

S-3/5/97 W. & Means
S-3/20/97 Amend/Do Pass W.
S-3193
S.

FEB 27 1997

HOUSE FILE 388
BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

(SUCCESSOR TO HSB 159)

Passed House, Date 3/4/97 (p.488) Passed Senate, Date 3/20/97
Vote: Ayes 97 Nays 3 Vote: Ayes 45 Nays 3

(P.734)

Approved March 27, 1997
Passed 3-24-97
Vote 97-3 (P.748)

A BILL FOR

1 An Act reducing the state individual income tax rates by fifteen
2 percent and including an effective date provision.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 388

1 Section 1. Section 422.5, subsection 1, paragraphs a
2 through i, Code 1997, are amended to read as follows:
3 a. On all taxable income from zero through one thousand
4 dollars, ~~four-tenths~~ thirty-four hundredths of one percent.
5 b. On all taxable income exceeding one thousand dollars
6 but not exceeding two thousand dollars, ~~eight-tenths~~ sixty-
7 eight hundredths of one percent.
8 c. On all taxable income exceeding two thousand dollars
9 but not exceeding four thousand dollars, two and ~~seven-tenths~~
10 three-tenths percent.
11 d. On all taxable income exceeding four thousand dollars
12 but not exceeding nine thousand dollars, ~~five~~ four and twenty-
13 five hundredths percent.
14 e. On all taxable income exceeding nine thousand dollars
15 but not exceeding fifteen thousand dollars, ~~six~~ five and
16 ~~eight-tenths~~ seventy-eight hundredths percent.
17 f. On all taxable income exceeding fifteen thousand
18 dollars but not exceeding twenty thousand dollars, ~~seven~~ six
19 and ~~two-tenths~~ twelve-hundredths percent.
20 g. On all taxable income exceeding twenty thousand dollars
21 but not exceeding thirty thousand dollars, ~~seven~~ six and
22 ~~fifty-five~~ forty-two hundredths percent.
23 h. On all taxable income exceeding thirty thousand dollars
24 but not exceeding forty-five thousand dollars, ~~eight~~ seven and
25 ~~eight-tenths~~ forty-eight hundredths percent.
26 i. On all taxable income exceeding forty-five thousand
27 dollars, ~~nine~~ eight and ~~ninety-eight~~ forty-eight hundredths
28 percent.

29 Sec. 2. This Act takes effect January 1, 1998, and applies
30 to tax years beginning on or after that date.

31 EXPLANATION

32 The bill reduces the state individual income tax rates by
33 15 percent. The lowest and highest rates under present law
34 are .4 percent and 9.98 percent, respectively. Under the bill
35 these figures would be .34 percent and 8.48 percent.

1 The bill takes effect January 1, 1998, and applies to tax
2 years beginning on or after that date.

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**HOUSE FILE 388
FISCAL NOTE**

A fiscal note for House File 388 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 388 provides for a 15.0% reduction in each marginal income tax rate. Currently, there are nine income tax brackets ranging from 0.40% to 9.98%. House File 388 would lower the range to 0.34% to 8.48%. The top rate, under current law and HF 388, is applied to income in excess of \$49,005.

The Bill is effective for tax years beginning on or after January 1, 1998. This fiscal note does not take into account any impact that may result from taxpayers shifting income into a future fiscal year or shifting deductions into a past fiscal year.

FISCAL IMPACT

House File 388 is expected to result in a decrease in revenues to the General Fund of approximately \$156.0 million in FY 1998 and \$302.0 million in FY 1999.

SOURCES

Department of Revenue and Finance
Legislative Tax Model

(LSB 2228hv, JAM)

FILED MARCH 4, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR

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LSB 2228HV 77

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HOUSE FILE 388

S-3195

1 Amend House File 388, as passed by the House, as
2 follows:

3 1. By striking everything after the enacting
4 clause and inserting the following:

5 "DIVISION I -- PERCENTAGE OF FEDERAL TAX LIABILITY

6 Section 1. Section 422.4, subsection 1, Code 1997,
7 is amended by striking the subsection and inserting in
8 lieu thereof the following:

9 1. "Adjusted federal income tax liability" means
10 the amount of federal income tax liability, as
11 determined under the Internal Revenue Code, subtitle
12 A, chapter 1, subchapter A, parts I (regular tax) and
13 VI (alternative minimum tax), and subchapter D, part I
14 (lump sum distribution tax), for which the taxpayer
15 would have been liable, reduced by any federal income
16 tax credits that may apply, if the taxpayer had paid
17 federal income tax based on federal taxable income
18 adjusted as provided in section 422.7, subsections 1
19 and 2.

20 Sec. 2. Section 422.4, subsection 2, Code 1997, is
21 amended by striking the subsection.

22 Sec. 3. Section 422.4, Code 1997, is amended by
23 adding the following new subsection:

24 NEW SUBSECTION. 9A. "Net income" means the
25 federal taxable income as properly computed for
26 federal income tax purposes under the Internal Revenue
27 Code with the adjustments made in section 422.7,
28 subsections 1 and 2.

29 Sec. 4. Section 422.4, subsection 16, Code 1997,
30 is amended by striking the subsection.

31 Sec. 5. Section 422.5, subsection 1, Code 1997, is
32 amended by striking the subsection and inserting in
33 lieu thereof the following:

34 1. a. A tax is imposed upon every resident and
35 nonresident individual or estate and trust, which tax
36 is levied and shall be collected and paid annually
37 upon and with respect to net income at the rate of
38 twenty-eight and six-tenths percent of the taxpayer's
39 adjusted federal income tax liability.

40 b. However, the tax imposed upon the income of a
41 nonresident shall be computed by multiplying the
42 amount of tax determined under paragraph "a" by a
43 fraction of which the nonresident's net income
44 allocated to Iowa, as determined in section 422.8,
45 subsection 2, is the numerator and the nonresident's
46 total net income is the denominator. This provision
47 also applies to individuals who are residents of Iowa
48 for less than the entire tax year.

49 c. (1) The tax imposed upon the net income of a
50 resident shareholder in a value-added corporation

S-3195

S-3195

Page 2

1 which has in effect for the tax year an election under
2 subchapter S of the Internal Revenue Code and carries
3 on business within and without the state may be
4 computed by reducing the amount determined pursuant to
5 paragraph "a" by multiplying the amount by a fraction
6 of which the resident's net income allocated to Iowa,
7 as determined in section 422.8, subsection 2,
8 paragraph "b", is the numerator and the resident's
9 total net income is the denominator. This provision
10 also applies to individuals who are residents of Iowa
11 for less than the entire tax year.

12 (2) In order for a resident shareholder in a
13 value-added corporation which has in effect for the
14 tax year an election under subchapter S of the
15 Internal Revenue Code and carries on business within
16 and without the state, to claim the benefits of
17 apportionment of income of the value-added
18 corporation, the taxpayer must completely fill out the
19 return, determine the taxpayer's income tax liability
20 without the benefit of apportionment of the value-
21 added corporation's income, and pay the amount of tax
22 owed. The taxpayer shall recompute the taxpayer's
23 income tax liability, by applying the provisions of
24 this lettered paragraph on a special return. This
25 special return shall be filed under rules of the
26 director and constitutes a claim for refund of the
27 difference between the amount of tax the taxpayer paid
28 as determined without the provisions of this lettered
29 paragraph and the amount of tax determined with the
30 provisions of this lettered paragraph.

31 (3) This lettered paragraph shall not affect the
32 amount of the taxpayer's checkoff to the Iowa election
33 campaign fund under section 56.18, and the checkoff
34 for the fish and game fund in section 456A.16.

35 (4) For any tax year, the aggregate amount of
36 refund claims that shall be paid pursuant to this
37 lettered paragraph shall not exceed five million
38 dollars. If, for a tax year, the aggregate amount of
39 refund claims filed pursuant to this lettered
40 paragraph exceeds five million dollars, each claim for
41 refund shall be paid on a pro rata basis so that the
42 aggregate amount of refund claims does not exceed five
43 million dollars. In the case where refund claims are
44 not paid in full, the amount of the refund to which
45 the taxpayer is entitled under this lettered paragraph
46 is the pro rata amount that was paid and the taxpayer
47 is not entitled to a refund of the unpaid portion and
48 is not entitled to carry that amount forward or
49 backward to another tax year. Taxpayers shall not use
50 refunds as estimated payments for the succeeding tax

S-3195

-2-

S-3195

Page 3

1 year. Taxpayers whose tax years begin on January 1
2 must file their refund claims by October 31 of the
3 calendar year following the end of their tax year to
4 be eligible for refunds. Taxpayers whose tax years
5 begin on a date other than January 1 must file their
6 refund claims by the end of the tenth month following
7 the end of their tax years to be eligible. The
8 department shall determine on February 1 of the second
9 succeeding calendar year if the total amount of claims
10 for refund exceeds five million dollars for the tax
11 year. Notwithstanding any other provision, interest
12 shall not be due on any refund claims that are paid by
13 the last day of February of the second succeeding
14 calendar year. If the claim is not payable on
15 February 1 of the second succeeding calendar year,
16 because the taxpayer is a fiscal year filer, then the
17 amount of the claim allowed shall be in the same ratio
18 as the refund claims available on February 1 of the
19 second succeeding calendar year. These claims shall
20 be funded by moneys appropriated for payment of
21 individual income tax refunds.

