

MAR 23 1995

WAYS & MEANS CALENDAR

HOUSE FILE 532

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 156)

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

A BILL FOR

1 An Act repealing the state inheritance tax, providing for the
 2 phase out of the tax, and providing an applicability
 3 provision.

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

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HF 532

1 Section 1. Section 450.2, Code 1995, is amended by adding
2 the following new unnumbered paragraph:

3 NEW UNNUMBERED PARAGRAPH. Property passing from estates of
4 decedents dying on or after July 1, 1999, is not subject to
5 tax under this chapter. This chapter is repealed July 1,
6 1999, for property of estates of decedents dying on or after
7 July 1, 1999.

8 Sec. 2. Section 450.10, Code 1995, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 8. For property, interest in property, or
11 income from property passing from estates of decedents dying
12 during the following fiscal years the tax rates under
13 subsections 1 through 6 shall be a percentage of those
14 specified as follows:

15 a. For the fiscal year beginning July 1, 1995, eighty
16 percent.

17 b. For the fiscal year beginning July 1, 1996, sixty
18 percent.

19 c. For the fiscal year beginning July 1, 1997, forty
20 percent.

21 d. For the fiscal year beginning July 1, 1998, twenty
22 percent.

23 e. For fiscal years beginning on or after July 1, 1999,
24 zero percent.

25 Sec. 3. This Act applies to estates of decedents dying on
26 or after July 1, 1995.

27 EXPLANATION

28 The bill reduces the present inheritance tax rates by 20
29 percent over five fiscal years beginning with the 1995-1996
30 fiscal year. The rate for the fiscal year applies to property
31 of estates of decedents dying during that year. Effective
32 July 1, 1999, the inheritance tax is repealed for decedents
33 dying on or after that date.

34 The bill applies to estates of persons dying on or after
35 July 1, 1995.

**HOUSE FILE 532
FISCAL NOTE**

A fiscal note for House File 532 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 532 phases out the State inheritance tax over four years. For estates of persons who die after June 30, 1995, the tax would be reduced to 80.0% of the current tax. Similarly, the tax would be reduced to 60.0%, 40.0%, and 20.0% of the current law tax in FY 1997, FY 1998, and FY 1999, respectively. The tax would be completely phased out on estates of persons who die after June 30, 1999.

Under HF 532, the Iowa "pick-up" tax would remain in place. The pick-up is a portion of the estate's federal tax liability that is credited toward the State's estate tax liability. Thus, retaining the pick-up will not result in tax liability on an estate in excess of what would be paid to the federal government.

ASSUMPTIONS

1. Approximately 17.0% of the State inheritance tax would be retained in the form of the Iowa pick-up.
2. Current law inheritance tax receipts are assumed to remain at the FY 1996 level, as estimated by the Revenue Estimating Conference in December 1994 (\$95.8 million).
3. There is a lag time of nine months from the time an individual dies to the time the State receives the associated tax.
4. This estimate does not take into account any behavioral responses or demographic trends.

FISCAL IMPACT

The following table shows the impact to the General Fund of HF 532.

Fiscal Year	Taxable Percentage	General Fund Impact
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1996	80.0%	\$ -4.0
1997	60.0%	-19.9
1998	40.0%	-35.8
1999	20.0%	-51.7
2000	0.0%	-67.6
2001	0.0%	-79.5

(LSB 2052hv, JAM)

FILED MARCH 29, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR