundred percent.

20 Sec. 3. This division of this Act, being deemed of
21 immediate importance, takes effect upon enactment and applies
22 to the computation of the annual inflation factor and annual
23 standard deduction factor for calendar years beginning on or
24 after January 1, 1996. The department of revenue and finance
25 shall adjust the annual inflation factor and annual standard
26 deduction factor previously computed for the 1996 calendar
27 year to reflect the change made in the computation of those
28 factors in this Act.

29 DIVISION II

30 INHERITANCE TAXATION

31 Sec. 4. Section 450.7, subsection 1, unnumbered paragraph
32 1, Code Supplement 1995, is amended to read as follows:

33 Except for the share of the estate passing to the surviving
34 spouse, father or mother, each son and daughter, including
35 legally adopted sons and daughters or biological sons and

1 daughters, stepchildren, and grandchildren, the tax is a
2 charge against and a lien upon the estate subject to tax under
3 this chapter, and all property of the estate or owned by the
4 decedent from the death of the decedent until paid, subject to
5 the following limitation:

6 Sec. 5. Section 450.9, subsection 1, Code 1995, is amended
7 to read as follows:

8 1. Surviving spouse, father or mother, son or daughter,
9 including legally adopted sons and daughters or biological
10 sons and daughters, stepchildren, or grandchild, the entire
11 amount of property, interest in property, and income.

12 Sec. 6. Section 450.9, subsections 2 and 3, Code 1995, are
13 amended by striking the subsections.

14 Sec. 7. Section 450.10, subsection 1, unnumbered paragraph
15 1, Code 1995, is amended to read as follows:

16 When the property, interest, or income passes to ~~the-father~~
17 ~~or-mother, or-to-a-child-or~~ a lineal descendant of the
18 decedent, grantor, donor, or vendor, ~~including-a-legally~~
19 ~~adopted-child-or-biological-child-entitled-to-inherit-under~~
20 ~~the-laws-of-this-state~~ not included in subsection 7, the tax
21 imposed shall be on the individual share so passing in excess
22 of the exemptions allowed as follows:

23 Sec. 8. Section 450.10, subsection 2, unnumbered paragraph
24 1, Code 1995, is amended to read as follows:

25 When the property or any interest ~~therein~~ in property, or
26 income ~~therefrom~~ from property taxable under the provisions of
27 this chapter passes to the brother or sister, son-in-law, or
28 daughter-in-law, ~~or-step-children,~~ the rate of tax imposed on
29 the individual share so passing shall be as follows:

30 Sec. 9. Section 450.10, subsection 7, Code 1995, is
31 amended to read as follows:

32 7. Property, interest in property, or income passing to
33 the surviving spouse, father or mother, son or daughter,
34 including legally adopted sons and daughters or biological
35 sons and daughters, stepchild, or grandchild, is not taxable

1 under this section.

2 Sec. 10. This division of this Act applies to estates of
3 decedents dying on or after July 1, 1996.

4 DIVISION III

5 SCHOOL PROPERTY TAX

6 Sec. 11. Section 257.3, subsection 1, unnumbered paragraph
7 1, Code Supplement 1995, is amended to read as follows:

8 Except-as-provided-in-subsections-2-and-3,-a A school
9 district shall cause to be levied each year, for the school
10 general fund, a foundation property tax equal to five four
11 dollars and forty fifteen cents per thousand dollars of
12 assessed valuation on all taxable property in the district.
13 The county auditor shall spread the foundation levy over all
14 taxable property in the district.

15 Sec. 12. Section 257.3, subsections 2 and 3, Code
16 Supplement 1995, are amended by striking the subsections.

17 Sec. 13. Section 257.3, subsection 4, Code Supplement
18 1995, is amended to read as follows:

19 4. RAILWAY CORPORATIONS. For purposes of section 257.1,
20 the "amount per pupil of foundation property tax" does not
21 include the tax levied under subsection 1-2-or-3 on the
22 property of a railway corporation, or on its trustee if the
23 corporation has been declared bankrupt or is in bankruptcy
24 proceedings.