22 Sec. 6. Section 422.5, subsection 2, unnumbered
23 paragraph 1, Code 1997, is amended to read as follows:

24 However, the tax shall not be imposed on a resident
25 or nonresident whose net income, ~~as defined in section~~
26 ~~422.77~~ is thirteen thousand five hundred dollars or
27 less in the case of married persons filing jointly ~~or~~
28 ~~filing separately on a combined return~~, unmarried
29 heads of household, and surviving spouses or nine
30 thousand dollars or less in the case of all other
31 persons, ~~but in the event that~~. If the payment of tax
32 under this division would reduce the net income of a
33 resident or nonresident to less than thirteen thousand
34 five hundred dollars or nine thousand dollars as
35 applicable, then the tax shall be reduced to that
36 amount which would result in allowing the taxpayer to
37 retain a net income of thirteen thousand five hundred
38 dollars or nine thousand dollars as applicable. The
39 preceding sentence does ~~sentences do not apply to~~
40 estates or trusts. For the purpose of this
41 subsection, the entire net income, including any part
42 of the net income not allocated to Iowa, shall be
43 taken into account. For purposes of this subsection,
44 net income "net income" includes all amounts of
45 pensions or other retirement income received from any
46 source which is not taxable under this division as a
47 result of the government pension exclusions in section
48 422.77 or any other state law. If the combined net
49 income of a husband and wife exceeds thirteen thousand
50 five hundred dollars, neither of them shall receive

S-3195

-3-

S-3195

Page 4

1 the benefit of this subsection, and it is immaterial
2 whether they file a joint return or separate returns.
3 However, if a husband and wife file separate returns
4 and have a combined net income of thirteen thousand
5 five hundred dollars or less, neither spouse shall
6 receive the benefit of this paragraph, if one spouse
7 has a net operating loss and elects to carry back or
8 carry forward the loss as provided in ~~section-422-97~~
9 ~~subsection-3~~ the Internal Revenue Code. A person who
10 is claimed as a dependent, as defined in the Internal
11 Revenue Code, by another person ~~as-defined-in-section~~
12 ~~422-12~~ shall not receive the benefit of this
13 subsection if the person claiming the dependent has
14 net income exceeding thirteen thousand five hundred
15 dollars or nine thousand dollars as applicable or the
16 person claiming the dependent and the person's spouse
17 have combined net income exceeding thirteen thousand
18 five hundred dollars or nine thousand dollars as
19 applicable.

20 Sec. 7. Section 422.5, subsection 2, unnumbered
21 paragraph 2, Code 1997, is amended by striking the
22 unnumbered paragraph.

23 Sec. 8. Section 422.5, subsections 3 through 12,
24 Code 1997, are amended by striking the subsections.

25 Sec. 9. Section 422.6, Code 1997, is amended by
26 striking the section and inserting in lieu thereof the
27 following:

28 422.6 INCOME FROM ESTATES OR TRUSTS.

29 The tax imposed by section 422.5 applies to and is
30 a charge against estates and trusts with respect to
31 their net income, and the rate is the same as that
32 applicable to individuals. The fiduciary shall make
33 the return of income for the estate or trust for which
34 the fiduciary acts, whether the income is taxable to
35 the estate or trust or to the beneficiaries.

36 Sec. 10. Section 422.7, Code 1997, is amended by
37 striking the section and inserting in lieu thereof the
38 following:

39 422.7 ADJUSTMENTS TO FEDERAL TAXABLE INCOME.

40 In determining the taxpayer's adjusted federal
41 income tax liability, the taxpayer's federal taxable
42 income shall be adjusted as provided in subsections 1
43 and 2.

44 1. Federal taxable income is increased by the
45 following:

46 a. Interest and dividends from foreign securities
47 and from securities of states and other political
48 subdivisions exempt from federal income tax under the
49 Internal Revenue Code to the extent not otherwise
50 exempted by this state.

S-3195

-4-

S-3195

Page 5

1 b. Interest and dividends from regulated
2 investment companies exempt from federal income tax
3 under the Internal Revenue Code.
4 2. Federal taxable income is decreased by the
5 following:
6 a. Interest and dividends from federal securities.
7 The amount decreased shall be reduced by any interest
8 on indebtedness incurred to carry the federal
9 securities and by any expenses incurred in the
10 production of interest and dividends from the federal
11 securities to the extent deductible in determining
12 federal taxable income.
13 b. The loss on the sale or exchange of a share of
14 a regulated investment company held for six months or
15 less to the extent the loss was disallowed under
16 section 852(b)(4)(B) of the Internal Revenue Code.
17 Sec. 11. Section 422.8, subsections 2, 3, and 4,
18 Code 1997, are amended to read as follows:
19 2. a. Nonresident's net income allocated to Iowa
20 is the net income, or portion of net income, which is
21 derived from a business, trade, profession, or
22 occupation carried on within this state or income from
23 any property, trust, estate, or other source within
24 Iowa. However, income derived from a business, trade,
25 profession, or occupation carried on within this state
26 and income from any property, trust, estate, or other
27 source within Iowa shall not include distributions
28 from pensions, including defined benefit or defined
29 contribution plans, annuities, individual retirement
30 accounts, and deferred compensation plans or any
31 earnings attributable thereto so long as the
32 distribution is directly related to an individual's
33 documented retirement and received while the
34 individual is a nonresident of this state. If a
35 business, trade, profession, or occupation is carried
36 on partly within and partly without the state, only
37 the portion of the net income which is fairly and
38 equitably attributable to that part of the business,
39 trade, profession, or occupation carried on within the
40 state is allocated to Iowa for purposes of section
41 422.5, subsection 1, paragraph "j" "a", and section
42 422.13 and income from any property, trust, estate, or
43 other source partly within and partly without the
44 state is allocated to Iowa in the same manner, except
45 that annuities, interest on bank deposits and
46 interest-bearing obligations, and dividends are
47 allocated to Iowa only to the extent to which they are
48 derived from a business, trade, profession, or
49 occupation carried on within the state.
50 b. A resident's income allocable to Iowa is the

S-3195

-5-

S-3195

Page 6

1 net income determined-under-section-422-7 reduced by
2 items of income and expenses from a subchapter S
3 corporation which is a value-added corporation that
4 carries on business within and without the state when
5 those items of income and expenses pass directly to
6 the shareholders under provisions of the Internal
7 Revenue Code. These items of income and expenses are
8 increased by the greater of the following:

9 (1) The net income or loss of the corporation
10 which is fairly and equitably attributable to this
11 state under section 422.33, subsections 2 and 3.

12 (2) Any cash or the value of property
13 distributions which are made only to the extent that
14 they are paid from income upon which Iowa income tax
15 has not been paid, as determined under rules of the
16 director, reduced by fifty percent of the amount of
17 any of these distributions that are made to enable the
18 shareholder to pay federal income tax on items of
19 income, loss, and expenses from the corporation.

20 3. Taxable Net income of resident and nonresident
21 estates and trusts shall be allocated in the same
22 manner as individuals.

23 4. The amount of minimum tax paid to another state
24 or foreign country by a resident taxpayer of this
25 state from preference items derived from sources
26 outside of Iowa shall be allowed as a credit against
27 the tax computed under this division except that the
28 credit shall not exceed what the product of the state
29 tax rate times the amount of state the federal
30 alternative minimum tax would-have-been on the same
31 preference items which were taxed by the other state
32 or foreign country. The limitation on this credit
33 shall be computed according to the following formula:
34 The total of preference items earned outside of Iowa
35 and taxed by another state or foreign country shall be
36 divided by the total of preference items of the
37 resident taxpayer of Iowa. ~~In-computing-this~~
38 ~~quotient, those items excludable under section 422-57~~
39 ~~subsection 17-paragraph "k", subparagraph (1) shall~~
40 ~~not be used in computing the preference items. This~~
41 ~~quotient multiplied times by the net-state federal~~
42 ~~alternative minimum tax as-determined-in-section~~
43 ~~422-57-subsection 17-paragraph "k" on the total of~~
44 ~~preference items as if entirely earned in Iowa~~
45 ~~multiplied by the state tax rate shall be the maximum~~
46 ~~tax credit against-the-Iowa-alternative-minimum-tax.~~
47 However, the maximum tax credit will shall not be
48 allowed to the extent that the minimum tax imposed by
49 the other state or foreign country is less than the
50 maximum tax credit otherwise computed above.

S-3195

S-3195

Page 7

1 Sec. 12. Section 422.13, subsection 1, unnumbered
2 paragraph 1, Code 1997, is amended to read as follows:

3 ~~Except-as-provided-in-subsection-1A,~~ a A resident
4 or nonresident of this state shall make a return,
5 signed in accordance with forms and rules prescribed
6 by the director, if any of the following are
7 applicable:

8 Sec. 13. Section 422.13, subsection 1A, Code 1997,
9 is amended by striking the subsection.

10 Sec. 14. Section 422.14, subsection 1, Code 1997,
11 is amended to read as follows:

12 1. A fiduciary subject to taxation under this
13 division, as provided in section 422.6, shall make a
14 return, signed in accordance with forms and rules
15 prescribed by the director, for the individual,
16 estate, or trust for whom or for which the fiduciary
17 acts, if the taxable net income thereof amounts to six
18 hundred dollars or more. A nonresident fiduciary
19 shall file a copy of the federal income tax return for
20 the current tax year with the return required by this
21 section.

