

2/23/95 Ways & Means
H-4/4/95 Passed on File
FILED FEB 23 1995

SENATE FILE 201
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 71)
(COMPANION TO HF 164 BY COMMITTEE
ON WAYS AND MEANS)

Passed Senate, Date 4-3-95 (p. 999)
Vote: Ayes 46 Nays 0
Passed House, Date 4/18/95 (p. 1669)
Vote: Ayes 98 Nays 0

4/20/95 Passed
Vote 49-0
(p. 1335)
Approved May 4, 1995

A BILL FOR

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

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

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S.F. 201

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

3 For the purposes of this section, "qualifying expenditures
4 for increasing research activities" means the qualifying
5 expenditures as defined for the federal credit for increasing
6 research activities which would be allowable under section 41
7 of the Internal Revenue Code in effect on January 1, ~~1994~~
8 1995. The credit authorized in this subsection is in lieu of
9 the credit authorized in section 422.33, subsection 5.

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

12 4. "Internal Revenue Code" means the Internal Revenue Code
13 of 1954, prior to the date of its redesignation as the
14 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
15 or means the Internal Revenue Code of 1986 as amended to and
16 including January 1, ~~1994~~ 1995, whichever is applicable.

17 Sec. 3. Section 422.10, unnumbered paragraph 1, Code 1995,
18 is amended to read as follows:

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

1 activities" means the qualifying expenditures as defined for
2 the federal credit for increasing research activities which
3 would be allowable under section 41 of the Internal Revenue
4 Code in effect on January 1, ~~1994~~ 1995.

5 Sec. 4. Section 422.33, subsection 5, unnumbered paragraph
6 1, Code 1995, is amended to read as follows:

7 The taxes imposed under this division shall be reduced by a
8 state tax credit for increasing research activities in this
9 state equal to six and one-half percent of the state's
10 apportioned share of the qualifying expenditures for
11 increasing research activities. The state's apportioned share
12 of the qualifying expenditures for increasing research
13 activities is a percent equal to the ratio of qualified
14 research expenditures in this state to the total qualified
15 research expenditures. For purposes of this subsection,
16 "qualifying expenditures for increasing research activities"
17 means the qualifying expenditures as defined for the federal
18 credit for increasing research activities which would be
19 allowable under section 41 of the Internal Revenue Code in
20 effect on January 1, ~~1994~~ 1995.

21 Sec. 5. This Act applies retroactively to January 1, 1994,
22 for tax years beginning on or after that date.

23 Sec. 6. This Act, being deemed of immediate importance,
24 takes effect upon enactment.

25 EXPLANATION

26 This bill updates the references to the Internal Revenue
27 Code to make the federal income tax changes enacted by
28 Congress in 1994 applicable for Iowa income tax purposes. The
29 bill updates the Iowa Code references for the state research
30 credits for individuals and corporations to include changes in
31 the federal research activities credits.

32 The bill takes effect immediately upon enactment and
33 applies retroactively to tax years beginning on or after
34 January 1, 1994.

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HOUSE AMENDMENT TO
SENATE FILE 201

S-3478

- 1 Amend Senate File 201, as passed by the Senate, as
2 follows:
- 3 1. Page 1, line 16, by striking the word and
4 figures "January 1, 1994" and inserting the following:
5 "~~January 1, 1994~~ April 15,".
- 6 2. Page 1, by inserting after line 16 the
7 following:
8 "Sec. ____ . Section 422.7, Code 1995, is amended by
9 adding the following new subsection:
10 NEW SUBSECTION. 33. Subtract the amount of the
11 employer social security credit allowable for the tax
12 year under section 45B of the Internal Revenue Code to
13 the extent that the credit increases federal adjusted
14 gross income."
- 15 3. Page 2, by inserting after line 20 the
16 following:
17 "Sec. ____ . Section 422.35, Code 1995, is amended
18 by adding the following new subsection:
19 NEW SUBSECTION. 17. Subtract the amount of the
20 employer social security credit allowable for the tax
21 year under section 45B of the Internal Revenue Code to
22 the extent that the credit increases federal adjusted
23 gross income."
- 24 4. Title page, line 2, by inserting after the
25 word "Code" the following: ", allowing a deduction
26 for the employer social security credit,".
- 27 5. By renumbering, relettering, or redesignating
28 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-3478 FILED APRIL 18, 1995

Senate concurred 4/20/95 (p.1335)

SENATE FILE 201

H-3954

1 Amend Senate File 201 as follows:

2 1. Page 1, by inserting after line 16 the
3 following:

4 "Sec. ____ . Section 422.7, Code 1995, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 33. Subtract the amount of the
7 employer social security credit allowable for the tax
8 year under section 45B of the Internal Revenue Code to
9 the extent that the credit increases federal adjusted
10 gross income."

