

Senate Study Bill 22

Conference Committee Text

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DIVISION I

1 2 Section 1. Section [422.4](#), subsection 1, paragraphs b and
1 3 c, Code 1995, are amended to read as follows:

1 4 b. "Cumulative inflation factor" means the product of the
1 5 annual inflation factor for the

~~1988~~

- ~~1995~~ calendar year and

1 6 all annual inflation factors for subsequent calendar years as
1 7 determined pursuant to this subsection. The cumulative
1 8 inflation factor applies to all tax years beginning on or
1 9 after January 1 of the calendar year for which the latest
1 10 annual inflation factor has been determined.

1 11 c. The annual inflation factor for each of the

~~1988~~

- ~~1995~~,

1 12 1996, 1997, 1998, and 1999 calendar

~~year~~

- ~~years~~ is one hundred

1 13 percent.

1 14 Sec. 2. Section 422.5, subsection 1, unnumbered paragraph
1 15 1, and paragraphs a through i, Code 1995, are amended by
1 16 striking the unnumbered paragraph and lettered paragraphs and
1 17 inserting in lieu thereof the following:

1 18 A tax is imposed upon every resident and nonresident of the
1 19 state which tax shall be levied, collected, and paid annually
1 20 upon and with respect to the entire taxable income as defined
1 21 in this division at rates and for tax years beginning in the
1 22 following calendar years as follows:

	CALENDAR YEARS					
	1995	1996	1997	1998	1999 and subsequent	
1 23 On all taxable						
1 24 income exceeding						
1 25 the beginning						
1 26 amount through						
1 27 the ending						
1 28 amount:						
1 29 a. \$ 0- 1,060	.4 %	.4 %	.35%	.35%	.35%	
1 30 b. 1,060- 2,120	.8	.75	.75	.7	.7	
1 31 c. 2,120- 4,240	2.65	2.55	2.45	2.35	2.3	
1 32 d. 4,240- 9,540	4.9	4.75	4.55	4.35	4.25	
1 33 e. 9,540-15,900	6.65	6.45	6.2	5.95	5.8	
1 34 f. 15,900-21,200	7.05	6.8	6.6	6.3	6.1	
1 35 g. 21,200-31,800	7.35	7.15	6.9	6.6	6.4	
2 1 h. 31,800-47,700	8.6	8.3	8.05	7.65	7.5	
2 2 i. 47,700+	9.75	9.45	9.15	8.7	8.5	

2 3 Sec. 3. This division of this Act, being deemed of
2 4 immediate importance, takes effect upon enactment and applies
2 5 retroactively to January 1, 1995, for tax years beginning on
2 6 or after that date.

2 7

DIVISION II

2 8 Sec. 4. Section [8.56](#), subsection 1, Code 1995, is amended
2 9 to read as follows:

2 10 1. A cash reserve fund is created in the state treasury.
2 11 The cash reserve fund shall be separate from the general fund
2 12 of the state and shall not be considered part of the general

2 13 fund of the state except in determining the cash position of
2 14 the state as provided in subsection 3. The moneys in the cash
2 15 reserve fund are not subject to section 8.33 and shall not be
2 16 transferred, used, obligated, appropriated, or otherwise
2 17 encumbered except as provided in this section.
2 18 Notwithstanding section 12C.7, subsection 2, interest or
2 19 earnings on moneys deposited in the cash reserve fund shall be
2 20 credited to the rebuild Iowa

~~economic emergency fund~~

2 21 infrastructure account created in section 8.57. Moneys in the
2 22 cash reserve fund may be used for cash flow purposes provided
2 23 that any moneys so allocated are returned to the cash reserve
2 24 fund by the end of each fiscal year. However, the fund shall
2 25 be considered a special account for the purposes of section
2 26 8.53.

2 27 Sec. 5. Section 8.56, subsection 4, paragraph b, Code
2 28 1995, is amended to read as follows:

2 29 b. In addition to the requirements of paragraph "a", an
2 30 appropriation shall not be made from the cash reserve fund
2 31

~~which would cause the fund's balance to be less than three~~

2 32

~~percent of the adjusted revenue estimate for the year for~~

2 33

~~which the appropriation is made~~

~~unless the bill or joint~~

2 34 resolution making the appropriation is approved by vote of at
2 35 least three-fifths of the members of both chambers of the
3 1 general assembly and is signed by the governor.