22 Sec. 15. Section 422.16, subsection 1, unnumbered
23 paragraph 1, Code 1997, is amended to read as follows:

24 Every withholding agent and every employer as
25 defined in this chapter and further defined in the
26 Internal Revenue Code, with respect to income tax
27 collected at source, making payment of wages to a
28 nonresident employee working in Iowa, or to a resident
29 employee, shall deduct and withhold from the wages an
30 amount which will approximate the employee's annual
31 tax liability on a calendar year basis, calculated on
32 the basis of tables to be prepared by the department
33 and schedules or percentage rates, based on the wages,
34 to be prescribed by the department. Every employee or
35 other person shall declare to the employer or
36 withholding agent the number of the employee's or
37 other person's personal exemptions and dependency
38 exemptions or credits to be used in applying the
39 tables and schedules or percentage rates. However, no
40 greater number of personal or dependency exemptions or
41 credits may be declared by the employee or other
42 person than the number to which the employee or other
43 person is entitled except as allowed under section
44 3402(m)(1) of the Internal Revenue Code ~~and-as-allowed~~
45 ~~for-the-child-and-dependent-care-credit-provided-in~~
46 ~~section-422-12E.~~ The claiming of exemptions or
47 credits in excess of entitlement is a serious
48 misdemeanor.

49 Sec. 16. Section 422.21, unnumbered paragraphs 5
50 and 6, Code 1997, are amended by striking the

S-3195

S-3195

Page 8

1 unnumbered paragraphs.

2 Sec. 17. Section 422.21, unnumbered paragraph 7,
3 Code 1997, is amended to read as follows:

4 If married taxpayers file a joint return ~~or file~~
5 ~~separately-on-a-combined-return-in-accordance-with~~
6 ~~rules-prescribed-by-the-director~~, both spouses are
7 jointly and severally liable for the total tax due on
8 the return, except when one spouse is considered to be
9 an innocent spouse under criteria established pursuant
10 to section 6013(e) of the Internal Revenue Code.

11 Sec. 18. Sections 422.9, 422.10, 422.11A, 422.11B,
12 422.12, 422.12B, and 422.12C, Code 1997, are repealed.

13 DIVISION II -- COORDINATING AMENDMENTS

14 Sec. 19. Section 56.2, subsection 19, Code 1997,
15 is amended to read as follows:

16 19. "State income tax liability" means the state
17 individual income tax imposed under section 422.5
18 ~~reduced-by-the-sum-of-the-deductions-from-the-computed~~
19 ~~tax-as-provided-under-section-422-12.~~

20 Sec. 20. Section 96.3, subsection 4, Code 1997, is
21 amended to read as follows:

22 4. DETERMINATION OF BENEFITS. With respect to
23 benefit years beginning on or after July 1, 1983, an
24 eligible individual's weekly benefit amount for a week
25 of total unemployment shall be an amount equal to the
26 following fractions of the individual's total wages in
27 insured work paid during that quarter of the
28 individual's base period in which such total wages
29 were highest; the director shall determine annually a
30 maximum weekly benefit amount equal to the following
31 percentages, to vary with the number of dependents, of
32 the statewide average weekly wage paid to employees in
33 insured work which shall be effective the first day of
34 the first full week in July:

35 If the	The weekly	Subject to the
36 number of	benefit amount	following maxi-
37 dependents	shall equal the	mum percentage
38 is:	following frac-	of the statewide
39	tion of high	average weekly
40	quarter wages:	wage:
41 0	1/23	53%
42 1	1/22	55%
43 2	1/21	57%
44 3	1/20	60%
45 4 or more	1/19	65%

46 The maximum weekly benefit amount, if not a multiple
47 of one dollar shall be rounded to the lower multiple
48 of one dollar. However, until such time as sixty-five
49 percent of the statewide average weekly wage exceeds
50 one hundred ninety dollars, the maximum weekly benefit

S-3195

S-3195

Page 9

1 amounts shall be determined using the statewide
2 average weekly wage computed on the basis of wages
3 reported for calendar year 1981. As used in this
4 section "dependent" means dependent as defined in
5 ~~section-422-127-subsection-17-paragraph-"e"~~ for state
6 individual income tax purposes, as if the individual
7 claimant was a taxpayer, except that an individual
8 claimant's nonworking spouse shall be deemed to be a
9 dependent under this section. "Nonworking spouse"
10 means a spouse who does not earn more than one hundred
11 twenty dollars in gross wages in one week.

12 Sec. 21. Section 216B.3, subsection 15, Code 1997,
13 is amended to read as follows:

14 15. Develop a plan to provide telephone yellow
15 pages information without charge to persons declared
16 to be blind ~~under the standards in section-422-127~~
17 ~~subsection-17-paragraph-"e"~~. The department may apply
18 for federal funds to support the service. The program
19 shall be limited in scope by the availability of
20 funds. For the purposes of this subsection, an
21 individual is blind only if the individual's central
22 visual acuity does not exceed twenty-two hundredths in
23 the better eye with correcting lenses, or if the
24 individual's visual acuity is greater than twenty-two
25 hundredths but is accompanied by a limitation in the
26 fields of vision such that the widest diameter of the
27 visual field subtends an angle no greater than twenty
28 degrees.

29 Sec. 22. Section 257.21, unnumbered paragraph 2,
30 Code 1997, is amended to read as follows:

31 The instructional support income surtax shall be
32 imposed on the state individual income tax for the
33 calendar year during which the school's budget year
34 begins, or for a taxpayer's fiscal year ending during
35 the second half of that calendar year and after the
36 date the board adopts a resolution to participate in
37 the program or the first half of the succeeding
38 calendar year, and shall be imposed on all individuals
39 residing in the school district on the last day of the
40 applicable tax year. As used in this section, "state
41 individual income tax" means the taxes computed under
42 ~~section 422.57-less-the-credits-allowed-in-sections~~
43 ~~422-11A7-422-11B7-422-11C7-422-127-and-422-12B.~~

44 Sec. 23. Section 421.17, subsection 21, paragraph
45 b, subparagraph (6), Code 1997, is amended to read as
46 follows:

47 (6) Upon the request of a debtor or a debtor's
48 spouse to the child support recovery unit, the foster
49 care recovery unit, or the investigations division of
50 the department of inspections and appeals, filed

S-3195

-9-

S-3195

Page 10

1 within fifteen days from the mailing of the notice of
2 entitlement to a refund or rebate, and upon receipt of
3 the full name and social security number of the
4 debtor's spouse, the unit or division shall notify the
5 department of revenue and finance of the request to
6 divide a joint income tax refund or rebate. The
7 department of revenue and finance shall upon receipt
8 of the notice divide a joint income tax refund or
9 rebate between the debtor and the debtor's spouse in
10 proportion to each spouse's net income as ~~determined~~
11 ~~under-section-422-7~~ defined in section 422.4.

12 Sec. 24. Section 421.17, subsection 23, paragraph
13 f, Code 1997, is amended to read as follows:

14 f. Upon the timely request of a defaulter or a
15 defaulter's spouse to the college student aid
16 commission and upon receipt of the full name and
17 social security number of the defaulter's spouse, the
18 commission shall notify the department of revenue and
19 finance of the request to divide a joint income tax
20 refund or rebate. The department of revenue and
21 finance shall upon receipt of the notice divide a
22 joint income tax refund or rebate between the
23 defaulter and the defaulter's spouse in proportion to
24 each spouse's net income as ~~determined-under-section~~
25 ~~422-7~~ defined in section 422.4.

26 Sec. 25. Section 421.17, subsection 25, paragraph
27 e, Code 1997, is amended to read as follows:

28 e. Upon the request of a debtor or a debtor's
29 spouse to the department, filed within fifteen days
30 from the mailing of the notice of entitlement to a
31 refund or rebate, and upon receipt of the full name
32 and social security number of the debtor's spouse, the
33 department shall divide a joint income tax refund or
34 rebate between the debtor and the debtor's spouse in
35 proportion to each spouse's net income as ~~determined~~
36 ~~under-section-422-7~~ defined in section 422.4.

37 Sec. 26. Section 422.32, unnumbered paragraph 2,
38 Code 1997, is amended to read as follows:

39 The words, terms, and phrases defined in division
40 II, section 422.4, subsections 4 to 6, 8, 9, 13, and
41 15 ~~to~~, and 17, when used in this division, shall have
42 the meanings ascribed to them in said section except
43 where the context clearly indicates a different
44 meaning.

45 Sec. 27. Section 422D.2, Code 1997, is amended to
46 read as follows:

47 422D.2 LOCAL INCOME SURTAX.