11 2. Page 2, by inserting after line 20 the
12 following:

13 "Sec. ____ . Section 422.35, Code 1995, is amended
14 by adding the following new subsection:

15 NEW SUBSECTION. 17. Subtract the amount of the
16 employer social security credit allowable for the tax
17 year under section 45B of the Internal Revenue Code to
18 the extent that the credit increases federal adjusted
19 gross income."

20 3. Title page, line 2, by inserting after the
21 word "Code" the following: ", allowing a deduction
22 for the employer social security credit,".

By DINKLA of Guthrie

H-3954 FILED APRIL 17, 1995

Adopted 4/18/95 (p. 1667)

SENATE FILE 201

H-3951

1 Amend Senate File 201, as passed by the Senate, as
2 follows:

3 1. Page 1, line 16, by striking the word and
4 figures "January 1, 1994" and inserting the following:
5 "~~January 1, 1994~~ April 15,".

By DINKLA of Guthrie

H-3951 FILED APRIL 17, 1995

Adopted 4/18/95 (p. 1666)

Newhauser - Ch
Susak
McLaren

SSB-71

Ways & Means
Succeeded By
SF/HF

SENATE/HOUSE FILE 207
BY (PROPOSED DEPARTMENT OF
REVENUE AND FINANCE BILL)

Passed Senate, Date _____ Passed House, 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 retroactive applicability and effective
3 dates.

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8 1995. The credit authorized in this subsection is in lieu of
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16 including January 1, ~~1994~~ 1995, whichever is applicable.

17 Sec. 3. Section 422.10, unnumbered paragraph 1, Code 1995,
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20 state tax credit for increasing research activities in this
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22 percent of the state's apportioned share of the qualifying
23 expenditures for increasing research activities. The state's
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25 increasing research activities is a percent equal to the ratio
26 of qualified research expenditures in this state to total
27 qualified research expenditures. For purposes of this
28 section, an individual may claim a research credit for
29 qualifying research expenditures incurred by a partnership,
30 subchapter S corporation, estate, or trust electing to have
31 the income taxed directly to the individual. The amount
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34 subchapter S corporation, estate, or trust. For purposes of
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11 increasing research activities. The state's apportioned share
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13 activities is a percent equal to the ratio of qualified
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17 means the qualifying expenditures as defined for the federal
18 credit for increasing research activities which would be
19 allowable under section 41 of the Internal Revenue Code in
20 effect on January 1, ~~1994~~ 1995.

21 Sec. 5. This Act applies retroactively to January 1, 1994,
22 for tax years beginning on or after that date.

23 Sec. 6. This Act, being deemed of immediate importance,
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25 EXPLANATION

26 This bill updates the references to the Internal Revenue
27 Code to make the federal income tax changes enacted by
28 Congress in 1994 applicable for Iowa income tax purposes. The
29 bill updates the Iowa Code references for the state research
30 credits for individuals and corporations to include changes in
31 the federal research activities credits.

32 The bill takes effect immediately upon enactment and
33 applies retroactively to tax years beginning on or after
34 January 1, 1994.

35 BACKGROUND STATEMENT

SENATE FILE 201

AN ACT

UPDATING THE IOWA CODE REFERENCES TO THE INTERNAL REVENUE CODE,
ALLOWING A DEDUCTION FOR THE EMPLOYER SOCIAL SECURITY CREDIT,
AND PROVIDING RETROACTIVE APPLICABILITY AND EFFECTIVE DATES.

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

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

For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, ~~1994~~ 1995. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5.

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

4. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including ~~January 1, 1994~~ April 15, 1995, whichever is applicable.

Sec. 3. Section 422.7, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 33. Subtract the amount of the employer social security credit allowable for the tax year under section 45B of the Internal Revenue Code to the extent that the credit increases federal adjusted gross income.

Sec. 4. Section 422.10, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this

state. For individuals, the credit equals six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership, subchapter S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, estate, or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, ~~1994~~ 1995.

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

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures. For purposes of this subsection, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, ~~1994~~ 1995.

Sec. 6. Section 422.35, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. Subtract the amount of the employer social security credit allowable for the tax year under section 45B of the Internal Revenue Code to the extent that the credit increases federal adjusted gross income.

Sec. 7. This Act applies retroactively to January 1, 1994, for tax years beginning on or after that date.

Sec. 8. This Act, being deemed of immediate importance, takes effect upon enactment.

LEONARD L. BOSWELL
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 201, Seventy-sixth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 4, 1995

TERRY E. BRANSTAD
Governor