3 2 Sec. 6. Section 8.57, subsection 1, paragraph a, Code
3 3 1995, is amended by striking the paragraph and inserting in
3 4 lieu thereof the following:

3 5 a. The cash reserve goal percentage for fiscal years
3 6 beginning on or after July 1, 1995, is five percent of the
3 7 adjusted revenue estimate. For each fiscal year beginning on
3 8 or after July 1, 1995, in which the appropriation of the
3 9 surplus existing in the general fund of the state at the
3 10 conclusion of the prior fiscal year pursuant to paragraph "b"
3 11 was not sufficient for the cash reserve fund to reach the cash
3 12 reserve goal percentage for the current fiscal year, there is
3 13 appropriated from the general fund of the state an amount to
3 14 be determined as follows:

3 15 (1) If the balance of the cash reserve fund in the current
3 16 fiscal year is not more than four percent of the adjusted
3 17 revenue estimate for the current fiscal year, the amount of
3 18 the appropriation under this lettered paragraph is one percent
3 19 of the adjusted revenue estimate for the current fiscal year.

3 20 (2) If the balance of the cash reserve fund in the current
3 21 fiscal year is more than four percent but less than five
3 22 percent of the adjusted revenue estimate for that fiscal year,
3 23 the amount of the appropriation under this lettered paragraph
3 24 is the amount necessary for the cash reserve fund to reach
3 25 five percent of the adjusted revenue estimate for the current
3 26 fiscal year.

3 27 (3) The moneys appropriated under this lettered paragraph
3 28 shall be credited in equal and proportionate amounts in each
3 29 quarter of the current fiscal year.

3 30 Sec. 7. Section 8.57, subsection 1, paragraph b, Code
3 31 1995, is amended to read as follows:

3 32 b.

~~Commencing June 30, 1993, the~~

~~The surplus existing in~~
3 33 the general fund of the state at the conclusion of the fiscal
3 34 year is appropriated for distribution in the succeeding fiscal
3 35 year as provided in

~~this section~~

~~subsections 2 and 3. Moneys~~

4 1 credited to the cash reserve fund from the appropriation made
4 2 in this paragraph shall not exceed the amount necessary for
4 3 the cash reserve fund to reach the cash reserve goal
4 4 percentage for the succeeding fiscal year. As used in this
4 5 paragraph, "surplus" means the excess of revenues and other
4 6 financing sources over expenditures and other financing uses
4 7 for the general fund of the state in a fiscal year.

4 8 Sec. 8. NEW SECTION. 8.57A PERSONAL INCOME TAX RATE
4 9 REDUCTION REPLACEMENT FUND.

4 10 1. The personal income tax rate reduction replacement fund
4 11 is created in the state treasury under the authority of the
4 12 department of management. The fund shall be separate from the
4 13 general fund of the state and shall not be considered part of
4 14 the general fund of the state except in determining the cash
4 15 position of the state for payment of state obligations. The
4 16 moneys in the fund are not subject to the provisions of
4 17 section 8.33 and shall not be transferred, used, obligated,
4 18 appropriated, or otherwise encumbered except as provided in
4 19 this section. Moneys in the fund may be used for cash flow
4 20 purposes provided that any moneys so allocated are returned to
4 21 the fund by the end of each fiscal year. However, the fund
4 22 shall be considered a special account for the purposes of
4 23 section 8.53, relating to elimination of any GAAP deficit.
4 24 The fund is created upon the effective date of this section,
4 25 and shall remain in existence until the close of the fiscal
4 26 year beginning July 1, 1999.

4 27 2. The provisions of this subsection apply for the fiscal
4 28 years beginning July 1 of 1994, 1995, 1996, 1997, and 1998.
4 29 Notwithstanding the provisions of section 8.57, subsection 3,
4 30 for each of the designated fiscal years, moneys remaining
4 31 following the appropriations made pursuant to section 8.57,
4 32 subsection 1, shall not be appropriated to the Iowa economic
4 33 emergency fund but are instead appropriated to the personal
4 34 income tax rate reduction replacement fund.