48 A county may impose by ordinance a local income
49 surtax as provided in section 422D.1 at the rate set
50 by the board of supervisors, of up to one percent, on

S-3195

-10-

S-3195

Page 11

1 the state individual income tax of each individual
2 residing in the county at the end of the individual's
3 applicable tax year. However, the cumulative total of
4 the percents of income surtax imposed on any taxpayer
5 in the county shall not exceed twenty percent. The
6 reason for imposing the surtax and the amount needed
7 shall be set out in the ordinance. The surtax rate
8 shall be set to raise only the amount needed. For
9 purposes of this section, "state individual income
10 tax" means the tax computed under section 422.57 less
11 ~~the credits allowed in sections 422.11A, 422.11B,~~
12 ~~422.11C, 422.127, and 422.12B.~~

13 Sec. 28. Section 425.17, subsection 7, Code 1997,
14 is amended to read as follows:

15 7. "Income" means the sum of Iowa net income as
16 defined in section ~~422.7~~ 422.4, plus all of the
17 following to the extent not already included in Iowa
18 net income: capital gains, alimony, child support
19 money, cash public assistance and relief, except
20 property tax relief granted under this division,
21 amount of in-kind assistance for housing expenses, the
22 gross amount of any pension or annuity, including but
23 not limited to railroad retirement benefits, payments
24 received under the federal Social Security Act, except
25 child insurance benefits received by a member of the
26 claimant's household, and all military retirement and
27 veterans' disability pensions, interest received from
28 the state or federal government or any of its
29 instrumentalities, workers' compensation and the gross
30 amount of disability income or "loss of time"
31 insurance. "Income" does not include gifts from
32 nongovernmental sources, or surplus foods or other
33 relief in kind supplied by a governmental agency. In
34 determining income, net operating losses and net
35 capital losses shall not be considered.

36 Sec. 29. Section 450.4, subsection 5, Code 1997,
37 is amended to read as follows:

38 5. On the value of that portion of installment
39 payments which will be includable as net income as
40 defined in section ~~422.7~~ 422.4 as received by a
41 beneficiary under an annuity which was purchased under
42 an employees pension or retirement plan.

43 Sec. 30. Section 476.6, subsection 1, unnumbered
44 paragraph 2, Code 1997, is amended to read as follows:

45 A subscriber of a telephone exchange or service,
46 who is declared to be legally blind ~~under section~~
47 ~~422.127, subsection 17, paragraph "e",~~ is exempt from
48 any charges for telephone directory assistance that
49 may be approved by the board. For the purposes of
50 this paragraph, an individual is legally blind only if

S-3195

-11-

S-3195

Page 12

1 the individual's central visual acuity does not exceed
 2 twenty-two hundredths in the better eye with
 3 correcting lenses, or if the individual's visual
 4 acuity is greater than twenty-two hundredths but is
 5 accompanied by a limitation in the fields of vision
 6 such that the widest diameter of the visual field
 7 subtends an angle no greater than twenty degrees.

8 Sec. 31. Section 541A.2, subsection 7, unnumbered
 9 paragraph 1, Code 1997, is amended to read as follows:

10 An individual development account closed in
 11 accordance with this subsection is not subject to the
 12 limitations and benefits provided by this chapter but
 13 is subject to state tax in accordance with the
 14 provisions of ~~section 422.77, subsection 287,~~ and
 15 section 450.4, subsection 6. An individual
 16 development account may be closed for any of the
 17 following reasons:

18 Sec. 32. Section 514A.3, subsection 2, Code 1997,
 19 is amended by striking the subsection.

20 DIVISION III -- EFFECTIVE AND APPLICABILITY DATE
 21 PROVISIONS

22 Sec.. 33. This Act takes effect January 1, 1998,
 23 and applies to tax years beginning on or after January
 24 1, 1998."

25 2. Title page, by striking lines 1 and 2 and
 26 inserting the following: "An Act relating to making
 27 the state individual income tax a percent of the
 28 federal income tax liability with certain adjustments
 29 and including effective and applicability date
 30 provisions."

By MARY NEUHAUSER
 ROBERT E. DVORSKY

S-3195 FILED MARCH 20, 1997
 RULED OUT OF ORDER

3/20/97

(p. 732)

HOUSE FILE 388

S-3196

1 Amend House File 388 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "DIVISION I -- IOWA NET INCOME

5 Section 1. Section 422.4, subsection 1, paragraphs
6 b and c, Code 1997, are amended to read as follows:

7 b. "Cumulative inflation factor" means the product
8 of the annual inflation factor for the ~~1988~~ 1997
9 calendar year and all annual inflation factors for
10 subsequent calendar years as determined pursuant to
11 this subsection. The cumulative inflation factor
12 applies to all tax years beginning on or after January
13 1 of the calendar year for which the latest annual
14 inflation factor has been determined.

15 c. The annual inflation factor for the ~~1988~~ 1997
16 calendar year is one hundred percent.

17 Sec. 2. Section 422.4, subsections 2 and 16, Code
18 1997, are amended by striking the subsections.

19 Sec. 3. Section 422.4, subsection 9, Code 1997, is
20 amended to read as follows:

21 9. The word "individual" means a natural person;
22 and if an individual is permitted to file as a
23 corporation, under the Internal Revenue Code, that
24 fictional status is not recognized for purposes of
25 this chapter, and the individual's ~~taxable net income~~
26 shall be computed as required under the Internal
27 Revenue Code relating to individuals not filing as a
28 corporation, with the adjustments allowed by this
29 ~~chapter~~ division.

30 Sec. 4. Section 422.4, Code 1997, is amended by
31 adding the following new subsection:

32 NEW SUBSECTION. 9A. "Net income" means the
33 federal taxable income as properly computed for
34 federal tax purposes under the Internal Revenue Code
35 with the adjustments made in section 422.7,
36 subsections 1 and 2.

37 Sec. 5. Section 422.5, subsection 1, Code 1997, is
38 amended by striking the subsection and inserting in
39 lieu thereof the following:

40 1. A tax is imposed upon every resident and
41 nonresident individual or estate and trust which tax
42 shall be levied, collected, and paid annually upon and
43 with respect to the entire net income as defined in
44 this division at rates, depending on filing status, as
45 follows:

46 a. For a single individual, estate, or trust, the
47 rates of tax are the following:

48	<u>Net Income</u>		
49	over	but not over	Rate
50	\$ 0	3,400	3.8%

S-3196

S-3196

Page 2

1	3,400	7,000	4.5
2	7,000	21,000	5.7
3	21,000	100,000	6.0
4	100,000		6.5

5 b. For husband and wife filing a joint return, the
6 rates of tax are the following:

7	<u>Net Income</u>		
8	<u>over</u>	<u>but not over</u>	<u>Rate</u>
9	\$ 0	4,400	3.8%
10	4,400	9,000	4.5
11	9,000	27,000	5.7
12	27,000	100,000	6.0
13	100,000		6.5

14 c. For a married person filing separately, the
15 rates of tax are the following:

16	<u>Net Income</u>		
17	<u>over</u>	<u>but not over</u>	<u>Rate</u>
18	\$ 0	2,200	3.8%
19	2,200	4,500	4.5
20	4,500	13,500	5.7
21	13,500	50,000	6.0
22	50,000		6.5

23 d. For a head of household, the rates of tax are
24 the following:

25	<u>Net Income</u>		
26	<u>over</u>	<u>but not over</u>	<u>Rate</u>
27	\$ 0	3,700	3.8%
28	3,700	7,600	4.5
29	7,600	22,800	5.7
30	22,800	100,000	6.0
31	100,000		6.5

32 e. (1) The tax imposed upon the net income of a
33 nonresident shall be computed by reducing the amount
34 determined pursuant to paragraphs "a" through "d", by
35 the amounts of nonrefundable credits under this
36 division and by multiplying this resulting amount by a
37 fraction of which the nonresident's net income
38 allocated to Iowa, as determined in section 422.8,
39 subsection 2, paragraph "a", is the numerator and the
40 nonresident's total net income computed under section
41 422.7 is the denominator. This provision also applies
42 to individuals who are residents of Iowa for less than
43 the entire tax year.

44 (2) The tax imposed upon the net income of a
45 resident shareholder in a value-added corporation
46 which has in effect for the tax year an election under
47 subchapter S of the Internal Revenue Code and carries
48 on business within and without the state may be
49 computed by reducing the amount determined pursuant to
50 paragraphs "a" through "d", by the amounts of

S-3196

Page 3

1 nonrefundable credits under this division and by
2 multiplying this resulting amount by a fraction of
3 which the resident's net income allocated to Iowa, as
4 determined in section 422.8, subsection 2, paragraph
5 "b", is the numerator and the resident's total net
6 income computed under section 422.7 is the
7 denominator. This subparagraph also applies to
8 individuals who are residents of Iowa for less than
9 the entire tax year.

10 (a) In order for a resident shareholder in a
11 value-added corporation which has in effect for the
12 tax year an election under subchapter S of the
13 Internal Revenue Code and carries on business within
14 and without the state, to claim the benefits of
15 apportionment of income of the value-added
16 corporation, the taxpayer must completely fill out the
17 return, determine the taxpayer's income tax liability
18 without the benefit of apportionment of the value-
19 added corporation's income, and pay the amount of tax
20 owed. The taxpayer shall recompute the taxpayer's
21 income tax liability, by applying the provisions of
22 this subparagraph on a special return. This special
23 return shall be filed under rules of the director and
24 constitutes a claim for refund of the difference
25 between the amount of tax the taxpayer paid as
26 determined without the provisions of this subparagraph
27 and the amount of tax determined with the provisions
28 of this subparagraph.

29 (b) This subparagraph shall not affect the amount
30 of the taxpayer's checkoff to the Iowa election
31 campaign fund under section 56.18, the checkoff for
32 the fish and game fund in section 456A.16, the credits
33 from tax provided in sections 422.10, 422.11A, and
34 422.12 and the allocation of these credits between
35 spouses if the taxpayers filed separate returns.