25 Sec. 14. Section 275.55, unnumbered paragraph 4, Code
26 1995, is amended by striking the unnumbered paragraph.

27 Sec. 15. Section 425A.3, subsection 1, Code 1995, is
28 amended to read as follows:

29 1. The family farm tax credit fund shall be apportioned
30 each year in the manner provided in this chapter so as to give
31 a credit against the tax on each eligible tract of
32 agricultural land within the several school districts of the
33 state in which the levy for the general school fund exceeds
34 five four dollars and forty fifteen cents per thousand dollars
35 of assessed value. The amount of the credit on each eligible.

1 tract of agricultural land shall be the amount the tax levied
2 for the general school fund exceeds the amount of tax which
3 would be levied on each eligible tract of agricultural land
4 were the levy for the general school fund five four dollars
5 and forty fifteen cents per thousand dollars of assessed value
6 for the previous year. However, in the case of a deficiency
7 in the family farm tax credit fund to pay the credits in full,
8 the credit on each eligible tract of agricultural land in the
9 state shall be proportionate and applied as provided in this
10 chapter.

11 Sec. 16. Section 425A.5, Code 1995, is amended to read as
12 follows:

13 425A.5 COMPUTATION BY COUNTY AUDITOR.

14 The family farm tax credit allowed each year shall be
15 computed as follows: On or before March 1, the county auditor
16 shall list by school districts all tracts of agricultural land
17 which are entitled to credit, the taxable value for the
18 previous year, the budget from each school district for the
19 previous year, and the tax rate determined for the general
20 fund of the school district in the manner prescribed in
21 section 444.3 for the previous year, and if the tax rate is in
22 excess of five four dollars and forty fifteen cents per
23 thousand dollars of assessed value, the auditor shall multiply
24 the tax levy which is in excess of five four dollars and forty
25 fifteen cents per thousand dollars of assessed value by the
26 total taxable value of the agricultural land entitled to
27 credit in the school district, and on or before March 1,
28 certify the total amount of credit and the total number of
29 acres entitled to the credit to the department of revenue and
30 finance.

31 Sec. 17. Section 426.3, Code 1995, is amended to read as
32 follows:

33 426.3 WHERE CREDIT GIVEN.

34 The agricultural land credit fund shall be apportioned each
35 year in the manner hereinafter provided in this chapter so as

1 to give a credit against the tax on each tract of agricultural
2 lands within the several school districts of the state in
3 which the levy for the general school fund exceeds five four
4 dollars and forty fifteen cents per thousand dollars of
5 assessed value; the amount of such credit on each tract of
6 such lands shall be the amount the tax levied for the general
7 school fund exceeds the amount of tax which would be levied on
8 said the tract of such lands were the levy for the general
9 school fund five four dollars and forty fifteen cents per
10 thousand dollars of assessed value for the previous year,
11 except in the case of a deficiency in the agricultural land
12 credits fund to pay said credits in full, in which case the
13 credit on each eligible tract of such lands in the state shall
14 be proportionate and shall be applied as hereinafter provided
15 in this chapter.

16 Sec. 18. Section 426.6, unnumbered paragraph 1, Code 1995,
17 is amended to read as follows:

18 The agricultural land tax credit allowed each year shall be
19 computed as follows: On or before the first of June the
20 county auditor shall list by school districts all tracts of
21 agricultural lands which they are entitled to credit, together
22 with the taxable value for the previous year, together with
23 the budget from each school district for the previous year,
24 and the tax rate determined for the general fund of the
25 district in the manner prescribed in section 444.3 for the
26 previous year, and if such the tax rate is in excess of five
27 four dollars and forty fifteen cents per thousand dollars of
28 assessed value, the auditor shall multiply the tax levy which
29 is in excess of five four dollars and forty fifteen cents per
30 thousand dollars of assessed value by the total taxable value
31 of the agricultural lands entitled to credit in the district,
32 and on or before the first of June certify the amount to the
33 department of revenue and finance.

