

*Substituted by S.F. 2168 (p.1613)
4/15/96*

WITHDRAWN

FEB 22 1996
WAYS & MEANS CALENDAR

HOUSE FILE **2305**
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 621)

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

A BILL FOR

1 An Act updating the Iowa Code references to the Internal Revenue
2 Code and providing a retroactive applicability date and an
3 effective date.

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

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HF 2305

WITHDRAWN

1 Section 1. Section 15A.9, subsection 8, unnumbered
2 paragraph 2, Code Supplement 1995, is amended to read as
3 follows:

4 For the purposes of this section, "qualifying expenditures
5 for increasing research activities" means the qualifying
6 expenditures as defined for the federal credit for increasing
7 research activities which would be allowable under section 41
8 of the Internal Revenue Code in effect on January 1, ~~1995~~
9 1996. The credit authorized in this subsection is in lieu of
10 the credit authorized in section 422.33, subsection 5.

11 Sec. 2. Section 422.3, subsection 4, Code Supplement 1995,
12 is amended to read as follows:

13 4. "Internal Revenue Code" means the Internal Revenue Code
14 of 1954, prior to the date of its redesignation as the
15 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
16 or means the Internal Revenue Code of 1986 as amended to and
17 including ~~April 15, 1995~~ January 1, 1996, whichever is
18 applicable.

19 Sec. 3. Section 422.10, unnumbered paragraph 1, Code
20 Supplement 1995, is amended to read as follows:

21 The taxes imposed under this division shall be reduced by a
22 state tax credit for increasing research activities in this
23 state. For individuals, the credit equals six and one-half
24 percent of the state's apportioned share of the qualifying
25 expenditures for increasing research activities. The state's
26 apportioned share of the qualifying expenditures for
27 increasing research activities is a percent equal to the ratio
28 of qualified research expenditures in this state to total
29 qualified research expenditures. For purposes of this
30 section, an individual may claim a research credit for
31 qualifying research expenditures incurred by a partnership,
32 subchapter S corporation, estate, or trust electing to have
33 the income taxed directly to the individual. The amount
34 claimed by the individual shall be based upon the pro rata
35 share of the individual's earnings of a partnership,

1 subchapter S corporation, estate, or trust. For purposes of
2 this section, "qualifying expenditures for increasing research
3 activities" means the qualifying expenditures as defined for
4 the federal credit for increasing research activities which
5 would be allowable under section 41 of the Internal Revenue
6 Code in effect on January 1, 1995 1996.

7 Sec. 4. Section 422.33, subsection 5, unnumbered paragraph
8 1, Code Supplement 1995, is amended to read as follows:

9 The taxes imposed under this division shall be reduced by a
10 state tax credit for increasing research activities in this
11 state equal to six and one-half percent of the state's
12 apportioned share of the qualifying expenditures for
13 increasing research activities. The state's apportioned share
14 of the qualifying expenditures for increasing research
15 activities is a percent equal to the ratio of qualified
16 research expenditures in this state to the total qualified
17 research expenditures. For purposes of this subsection,
18 "qualifying expenditures for increasing research activities"
19 means the qualifying expenditures as defined for the federal
20 credit for increasing research activities which would be
21 allowable under section 41 of the Internal Revenue Code in
22 effect on January 1, 1995 1996.

23 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
24 retroactively to January 1, 1995, for tax years beginning on
25 or after that date.

26 Sec. 6. EFFECTIVE DATE. This Act, being deemed of
27 immediate importance, takes effect upon enactment.

28 EXPLANATION

29 This bill updates the references to the Internal Revenue
30 Code to make the federal income tax changes enacted by
31 Congress in the remainder of the 1995 calendar year after
32 April 15, 1995, applicable for Iowa income tax purposes. The
33 bill updates the Iowa Code references for the state research
34 credits for individuals and corporations to include changes in
35 the federal research activities credits.

1 The bill takes effect immediately upon enactment and
2 applies retroactively to tax years beginning on or after
3 January 1, 1995.

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HOUSE FILE 2305

H-5805

1 Amend House File 2305 as follows:

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

4 "Sec. 100. Section 422.5, Code 1995, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 12. If a taxpayer repays in the
7 current tax year certain amounts of income that were
8 subject to tax under this division in a prior year and
9 a tax benefit would be allowed under similar
10 circumstances under section 1341 of the Internal
11 Revenue Code, a tax benefit shall be allowed on the
12 Iowa return. The tax benefit shall be the reduced tax
13 for the current tax year due to the deduction for the
14 repaid income or the reduction in tax for the prior
15 year or years due to exclusion of the repaid income.
16 The reduction in tax shall qualify as a refundable tax
17 credit on the return for the current year pursuant to
18 rules prescribed by the director."

19 2. Page 2, line 23, by striking the word "This"
20 and inserting the following: "Section 100 of this
21 Act, amending section 422.5, applies retroactively to
22 January 1, 1992, for tax years beginning on or after
23 that date. The remainder of this".

24 3. By renumbering and correcting internal
25 references as necessary.

By LAMBERTI of Polk

H-5805 FILED APRIL 2, 1996

Adopted 4/15/96 (p. 1613)

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Lamberti, Chair
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Halvack

HSB 621

WAYS AND MEANS

Successor BY

2305

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 _____
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S.F. _____ H.F. _____

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