36 (c) For any tax year, the aggregate amount of
37 refund claims that shall be paid pursuant to this
38 subparagraph shall not exceed five million dollars.
39 If, for a tax year, the aggregate amount of refund
40 claims filed pursuant to this subparagraph exceeds
41 five million dollars, each claim for refund shall be
42 paid on a pro rata basis so that the aggregate amount
43 of refund claims does not exceed five million dollars.
44 In the case where refund claims are not paid in full,
45 the amount of the refund to which the taxpayer is
46 entitled under this subparagraph is the pro rata
47 amount that was paid and the taxpayer is not entitled
48 to a refund of the unpaid portion and is not entitled
49 to carry that amount forward or backward to another
50 tax year. Taxpayers shall not use refunds as

S-3196

-3-

S-3196

Page 4

1 estimated payments for the succeeding tax year.
2 Taxpayers whose tax years begin on January 1 must file
3 their refund claims by October 31 of the calendar year
4 following the end of their tax year to be eligible for
5 refunds. Taxpayers whose tax years begin on a date
6 other than January 1 must file their refund claims by
7 the end of the tenth month following the end of their
8 tax years to be eligible. The department shall
9 determine on February 1 of the second succeeding
10 calendar year if the total amount of claims for refund
11 exceeds five million dollars for the tax year.
12 Notwithstanding any other provision, interest shall
13 not be due on any refund claims that are paid by the
14 last day of February of the second succeeding calendar
15 year. If the claim is not payable on February 1 of
16 the second succeeding calendar year, because the
17 taxpayer is a fiscal year filer, then the amount of
18 the claim allowed shall be in the same ratio as the
19 refund claims available on February 1 of the second
20 succeeding calendar year. These claims shall be
21 funded by moneys appropriated for payment of
22 individual income tax refunds.

23 1A. There is imposed upon every resident and
24 nonresident of this state, including estates and
25 trusts, the greater of the tax determined in
26 paragraphs "a" through "e", or the state alternative
27 minimum tax equal to eighty-five percent of the
28 maximum state individual income tax rate applicable to
29 the taxpayer for the tax year, rounded to the nearest
30 one-tenth of one percent, of the state alternative
31 minimum net income of the taxpayer as computed under
32 this subsection.

33 The state alternative minimum net income of a
34 taxpayer is equal to the taxpayer's federal
35 alternative minimum taxable income, as computed for
36 federal income tax purposes with the adjustments
37 provided in section 422.7.

38 In the case of a resident, including a resident
39 estate or trust, the state's apportioned share of the
40 state alternative minimum tax is one hundred percent
41 of the state alternative minimum tax computed in this
42 subsection. In the case of a resident or part-year
43 resident shareholder in a value-added corporation
44 which has in effect for the tax year an election under
45 subchapter S of the Internal Revenue Code and carries
46 on business within and without the state, a
47 nonresident, including a nonresident estate or trust,
48 or an individual, estate, or trust that is domiciled
49 in the state for less than the entire tax year, the
50 state's apportioned share of the state alternative

S-3196

S-3196

Page 5

1 minimum tax is the amount of tax computed under this
2 subsection, reduced by the applicable credits in
3 sections 422.10 through 422.12 and this result
4 multiplied by a fraction with a numerator of the sum
5 of state net income allocated to Iowa as determined in
6 section 422.8, subsection 2, paragraph "a" or "b", as
7 applicable, plus tax preference items, adjustments,
8 and losses attributable to Iowa and with a denominator
9 of the sum of total net income computed under section
10 422.7 plus all tax preference items, adjustments, and
11 losses. In computing this fraction, those items
12 excludable in computing state alternative minimum net
13 income shall not be used in computing the tax
14 preference items.

15 Sec. 6. Section 422.5, subsections 2 and 6, Code
16 1997, are amended to read as follows:

17 2. However, the tax shall not be imposed on a
18 resident or nonresident whose net income, as defined
19 in section 422.7, is thirteen thousand five hundred
20 dollars or less in the case of married persons filing
21 ~~jointly or-filing-separately-on-a-combined-return,~~
22 unmarried heads of household, and surviving spouses or
23 nine thousand dollars or less in the case of all other
24 persons; but in the event that the payment of tax
25 under this division would reduce the net income to
26 less than thirteen thousand five hundred dollars or
27 nine thousand dollars as applicable, then the tax
28 shall be reduced to that amount which would result in
29 allowing the taxpayer to retain a net income of
30 thirteen thousand five hundred dollars or nine
31 thousand dollars as applicable. The preceding
32 sentence does not apply to estates or trusts. For the
33 purpose of this subsection, the entire net income,
34 including any part of the net income not allocated to
35 Iowa, shall be taken into account. For purposes of
36 this subsection, net income includes all amounts of
37 pensions or other retirement income received from any
38 source which is not taxable under this division as a
39 result of the ~~government~~ pension exclusions in section
40 422.7, or any other state law. If the combined net
41 income of a husband and wife exceeds thirteen thousand
42 five hundred dollars, neither of them shall receive
43 the benefit of this subsection, and it is immaterial
44 whether they file a joint return or separate returns.
45 However, if a husband and wife file separate returns
46 and have a combined net income of thirteen thousand
47 five hundred dollars or less, neither spouse shall
48 receive the benefit of this paragraph, if one spouse
49 has a net operating loss and elects to carry back or
50 carry forward the loss ~~as-provided-in-section-422-97~~

S-3196

-5-

S-3196

Page 6

1 subsection-3. A person who is claimed as a dependent
2 by another person as defined in section 422.12 shall
3 not receive the benefit of this subsection if the
4 person claiming the dependent has net income exceeding
5 thirteen thousand five hundred dollars or nine
6 thousand dollars as applicable or the person claiming
7 the dependent and the person's spouse have combined
8 net income exceeding thirteen thousand five hundred
9 dollars or nine thousand dollars as applicable.

10 In addition, if the married persons', filing
11 jointly ~~or-filing-separately-on-a-combined-return,~~
12 unmarried head of household's, or surviving spouse's
13 net income exceeds thirteen thousand five hundred
14 dollars, the regular tax imposed under this division
15 shall be the lesser of the maximum state individual
16 income tax rate times the portion of the net income in
17 excess of thirteen thousand five hundred dollars or
18 the regular tax liability computed without regard to
19 this sentence. Taxpayers electing to file separately
20 shall compute the alternate tax described in this
21 paragraph using the total net income of the husband
22 and wife. The alternate tax described in this
23 paragraph does not apply if one spouse elects to carry
24 back or carry forward the loss ~~as-provided-in-section~~
25 ~~422-97-subsection-3.~~

26 6. Upon determination of the latest cumulative
27 inflation factor, the director shall multiply each
28 dollar amount set forth in subsection 1, paragraphs
29 "a" through ~~"i"~~ "d", of this section by this
30 cumulative inflation factor, shall round off the
31 resulting product to the nearest one dollar, and shall
32 incorporate the result into the income tax forms and
33 instructions for each tax year.

34 Sec. 7. Section 422.5, subsections 3, 4, 5, 7, 9,
35 10, 11, and 12, Code 1997, are amended by striking the
36 subsections.

37 Sec. 8. Section 422.6, unnumbered paragraph 1,
38 Code 1997, is amended to read as follows:

39 The tax imposed by section 422.5 less the credits
40 allowed under sections 422.10, 422.11A, and 422.11B,
41 ~~and-422-11C,~~ and the personal exemption credit allowed
42 under section 422.12 apply to and are a charge against
43 estates and trusts with respect to their taxable net
44 income, and the rates are the same as those applicable
45 to individuals. The fiduciary shall make the return
46 of income for the estate or trust for which the
47 fiduciary acts, whether the income is taxable to the
48 estate or trust or to the beneficiaries.

49 Sec. 9. Section 422.7, Code 1997, is amended by
50 striking the section and inserting in lieu thereof the

S-3196

-6-

S-3196

Page 7

1 following:

2 422.7 NET INCOME COMPUTED.

3 In determining the taxpayer's net income, the
4 taxpayer's federal taxable income shall be adjusted as
5 provided in subsections 1 and 2.

6 1. Federal taxable income is increased by the
7 following:

8 a. Interest and dividends from foreign securities
9 and from securities of states and other political
10 subdivisions exempt from federal income tax under the
11 Internal Revenue Code to the extent not otherwise
12 exempted by this state.

13 b. Interest and dividends from regulated
14 investment companies exempt from federal income tax
15 under the Internal Revenue Code.

16 c. Iowa income taxes, to the extent deducted in
17 computing federal taxable income.

18 d. Federal income tax refunds, to the extent
19 deducted in computing state income taxes for tax years
20 beginning before January 1, 1997.

21 2. Federal taxable income is decreased by the
22 following:

23 a. Interest and dividends from federal securities.
24 The amount decreased shall be reduced by any interest
25 on indebtedness incurred to carry the federal
26 securities and by any expenses incurred in the
27 production of interest and dividends from the federal
28 securities to the extent deductible in determining
29 federal taxable income.

30 b. The loss on the sale or exchange of a share of
31 a regulated investment company held for six months or
32 less to the extent the loss was disallowed under
33 section 852(b)(4)(B) of the Internal Revenue Code.

34 c. Iowa income tax refunds, to the extent included
35 in determining federal taxable income.

36 d. Federal income taxes, to the extent paid for
37 tax years beginning before January 1, 1997.