34 Sec. 19.

35 1. Sections 11 through 14 of this division of this Act,

1 being deemed of immediate importance, take effect upon
2 enactment, and apply to the computation of school foundation
3 property taxes payable during school budget years beginning on
4 or after July 1, 1996.

5 2. Sections 15 through 18 of this division of this Act
6 take effect January 1, 1997, and apply to the computation of
7 family farm tax credits and agricultural land tax credits
8 granted for property taxes payable in school budget years
9 beginning on or after July 1, 1997.

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

HOUSE FILE 2111
FISCAL NOTE

A fiscal note for House File 2111 as passed by the House 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.

House File 2111 as passed by the House is comprised of three divisions that relate to the indexation of the individual income tax brackets and standard deduction, the State inheritance tax, and a reduction in the school district uniform levy.

DIVISION I

Division I provides for an increase in the inflation adjustment, or indexation, of the individual income tax brackets and the standard deduction. Under current law, the brackets and standard deduction are indexed by 50.0% of the inflation factor. Division I would increase the adjustment to 100.0% of the inflation factor. The effect of the provision would be to reduce the effect of "bracket creep", which causes a taxpayer's tax liability to increase by more than the buying power of the taxpayer's earnings.

The Bill also includes a provision that requires the reserve funds be included in the determination of the ending balance. Under current law and HF 2111, a \$60.0 million ending balance is required to trigger the indexation of the brackets. The standard deduction is indexed annually regardless of the General Fund's ending balance.

Full indexation is expected to result in a decrease in revenues to the General Fund of approximately \$5.0 million in FY 1997 and \$12.1 million in FY 1998.

DIVISION II

Division II provides for a 100.0% exemption from the State inheritance tax for beneficiaries who are the children, stepchildren, grandchildren, or parents of a deceased individual. Under current law, children are provided a \$50,000 exemption. Parents, grandchildren, and other lineal descendants are provided a \$15,000 exemption. Currently, there is no exemption for stepchildren.

Division II is expected to result in a decrease in revenues to the General Fund of approximately \$9.2 million in FY 1997, and \$37.6 million in FY 1998 and subsequent fiscal years.

DIVISION III

Division III reduces the uniform levy rate from \$5.40 to \$4.15. A reduction in the uniform levy increases the School Foundation Aid Formula state aid and reduces property taxes.

-2-

Division III is estimated to increase the General Fund appropriation for state aid and decrease property taxes by \$97,971,000 for FY 1997 and \$99,648,000 for FY 1998. This estimate assumes taxable valuations will increase by 1.0% for FY 1997 and FY 1998.

FISCAL IMPACT

In total, HF 2111 is expected to result in a decrease in General Fund revenues of approximately \$112.2 million in FY 1997, and \$149.3 million in FY 1998. The following table shows the fiscal impact by provision.

Fiscal Impact of HF 2111
(Dollars in Millions)

<u>Provision</u>	<u>Description</u>	<u>FY 1997</u>	<u>FY 1998</u>
Division I	Indexation	\$ -5.0	\$ -12.1
Division II	Inheritance Tax	-9.2	-37.6
Division III	Uniform Levy Reduction	-98.0	-99.6
Total		<u>\$-112.2</u>	<u>\$-149.3</u>

SOURCES: Department of Revenue and Finance

(LSB 3629HV.6, JAM)

FILED FEBRUARY 14, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

1.25 = \$100 M
= \$ 95 M

Halvorson, Chair
Larson
Blodgett
Reman
Hodges

HSB 509

WAYS AND MEANS

Succeeded By

SF HF 2111

HOUSE FILE _____

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

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

A BILL FOR

1 An Act relating to taxation within the state by changing the
2 computation of the inflation factor for the tax brackets of
3 the state individual income tax, the method for the
4 computation of state income tax on shareholders of
5 corporations whose income is taxed directly to its
6 shareholders, exemptions from the state inheritance tax, and
7 appropriating moneys to a special taxpayer relief account for
8 purposes of providing tax relief and providing effective and
9 retroactive and other applicability date provisions.