4 35 3. Effective for the fiscal year beginning July 1, 1995,
5 1 and the subsequent three fiscal years, on or before December
5 2 31 of each of the fiscal years, the state revenue estimating
5 3 conference created in section 8.22A shall certify an estimate
5 4 of the net change in revenues deposited into the general fund
5 5 of the state for that fiscal year due to the personal income
5 6 tax rate reduction implemented pursuant to section 422.5. The
5 7 director of the department of management shall transfer not
5 8 more than the certified amount from the personal income tax
5 9 rate reduction replacement fund to the general fund of the
5 10 state. Prior to the transfer, the director shall determine
5 11 whether the balance of the general fund of the state is
5 12 sufficient to absorb the revenue change, and if the certified
5 13 balance is sufficient the director may defer the transfer to a
5 14 succeeding fiscal year. Moneys transferred to the general
5 15 fund of the state pursuant to this section shall be added to
5 16 the general fund expenditure limitation, to the extent not
5 17 already included, for the fiscal year in which the transfer
5 18 takes place and ninety-nine percent of the transferred amount
5 19 is available for expenditure as directed by the general
5 20 assembly.

5 21 4. Notwithstanding section 12C.7, subsection 2, interest
5 22 or earnings on moneys deposited in the personal income tax
5 23 rate reduction replacement fund shall be credited to the

5 24 rebuild Iowa infrastructure account created in section 8.57.

5 25 5. This section is repealed September 1, 2000.

5 26 Sec. 9. TRANSFER TO INFRASTRUCTURE ACCOUNT. Moneys in the
5 27 Iowa economic emergency fund, created in section 8.55, at the
5 28 conclusion of the fiscal year beginning July 1, 1994, shall be
5 29 transferred to the rebuild Iowa infrastructure account.

5 30 Sec. 10. EFFECTIVE DATE. This division of this Act, being
5 31 deemed of immediate importance, takes effect upon enactment.

5 32 EXPLANATION

5 33 Division I of this bill reduces the individual income tax
5 34 rates by approximately 15 percent over five tax years
5 35 beginning with the tax year beginning January 1, 1995.

6 1 Because of the reduction in tax rates the division eliminates
6 2 the indexation of the tax brackets for tax years beginning
6 3 before January 1, 2000.

6 4 Division I takes effect upon enactment.

6 5 Division II revises provisions associated with the state
6 6 general fund expenditure limitation.

6 7 Section 8.56 is amended to credit the interest and earnings
6 8 of the cash reserve fund to the rebuild Iowa infrastructure
6 9 account instead of the Iowa economic emergency fund. Current
6 10 law requires the vote of a three-fifths majority of the
6 11 general assembly for an appropriation from the cash reserve
6 12 fund in an amount which would reduce the balance of the fund
6 13 to less than three percent of the adjusted revenue estimate.
6 14 The bill requires that three-fifths majority for any
6 15 appropriation from the fund.

6 16 Section 8.57 currently provides for an annual increase in
6 17 the cash reserve goal percentage until a five percent maximum
6 18 amount of the adjusted revenue estimate is reached in fiscal
6 19 year 1997-1998. The bill accelerates the implementation of
6 20 the maximum amount to fiscal year 1995-1996. In addition, the
6 21 provisions are rewritten to specify the mechanism of the
6 22 appropriations.

6 23 New section 8.57A creates a new personal income tax rate
6 24 reduction replacement fund. Moneys remaining after the
6 25 surplus in the state general fund ending balance is used to
6 26 fill the cash reserve and to maintain the state's activities
6 27 under generally accepted accounting principles (GAAP), are to
6 28 be deposited in the replacement fund. Moneys deposited into
6 29 the replacement fund may be transferred back to the general
6 30 fund to replace revenues not collected due to the income tax
6 31 rate reduction unless the director of the department of
6 32 management determines the balance of the general fund is
6 33 sufficient without the transfer. In this case, the transfer
6 34 may take place in a succeeding fiscal year. The new section
6 35 is repealed September 1, 2000.

7 1 Division II takes effect upon enactment.

7 2 LSB 1476XL 76

7 3 mg/cf/24