38 e. For a person who is disabled, or is fifty-five
39 years of age or older, or is the surviving spouse of
40 an individual or a survivor having an insurable
41 interest in an individual who would have qualified for
42 the deduction under this paragraph for the tax year,
43 subtract, to the extent included, the total amount of
44 a governmental or other pension or retirement pay,
45 including, but not limited to, defined benefit or
46 defined contribution plans, annuities, individual
47 retirement accounts, plans maintained or contributed
48 to by an employer, or maintained or contributed to by
49 a self-employed person as an employer, and deferred
50 compensation plans or any earnings attributable to the

S-3196

-7-

S-3196

Page 8

1 deferred compensation plans, up to a maximum of ten
2 thousand dollars for a person who files a separate
3 state income tax return and up to a maximum of twenty
4 thousand dollars for a husband and wife who file a
5 joint state income tax return. However, a surviving
6 spouse who is not disabled or fifty-five years of age
7 or older can only exclude the amount of pension or
8 retirement pay received as a result of the death of
9 the other spouse.

10 f. In the case of married persons filing a joint
11 return where both spouses have qualified earned
12 income, subtract an amount equal to thirty-four
13 percent of the lesser of thirty thousand dollars or
14 the amount of the qualified earned income of the
15 spouse with the lower qualified earned income.

16 For purposes of this paragraph "qualified earned
17 income" means the same as defined for the federal
18 income tax year beginning in the 1986 calendar year.

19 Sec. 10. Section 422.8, subsection 2, paragraph a,
20 Code 1997, is amended to read as follows:

21 a. Nonresident's net income allocated to Iowa is
22 the net income, or portion of net income, which is
23 derived from a business, trade, profession, or
24 occupation carried on within this state or income from
25 any property, trust, estate, or other source within
26 Iowa. However, income derived from a business, trade,
27 profession, or occupation carried on within this state
28 and income from any property, trust, estate, or other
29 source within Iowa shall not include distributions
30 from pensions, including defined benefit or defined
31 contribution plans, annuities, individual retirement
32 accounts, and deferred compensation plans or any
33 earnings attributable thereto so long as the
34 distribution is directly related to an individual's
35 documented retirement and received while the
36 individual is a nonresident of this state. If a
37 business, trade, profession, or occupation is carried
38 on partly within and partly without the state, only
39 the portion of the net income which is fairly and
40 equitably attributable to that part of the business,
41 trade, profession, or occupation carried on within the
42 state is allocated to Iowa for purposes of section
43 422.5, subsection 1, paragraph "j" "d", and section
44 422.13 and income from any property, trust, estate, or
45 other source partly within and partly without the
46 state is allocated to Iowa in the same manner, except
47 that annuities, interest on bank deposits and
48 interest-bearing obligations, and dividends are
49 allocated to Iowa only to the extent to which they are
50 derived from a business, trade, profession, or

S-3196

-8-

S-3196

Page 9

1 occupation carried on within the state.

2 Sec. 11. Section 422.8, subsection 2, paragraph b,
3 subparagraph (2), Code 1997, is amended to read as
4 follows:

5 (2) Any cash or the value of property
6 distributions which are made only to the extent that
7 they are paid from income upon which Iowa income tax
8 has not been paid, as determined under rules of the
9 director, ~~reduced by fifty percent of the amount of~~
10 ~~any of these distributions that are made to enable the~~
11 ~~shareholder to pay federal income tax on items of~~
12 ~~income, loss, and expenses from the corporation.~~

13 Sec. 12. Section 422.8, subsections 3 and 4, Code
14 1997, are amended to read as follows:

15 3. Taxable Net income of resident and nonresident
16 estates and trusts shall be allocated in the same
17 manner as individuals.

18 4. The amount of minimum tax paid to another state
19 or foreign country by a resident taxpayer of this
20 state from preference items derived from sources
21 outside of Iowa shall be allowed as a credit against
22 the tax computed under this division except that the
23 credit shall not exceed what the amount of state
24 alternative minimum tax would have been on the same
25 preference items which were taxed by the other state
26 or foreign country. The limitation on this credit
27 shall be computed according to the following formula:
28 The total of preference items earned outside of Iowa
29 and taxed by another state or foreign country shall be
30 divided by the total of preference items of the
31 resident taxpayer of Iowa. In computing this
32 quotient, those items excludable under section ~~422.5~~
33 ~~subsection 17 paragraph "k", subparagraph (1)~~ 422.7
34 shall not be used in computing the preference items.
35 This quotient multiplied times the net state
36 alternative minimum tax as determined in section
37 422.5, subsection ~~17 paragraph "k"~~ 1A, on the total of
38 preference items as if entirely earned in Iowa shall
39 be the maximum tax credit against the Iowa alternative
40 minimum tax. However, the maximum tax credit will not
41 be allowed to the extent that the minimum tax imposed
42 by the other state or foreign country is less than the
43 maximum tax credit computed above.

44 Sec. 13. Section 422.11B, Code 1997, is amended to
45 read as follows:

46 422.11B MINIMUM TAX CREDIT.

47 1. There is allowed as a credit against the tax
48 determined in section 422.5, subsection 1, paragraphs
49 "a" through "j" "e", for a tax year an amount equal to
50 the minimum tax credit for that tax year.

S-3196

-9-

S-3196

Page 10

1 The minimum tax credit for a tax year is the
2 excess, if any, of the adjusted net minimum tax
3 imposed for all prior tax years beginning on or after
4 January 1, 1987, over the amount allowable as a credit
5 under this section for those prior tax years.

6 2. The allowable credit under subsection 1 for a
7 tax year shall not exceed the excess, if any, of the
8 tax determined in section 422.5, subsection 1,
9 paragraphs "a" through "j" "e", over the state
10 alternative minimum tax as determined in section
11 422.5, subsection ~~17-paragraph-"k"~~ 1A.

12 The net minimum tax for a tax year is the excess,
13 if any, of the tax determined in section 422.5,
14 subsection ~~17-paragraph-"k"~~ 1A, for the tax year over
15 the tax determined in section 422.5, subsection 1,
16 paragraphs "a" through "j" "e", for the tax year.

17 The adjusted net minimum tax for a tax year is the
18 net minimum tax for the tax year reduced by the amount
19 which would be the net minimum tax if the only item of
20 tax preference taken into account was that described
21 in paragraph (6) of section 57(a) of the Internal
22 Revenue Code.

23 Sec. 14. Section 422.12, subsections 1 and 3, Code
24 1997, are amended by striking the subsections.

25 Sec. 15. Section 422.12, subsection 2, unnumbered
26 paragraph 1, Code 1997, is amended to read as follows:

27 A tuition credit equal to ten percent of the first
28 one thousand dollars which the taxpayer has paid to
29 others for each dependent in grades kindergarten
30 through twelve, for tuition and textbooks of each
31 dependent in attending an elementary or secondary
32 school situated in Iowa, which school is accredited or
33 approved under section 256.11, which is not operated
34 for profit, and which adheres to the provisions of the
35 federal Civil Rights Act of 1964 and chapter 216. As
36 used in this subsection, "textbooks" means books and
37 other instructional materials and equipment used in
38 elementary and secondary schools in teaching only
39 those subjects legally and commonly taught in public
40 elementary and secondary schools in this state and
41 does not include instructional books and materials
42 used in the teaching of religious tenets, doctrines,
43 or worship, the purpose of which is to inculcate those
44 tenets, doctrines, or worship, and does not include
45 books or materials for extracurricular activities
46 including sporting events, musical or dramatic events,
47 speech activities, driver's education, or programs of
48 a similar nature. Notwithstanding any other
49 provision, ~~all-other-credits~~ the credit allowed under
50 ~~this-section-and~~ section 422.12B shall be deducted

S-3196

-10-

S-3196

Page 11

1 before the tuition credit under this subsection. The
2 department, when conducting an audit of a taxpayer's
3 return, shall also audit the tuition tax credit
4 portion of the tax return.

5 Sec. 16. Section 422.12B, subsection 2, Code 1997,
6 is amended to read as follows:

7 ~~2. Married-taxpayers-electing-to-file-separate~~
8 ~~returns-or-filing-separately-on-a-combined-return-may~~
9 ~~avail-themselves-of-the-earned-income-credit-by~~
10 ~~allocating-the-earned-income-credit-to-each-spouse-in~~
11 ~~the-proportion-that-each-spouse's-respective-earned~~
12 ~~income-bears-to-the-total-combined-earned-income.~~

13 Taxpayers affected by the allocation provisions of
14 section 422.8 shall be permitted a deduction for the
15 credit only in the amount fairly and equitably
16 allocable to Iowa under rules prescribed by the
17 director.

18 Sec. 17. Section 422.12C, subsection 3, Code 1997,
19 is amended by striking the subsection and inserting in
20 lieu thereof the following:

21 3. Nonresidents or part-year residents of Iowa
22 must determine their Iowa child and dependent care
23 credit in the ratio of their Iowa source net income to
24 their all source net income.

25 Sec. 18. Section 422.13, subsection 1A, Code 1997,
26 is amended to read as follows:

27 1A. Notwithstanding any other provision in this
28 section, a resident of this state is not required to
29 make and file a return if the person's net income is
30 equal to or less than the appropriate dollar amount
31 listed in section 422.5, subsection 2, upon which tax
32 is not imposed. A nonresident of this state is not
33 required to make and file a return if the person's
34 total net income in section 422.5, subsection 1,
35 paragraph "j" "e", is equal to or less than the
36 appropriate dollar amount provided in section 422.5,
37 subsection 2, upon which tax is not imposed. For
38 purposes of this subsection, the amount of a lump sum
39 distribution subject to separate federal tax shall be
40 included in net income for purposes of determining if
41 a resident is required to file a return and the
42 portion of the lump sum distribution that is allocable
43 to Iowa is included in total net income for purposes
44 of determining if a nonresident is required to make
45 and file a return.