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

11
12
13
14
15
16
17
18
19
20
21
22
23

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

DIVISION I

INCOME TAX INDEXATION

Section 1. Section 422.4, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. "Annual inflation factor" means an index, expressed as a percentage, determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined, which reflects the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual inflation factor, the department shall use the annual percent change, but not less than zero percent, in the implicit price deflator for the gross national product computed for the second quarter of the calendar year by the bureau of economic analysis of the United States department of commerce and shall add ~~one-half~~ all of that percent change to one hundred percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual inflation factor shall not be less than one hundred percent.

Sec. 2. This division of this Act, being deemed of immediate importance, takes effect upon enactment and applies to the computation of the annual inflation factor for calendar years beginning on or after January 1, 1996. The department of revenue and finance shall adjust the annual inflation factor previously computed for the 1996 calendar year to reflect the change made in the computation of the annual inflation factor in this division.

DIVISION II

SUBCHAPTER S CORPORATIONS

Sec. 3. Section 422.5, subsection 1, paragraph j, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The tax imposed upon the taxable

1 income of a resident shareholder in a corporation which has in
2 effect for the tax year an election under subchapter S of the
3 Internal Revenue Code and carries on business within and
4 without the state shall be computed by reducing the amount
5 determined pursuant to paragraphs "a" through "i" by the
6 amounts of nonrefundable credits under this division and by
7 multiplying this resulting amount by a fraction of which the
8 resident's net income allocated to Iowa, as determined in
9 section 422.8, subsection 2, paragraph "b", is the numerator
10 and the resident's total net income computed under section
11 422.7 is the denominator. This paragraph also applies to
12 individuals who are residents of Iowa for less than the entire
13 tax year.

14 Sec. 4. Section 422.5, subsection 1, paragraph k,
15 unnumbered paragraph 4, Code 1995, is amended to read as
16 follows:

17 In the case of a resident, including a resident estate or
18 trust, the state's apportioned share of the state alternative
19 minimum tax is one hundred percent of the state alternative
20 minimum tax computed in this subsection. In the case of a
21 resident or part year resident shareholder in a corporation
22 which has in effect for the tax year an election under
23 subchapter S of the Internal Revenue Code and carries on
24 business within and without the state, a nonresident,
25 including a nonresident estate or trust, or an individual,
26 estate, or trust that is domiciled in the state for less than
27 the entire tax year, the state's apportioned share of the
28 state alternative minimum tax is the amount of tax computed
29 under this subsection, reduced by the applicable credits in
30 sections 422.10 through 422.12 and this result multiplied by a
31 fraction with a numerator of the sum of state net income
32 allocated to Iowa as determined in section 422.8, subsection
33 2, paragraph "a" or "b", as applicable, plus tax preference
34 items, adjustments, and losses under subparagraph (1)
35 attributable to Iowa and with a denominator of the sum of

1 total net income computed under section 422.7 plus all tax
2 preference items, adjustments, and losses under subparagraph
3 (1). In computing this fraction, those items excludable under
4 subparagraph (1) shall not be used in computing the tax
5 preference items. Married taxpayers electing to file separate
6 returns or separately on a combined return must allocate the
7 minimum tax computed in this subsection in the proportion that
8 each spouse's respective preference items, adjustments, and
9 losses under subparagraph (1) bear to the combined preference
10 items, adjustments, and losses under subparagraph (1) of both
11 spouses.

12 Sec. 5. Section 422.7, Code Supplement 1995, is amended by
13 adding the following new subsection:

14 NEW SUBSECTION. 35. Resident shareholders of a
15 corporation which has in effect an election under subchapter S
16 of the Internal Revenue Code shall add their proportionate
17 share of a deemed distribution of current year income, upon
18 which Iowa income tax has not been paid as determined under
19 rules of the director, to the extent that the salaries, wages,
20 or other compensation for services performed by all
21 shareholders does not equal ten percent of net income of the
22 corporation computed in accordance with section 422.35 and
23 considering items of income and expense which pass directly to
24 the shareholders under provisions of the Internal Revenue Code
25 before deduction of shareholders' salaries, wages, or other
26 compensation for services performed. In addition there shall
27 be added any cash or the value of any property distributions
28 made to the extent they are made from income upon which Iowa
29 income tax has not been paid as determined under rules of the
30 director.

