

FEB 23 1995

WAYS AND MEANS

HOUSE FILE 213
BY DAGGETT

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

A BILL FOR

1 An Act relating to the filing of claims for credit or refund by
2 retired federal employees as a result of the unconstitutional
3 taxation of federal pensions under the state individual income
4 tax, providing for the credit or refund to be paid in three
5 calendar years.

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

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HF 213

1 Section 1. Section 422.73, Code 1995, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 3. a. Notwithstanding subsection 2, a
4 claim for credit or refund of individual income tax paid for
5 any tax year beginning on or after January 1, 1985, and before
6 January 1, 1989, is considered timely if filed with the
7 department on or before April 30, 1996, if the taxpayer's
8 claim is the result of the unconstitutional taxation of
9 federal pension benefits based upon the decision in Davis v.
10 Michigan Department of Treasury, 489 U.S. 803, 109 S. Ct. 1500
11 (1989).

12 b. A taxpayer entitled to a credit or refund of tax paid
13 under this subsection shall receive an amount equal to ninety-
14 five percent of the credit or refund plus interest with
15 interest not accruing after January 12, 1994. The claim for
16 credit or refund may be made on the income tax return for the
17 tax years beginning in the 1995, 1996, and 1997 calendar years
18 with only one-third of the amount being taken in any tax year.
19 If the taxpayer does not owe tax or the credit is in excess of
20 the tax computed, the taxpayer may claim a refund of the
21 excess or carry forward the excess credit to the following tax
22 year. A credit carried forward may be used in addition to the
23 other one-third amount.

24 c. If the taxpayer does not wish to claim any amount of
25 credit for an income tax year, the taxpayer may apply to the
26 department for special tax payment certificates. These
27 certificates shall entitle the person named on the certificate
28 to use the certificate as payment for all or a portion of
29 state tax designated in paragraph "d" due to the state from
30 the person named on the certificate. The certificates shall
31 be made out in denominations of twenty dollars, fifty dollars,
32 and one hundred dollars and shall be dated to indicate when
33 the certificate becomes valid so that, as near as possible,
34 the taxpayer shall only receive one-third of the amount
35 allowed under this subsection in the 1995-1996, 1996-1997, and

1 1997-1998 fiscal years.

2 d. The taxes for which the special tax payment
3 certificates may be used are any of the following:

- 4 (1) State individual income tax.
- 5 (2) State sales and services tax.
- 6 (3) State use tax.
- 7 (4) Real estate transfer tax.
- 8 (5) Inheritance tax.
- 9 (6) Generation skipping transfer tax.
- 10 (7) Iowa estate tax.

11 The person collecting the tax listed in this paragraph,
12 after verifying the identity of the taxpayer, shall give the
13 taxpayer credit in the amount of the certificate received.
14 However, the certificate shall not exceed the amount of the
15 tax due. The collector of the tax who receives the
16 certificate shall submit it with other collections to the
17 department as required by law for that tax and it shall be
18 counted as if it was a regular tax payment.

19 EXPLANATION

20 A recent Iowa supreme court decision held that retired
21 federal employees could retroactively claim a refund on state
22 individual income taxes unlawfully imposed on their pensions
23 if the claim was timely filed. This bill provides that a
24 claim filed by April 30, 1996, is timely filed for taxes
25 imposed for the 1985, 1986, 1987, and 1988 tax years. The
26 taxpayer is entitled to 95 percent of the credit or refund
27 plus interest with no interest accruing after January 12,
28 1994.

29 The credit or refund may be used or received for the 1995,
30 1996, and 1997 income tax years but in an amount equal to no
31 more than one-third of the total credit or refund in each of
32 those tax years. However, if the taxpayer does not wish to
33 take the credit or refund through the income tax, the taxpayer
34 may receive special tax payment certificates from the
35 department of revenue and finance which would permit the

1 taxpayer to pay certain state taxes owed by means of these
2 certificates. One-third of the amount would be valid
3 beginning with the first three fiscal years beginning on and
4 after July 1, 1995. The taxpayer would offer these
5 certificates to the collector of the state tax when due and if
6 the amount of the certificate does not exceed the tax owed the
7 collector would accept the certificate as all or part payment
8 for the tax owed. The collector would get credit for the
9 certificate when submitting it with the other tax collections
10 to the department.

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