46 Sec. 19. NEW SECTION. 422.13A INCOME TAX FILING
47 STATUS.

48 1. Married taxpayers who file a joint federal
49 income tax return shall file a joint return for Iowa
50 income tax purposes.

S-3196

-11-

S-3196

Page 12

1 2. Married taxpayers who file separate federal
2 income tax returns shall file separately for Iowa
3 income tax purposes.

4 Sec. 20. Section 422.14, subsection 1, Code 1997,
5 is amended to read as follows:

6 1. A fiduciary subject to taxation under this
7 division, as provided in section 422.6, shall make a
8 return, signed in accordance with forms and rules
9 prescribed by the director, for the individual,
10 estate, or trust for whom or for which the fiduciary
11 acts, if the taxable net income thereof amounts to six
12 hundred dollars or more. A nonresident fiduciary
13 shall file a copy of the federal income tax return for
14 the current tax year with the return required by this
15 section.

16 Sec. 21. Section 422.15, subsection 3, Code 1997,
17 is amended to read as follows:

18 3. Every fiduciary shall make a return for the
19 individual, estate, or trust for whom or for which the
20 fiduciary acts, and shall set forth in such return the
21 taxable net income, the names and addresses of the
22 beneficiaries, and the amounts distributed or
23 distributable to each as reported on the federal
24 fiduciary income tax return. Such return may be made
25 by one or two or more joint fiduciaries.

26 Sec. 22. Section 422.21, unnumbered paragraphs 5
27 and 7, Code 1997, are amended to read as follows:

28 The director shall determine for the ~~1989~~ 1998 and
29 each subsequent calendar year the annual and
30 cumulative inflation factors for each calendar year to
31 be applied to tax years beginning on or after January
32 1 of that calendar year. The director shall compute
33 the new dollar amounts as specified to be adjusted in
34 section 422.5 by the latest cumulative inflation
35 factor and round off the result to the nearest one
36 dollar. The annual and cumulative inflation factors
37 determined by the director are not rules as defined in
38 section 17A.2, subsection 10. ~~The director shall~~
39 ~~determine for the 1990 calendar year and each~~
40 ~~subsequent calendar year the annual and cumulative~~
41 ~~standard deduction factors to be applied to tax years~~
42 ~~beginning on or after January 1 of that calendar year.~~
43 ~~The director shall compute the new dollar amounts of~~
44 ~~the standard deductions specified in section 422.97~~
45 ~~subsection 17 by the latest cumulative standard~~
46 ~~deduction factor and round off the result to the~~
47 ~~nearest ten dollars. The annual and cumulative~~
48 ~~standard deduction factors determined by the director~~
49 ~~are not rules as defined in section 17A.27 subsection~~
50 ~~10.~~

S-3196

-12-

S-3196

Page 13

1 If married taxpayers file a joint return ~~or file~~
 2 ~~separately on a combined return in accordance with~~
 3 ~~rules prescribed by the director~~, both spouses are
 4 jointly and severally liable for the total tax due on
 5 the return, except when one spouse is considered to be
 6 an innocent spouse under criteria established pursuant
 7 to section 6013(e) of the Internal Revenue Code.

8 Sec. 23. Section 422.9, Code 1997, is repealed.

9 DIVISION II -- COORDINATING AMENDMENTS

10 Sec. 24. Section 96.3, subsection 4, Code 1997, is
 11 amended to read as follows:

12 4. DETERMINATION OF BENEFITS. With respect to
 13 benefit years beginning on or after July 1, 1983, an
 14 eligible individual's weekly benefit amount for a week
 15 of total unemployment shall be an amount equal to the
 16 following fractions of the individual's total wages in
 17 insured work paid during that quarter of the
 18 individual's base period in which such total wages
 19 were highest; the director shall determine annually a
 20 maximum weekly benefit amount equal to the following
 21 percentages, to vary with the number of dependents, of
 22 the statewide average weekly wage paid to employees in
 23 insured work which shall be effective the first day of
 24 the first full week in July:

25 If the 26 number of 27 dependents 28 is:	The weekly benefit amount shall equal the following frac- tion of high quarter wages:	Subject to the following maxi- mum percentage of the statewide average weekly wage:
31 0	1/23	53%
32 1	1/22	55%
33 2	1/21	57%
34 3	1/20	60%
35 4 or more	1/19	65%

36 The maximum weekly benefit amount, if not a multiple
 37 of one dollar shall be rounded to the lower multiple
 38 of one dollar. However, until such time as sixty-five
 39 percent of the statewide average weekly wage exceeds
 40 one hundred ninety dollars, the maximum weekly benefit
 41 amounts shall be determined using the statewide
 42 average weekly wage computed on the basis of wages
 43 reported for calendar year 1981. As used in this
 44 section "dependent" means dependent as defined in
 45 ~~section 422.127, subsection 17, paragraph "c"~~ for state
 46 individual income tax purposes, as if the individual
 47 claimant was a taxpayer, except that an individual
 48 claimant's nonworking spouse shall be deemed to be a
 49 dependent under this section. "Nonworking spouse"
 50 means a spouse who does not earn more than one hundred

S-3196

S-3196

Page 14

1 twenty dollars in gross wages in one week.

2 Sec. 25. Section 216B.3, subsection 15, Code 1997,
3 is amended to read as follows:

4 15. Develop a plan to provide telephone yellow
5 pages information without charge to persons declared
6 to be blind ~~under the standards in section 422-127~~
7 ~~subsection 17-paragraph "e"~~. The department may apply
8 for federal funds to support the service. The program
9 shall be limited in scope by the availability of
10 funds. For the purposes of this subsection, an
11 individual is blind only if the individual's central
12 visual acuity does not exceed twenty-two hundredths in
13 the better eye with correcting lenses, or if the
14 individual's visual acuity is greater than twenty-two
15 hundredths but is accompanied by a limitation in the
16 fields of vision such that the widest diameter of the
17 visual field subtends an angle no greater than twenty
18 degrees.

19 Sec. 26. Section 476.6, subsection 1, unnumbered
20 paragraph 2, Code 1997, is amended to read as follows:

21 A subscriber of a telephone exchange or service,
22 who is declared to be legally blind ~~under section~~
23 ~~422-127-subsection 17-paragraph "e"~~, is exempt from
24 any charges for telephone directory assistance that
25 may be approved by the board. For the purposes of
26 this paragraph, an individual is legally blind only if
27 the individual's central visual acuity does not exceed
28 twenty-two hundredths in the better eye with
29 correcting lenses, or if the individual's visual
30 acuity is greater than twenty-two hundredths but is
31 accompanied by a limitation in the fields of vision
32 such that the widest diameter of the visual field
33 subtends an angle no greater than twenty degrees.

34 Sec. 27. Section 541A.2, subsection 7, unnumbered
35 paragraph 1, Code 1997, is amended to read as follows:

36 An individual development account closed in
37 accordance with this subsection is not subject to the
38 limitations and benefits provided by this chapter but
39 is subject to state tax in accordance with the
40 provisions of ~~section 422-77-subsection 287~~ and
41 section 450.4, subsection 6. An individual
42 development account may be closed for any of the
43 following reasons:

44 Sec. 28. Section 541A.3, subsection 2, Code 1997,
45 is amended by striking the subsection.

46 DIVISION III -- EFFECTIVE AND APPLICABILITY DATE
47 PROVISIONS

48 Sec. 29. This Act, being deemed of immediate
49 importance, takes effect upon enactment and applies
50 retroactively to tax years beginning on or after

S-3196

-14-

S-3196

Page 15

1 January 1, 1997."

2 2. Title page, by striking lines 1 and 2 and
 3 inserting the following: "An Act relating to the
 4 state individual income tax by tying the computation
 5 more closely to the federal individual income tax,
 6 establishing a new rate structure, and providing an
 7 effective and retroactive applicability date
 8 provision."

By TOM VILSACK
 TOM FLYNN
 PATRICK J. DELUHERY

S-3196 FILED MARCH 20, 1997

RULED OUT OF ORDER

3/20/97 (P.733)

HOUSE FILE 388

S-3198

1 Amend the Committee amendment, S-3193, to House
 2 File 388, as passed by the House, as follows:
 3 1. Page 1, by striking lines 3 through 36 and
 4 inserting the following:
 5 "___ . Page 1, by striking line 27 and inserting
 6 the following: "dollars, nine and ninety-eight
 7 hundredths".
 8 ___ . Title page, line 1, by inserting after the
 9 word "by" the following: "up to"."

By MICHAEL E. GRONSTAL
 PATTY JUDGE
 JOHN P. KIBBIE
 MATT McCOY
 RODNEY HALVORSON
 TOM FLYNN
 PATRICK J. DELUHERY
 STEVEN D. HANSEN
 DON GETTINGS

MIKE CONNOLLY
 DICK L. DEARDEN
 DENNIS H. BLACK
 ROBERT E. DVORSKY
 TOM VILSACK
 MARY NEUHAUSER
 WALLY E. HORN
 JOHNIE HAMMOND
 BILL FINK

S-3198 FILED MARCH 20, 1997

LOST

3/20/97

(P.732)

HOUSE FILE 388

S-3193

1 Amend House File 388, as passed by the House, as
2 follows:

3 1. Page 1, by striking lines 3 through 28 and
4 inserting the following:

5 "a. On all taxable income from zero through one
6 thousand dollars, ~~four-tenths~~ thirty-six hundredths of
7 one percent.