31 Sec. 6. Section 422.8, subsection 2, Code 1995, is amended
32 to read as follows:

33 2. a. Nonresident's net income allocated to Iowa is the
34 net income, or portion thereof, which is derived from a
35 business, trade, profession, or occupation carried on within

1 this state or income from any property, trust, estate, or
2 other source within Iowa. However, income derived from a
3 business, trade, profession, or occupation carried on within
4 this state and income from any property, trust, estate, or
5 other source within Iowa shall not include distributions from
6 pensions, including defined benefit or defined contribution
7 plans, annuities, individual retirement accounts, and deferred
8 compensation plans or any earnings attributable thereto so
9 long as the distribution is directly related to an
10 individual's documented retirement and received while the
11 individual is a nonresident of this state. If a business,
12 trade, profession, or occupation is carried on partly within
13 and partly without the state, only the portion of the net
14 income which is fairly and equitably attributable to that part
15 of the business, trade, profession, or occupation carried on
16 within the state is allocated to Iowa for purposes of section
17 422.5, subsection 1, paragraph "j", and section 422.13 and
18 income from any property, trust, estate, or other source
19 partly within and partly without the state is allocated to
20 Iowa in the same manner, except that annuities, interest on
21 bank deposits and interest-bearing obligations, and dividends
22 are allocated to Iowa only to the extent to which they are
23 derived from a business, trade, profession, or occupation
24 carried on within the state.

25 b. A resident's income allocable to Iowa is the income
26 determined under section 422.7 reduced by the net income or
27 loss of a corporation which is fairly and equitably
28 attributable without the state under section 422.33,
29 subsections 2 and 3. For the purposes of this paragraph,
30 "corporation" means a corporation which has in effect for the
31 tax year an election under subchapter S of the Internal
32 Revenue Code and carries on business partly within and partly
33 without the state. This paragraph also applies to individuals
34 who are residents of Iowa for less than the entire tax year.

35 Sec. 7. Section 422.8, Code 1995, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 6. If the resident or part year resident
3 is a shareholder of a corporation which has in effect an
4 election under subchapter S of the Internal Revenue Code,
5 subsections 1 and 3 do not apply to any income taxes paid to
6 another state or foreign country on the income from the
7 corporation which has in effect an election under subchapter S
8 of the Internal Revenue Code.

9 Sec. 8. This division of this Act, being deemed of
10 immediate importance, takes effect upon enactment and applies
11 retroactively to January 1, 1996, for tax years beginning on
12 or after that date.

13 DIVISION III

14 INHERITANCE TAXATION

15 Sec. 9. Section 450.9, subsections 2 and 3, Code 1995, are
16 amended to read as follows:

17 2. Each son and daughter, including legally adopted sons
18 and daughters, or biological sons and daughters entitled to
19 inherit under the law of this state, fifty-thousand-dollars or
20 each grandchild or stepchild, the entire amount of property,
21 interest in property, and income.

22 3. Father or mother, fifteen-thousand-dollars the entire
23 amount of property, interest in property, and income.

24 Sec. 10. Section 450.10, subsection 1, unnumbered
25 paragraph 1, Code 1995, is amended to read as follows:

26 When the property, interest, or income passes to ~~the-father~~
27 ~~or-mother, or to a child or~~ a lineal descendant of the
28 decedent, grantor, donor, or vendor, ~~including a legally~~
29 ~~adopted child or biological child entitled to inherit under~~
30 ~~the laws of this state~~ not included in subsection 7, the tax
31 imposed shall be on the individual share so passing in excess
32 of the exemptions allowed as follows:

33 Sec. 11. Section 450.10, subsection 2, unnumbered
34 paragraph 1, Code 1995, is amended to read as follows:

35 When the property or any interest ~~therein~~ in property, or

1 income ~~therefrom~~ from property taxable under the provisions of
2 this chapter passes to the brother or sister, son-in-law, or
3 daughter-in-law, ~~or step-children~~, the rate of tax imposed on
4 the individual share so passing shall be as follows:

5 Sec. 12. Section 450.10, subsection 7, Code 1995, is
6 amended to read as follows:

7 7. Property, interest in property, or income passing to
8 the surviving spouse, father or mother, son or daughter
9 including legally adopted sons and daughters or biological
10 sons and daughters entitled to inherit under the law of this
11 state, grandchild, or stepchild is not taxable under this
12 section.

13 Sec. 13. This division of this Act applies to estates of
14 decedents dying on or after July 1, 1996.

15 DIVISION IV

16 TAXPAYER RELIEF ACCOUNT

17 Sec. 14. NEW SECTION. 426C.1 TAXPAYER RELIEF ACCOUNT.

18 1. A taxpayer relief account is created in the state
19 treasury under the authority of the department of management.
20 The account shall be separate from the general fund of the
21 state and shall not be considered part of the general fund of
22 the state except in determining the cash position of the state
23 for payment of state obligations. The moneys in the account
24 are not subject to the provisions of section 8.33 and shall
25 not be transferred, used, obligated, appropriated, or
26 otherwise encumbered except as provided in this section.
27 Moneys in the account may be used for cash flow purposes
28 provided that any moneys so allocated are returned to the fund
29 by the end of each fiscal year. However, the fund shall be
30 considered a special account for the purposes of section 8.53,
31 relating to elimination of any GAAP deficit. Moneys in the
32 taxpayer relief account shall be used as appropriated by the
33 general assembly for tax relief, including but not limited to
34 reduction of school and other property taxes.

35 2. Notwithstanding section 12C.7, subsection 2, interest

S.F. _____ H.F. _____

1 or earnings on moneys deposited in the taxpayer relief account
2 shall be credited to the account.

3 3. There is appropriated to the tax relief account for
4 each fiscal year from the general fund of the state, one
5 hundred million dollars.

6 EXPLANATION

7 Division I - Under present law the tax brackets for the
8 state individual income tax are adjusted by an inflation
9 factor that uses 50 percent of the change in the implicit
10 price deflator for the gross national product. The division
11 increases this to 100 percent of such change. This division
12 applies retroactively to tax years beginning on or after
13 January 1, 1996.

14 Division II - Under current statutory provisions, a
15 nonresident shareholder of a subchapter S corporation computes
16 an amount of Iowa individual income tax on the nonresident's
17 total income earned everywhere and then that amount of tax is
18 prorated to Iowa in the ratio of gross income from Iowa
19 sources to total gross income.

20 The division taxes the income from a subchapter S
21 corporation for a resident shareholder the same way as the
22 income is taxed for a nonresident. An amount of Iowa
23 individual income tax is computed on the total resident
24 shareholder's total income everywhere and then the amount of
25 tax is prorated to Iowa in the ratio of gross income
26 everywhere reduced by the non-Iowa income of the subchapter S
27 corporation to total income everywhere. The resident
28 shareholder may still take an out-of-state tax credit on
29 income other than income from the subchapter S corporation for
30 taxes paid to another state.

31 The division applies retroactively to January 1, 1996, for
32 tax years beginning on or after that date.

33 Division III - This division exempts from the state
34 inheritance tax property, interest in property, and income
35 passing to parents, natural and adopted children,

1 stepchildren, and grandchildren.

2 This division applies to estates of decedents dying on or
3 after July 1, 1996.

4 Division IV - This division creates a special taxpayer
5 relief account in the state treasury to be used solely as
6 appropriated by the general assembly for providing tax relief.
7 The tax relief may take the form of a reduction in state or
8 local taxation. There is also appropriated \$100 million to
9 the account for the fiscal year beginning July 1, 1996, and
10 for each subsequent fiscal year.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35