8 b. On all taxable income exceeding one thousand
9 dollars but not exceeding two thousand dollars, ~~eight-~~
10 tenths seventy-two hundredths of one percent.

11 c. On all taxable income exceeding two thousand
12 dollars but not exceeding four thousand dollars, two
13 and ~~seven-tenths~~ forty-three hundredths percent.

14 d. On all taxable income exceeding four thousand
15 dollars but not exceeding nine thousand dollars, ~~five~~
16 four and one-half percent.

17 e. On all taxable income exceeding nine thousand
18 dollars but not exceeding fifteen thousand dollars,
19 six and ~~eight-tenths~~ twelve hundredths percent.

20 f. On all taxable income exceeding fifteen
21 thousand dollars but not exceeding twenty thousand
22 dollars, ~~seven-and-two-tenths~~ six and forty-eight
23 hundredths percent.

24 g. On all taxable income exceeding twenty thousand
25 dollars but not exceeding thirty thousand dollars,
26 ~~seven-and-fifty-five-hundredths~~ six and eight-tenths
27 percent.

28 h. On all taxable income exceeding thirty thousand
29 dollars but not exceeding forty-five thousand dollars,
30 ~~eight-and-eight-tenths~~ seven and ninety-two hundredths
31 percent.

32 i. On all taxable income exceeding forty-five
33 thousand dollars, ~~nine~~ eight and ninety-eight
34 hundredths percent."

35 2. Title page, line 1, by striking the word
36 "fifteen" and inserting the following: "ten".

By COMMITTEE ON WAYS AND MEANS
JoANN DOUGLAS, Chairperson

S-3193 FILED MARCH 20, 1997

ADOPTED

3/20/97
(P.733)

HOUSE FILE 388

S-3199

1 Amend House File 388, as passed by the House, as
2 follows:
3 1. Page 1, by inserting before line 29 the
4 following:
5 "Sec. ____ . Section 422.7, subsection 34, Code
6 1997, is amended to read as follows:
7 34. For a person who is disabled, or is fifty-five
8 years of age or older, or is the surviving spouse of
9 an individual or a survivor having an insurable
10 interest in an individual who would have qualified for
11 the exemption under this subsection for the tax year,
12 subtract, to the extent included, the total amount of
13 a governmental or other pension or retirement pay,
14 including, but not limited to, defined benefit or
15 defined contribution plans, annuities, individual
16 retirement accounts, plans maintained or contributed
17 to by an employer, or maintained or contributed to by
18 a self-employed person as an employer, and deferred
19 compensation plans or any earnings attributable to the
20 deferred compensation plans, ~~up to a maximum of three~~
21 ~~thousand dollars for a person who files a separate~~
22 ~~state income tax return and up to a maximum of six~~
23 ~~thousand dollars for a husband and wife who file a~~
24 ~~joint state income tax return.~~ However, a surviving
25 spouse who is not disabled or fifty-five years of age
26 or older can only exclude the amount of pension or
27 retirement pay received as a result of the death of
28 the other spouse."
29 2. Title page, line 2, by inserting after the
30 word "percent" the following: ", increasing the
31 pension deduction,".

By PATRICK DELUHERY
TOM FLYNN
DON GETTINGS
EUGENE FRAISE
RODNEY HALVORSON
STEVEN D. HANSEN
DENNIS H. BLACK

JOHN P. KIBBIE
WALLY E. HORN
WILLIAM D. PALMER
MICHAEL E. GRONSTAL
MATT McCOY
ROBERT E. DVORSKY

S-3199 FILED MARCH 20, 1997
RULED OUT OF ORDER

3/20/97

HOUSE FILE 388

S-3197

1 Amend House File 388, as passed by the House, as
2 follows:

3 1. Page 1, by striking lines 3 through 28 and
4 inserting the following:

5 "a. On all taxable income from zero through one
6 thousand dollars, four-tenths three-tenths of one
7 percent.

8 b. On all taxable income exceeding one thousand
9 dollars but not exceeding two thousand dollars, eight-
10 tenths six-tenths of one percent.

11 c. On all taxable income exceeding two thousand
12 dollars but not exceeding four thousand dollars, two
13 and seven-tenths three hundredths percent.

14 d. On all taxable income exceeding four thousand
15 dollars but not exceeding nine thousand dollars, five
16 three and seventy-five hundredths percent.

17 e. On all taxable income exceeding nine thousand
18 dollars but not exceeding fifteen thousand dollars,
19 six-and-eight-tenths five and one-tenth percent.

20 f. On all taxable income exceeding fifteen
21 thousand dollars but not exceeding twenty thousand
22 dollars, seven-and-two-tenths five and four-tenths
23 percent.

24 g. On all taxable income exceeding twenty thousand
25 dollars but not exceeding thirty thousand dollars,
26 seven-and-fifty-five five and sixty-six hundredths
27 percent.

28 h. On all taxable income exceeding thirty thousand
29 dollars but not exceeding forty-five thousand dollars,
30 eight-and-eight-tenths six and six-tenths percent.

31 i. On all taxable income exceeding forty-five
32 thousand dollars, nine and ninety-eight hundredths
33 percent."

34 2. Title page, line 1, by striking the word
35 "fifteen" and inserting the following "up to twenty-
36 five".

By MICHAEL E. GRONSTAL
PATTY JUDGE
PATRICK J. DELUHERY
MATT McCOY

RODNEY HALVORSON
TOM FLYNN
STEVEN D. HANSEN
WALLY E. HORN

S-3197 FILED MARCH 20, 1997
RULED OUT OF ORDER

3/20/97 (p134)

SENATE AMENDMENT TO HOUSE FILE 388

H-1274

1 Amend House File 388, as passed by the House, as
2 follows:

3 1. Page 1, by striking lines 3 through 28 and
4 inserting the following:

5 "a. On all taxable income from zero through one
6 thousand dollars, four-tenths thirty-six hundredths of
7 one percent.

8 b. On all taxable income exceeding one thousand
9 dollars but not exceeding two thousand dollars, eight-
10 tenths seventy-two hundredths of one percent.

11 c. On all taxable income exceeding two thousand
12 dollars but not exceeding four thousand dollars, two
13 and seven-tenths forty-three hundredths percent.

14 d. On all taxable income exceeding four thousand
15 dollars but not exceeding nine thousand dollars, five
16 four and one-half percent.

17 e. On all taxable income exceeding nine thousand
18 dollars but not exceeding fifteen thousand dollars,
19 six and eight-tenths twelve hundredths percent.

20 f. On all taxable income exceeding fifteen
21 thousand dollars but not exceeding twenty thousand
22 dollars, seven-and-two-tenths six and forty-eight
23 hundredths percent.

24 g. On all taxable income exceeding twenty thousand
25 dollars but not exceeding thirty thousand dollars,
26 seven-and-fifty-five-hundredths six and eight-tenths
27 percent.

28 h. On all taxable income exceeding thirty thousand
29 dollars but not exceeding forty-five thousand dollars,
30 eight-and-eight-tenths seven and ninety-two hundredths
31 percent.

32 i. On all taxable income exceeding forty-five
33 thousand dollars, nine eight and ninety-eight
34 hundredths percent."

35 2. Title page, line 1, by striking the word
36 "fifteen" and inserting the following: "ten".

RECEIVED FROM THE SENATE

H-1274 FILED MARCH 24, 1997

House Concurred

(P. 747)

H-1130

1 Amend House File 388 as follows:

2 1. Page 1, by striking lines 3 through 29 and
3 inserting the following:

4 "a. On all taxable income from zero through one
5 thousand dollars, ~~four-tenths~~ three-tenths of one
6 percent.

7 b. On all taxable income exceeding one thousand
8 dollars but not exceeding two thousand dollars, ~~eight-~~
9 tenths four-tenths of one percent.

10 c. On all taxable income exceeding two thousand
11 dollars but not exceeding four thousand dollars, two
12 ~~and-seven-tenths~~ percent.

13 d. On all taxable income exceeding four thousand
14 dollars but not exceeding nine thousand dollars, five
15 percent.

16 e. On all taxable income exceeding nine thousand
17 dollars but not exceeding fifteen thousand dollars,
18 ~~six five and eight-tenths~~ two-tenths percent.

19 f. On all taxable income exceeding fifteen
20 thousand dollars but not exceeding twenty thousand
21 dollars, ~~seven five and two-tenths~~ percent.

22 g. On all taxable income exceeding twenty thousand
23 dollars but not exceeding thirty thousand dollars,
24 ~~seven six and fifty-five-hundredths~~ percent.

25 h. On all taxable income exceeding thirty thousand
26 dollars but not exceeding forty-five thousand dollars,
27 ~~eight six and eight-tenths~~ five-tenths percent.

28 i. On all taxable income exceeding forty-five
29 thousand dollars, ~~nine seven and ninety-eight~~
30 ~~hundredths~~ percent.

31 Sec. ____ . Section 422.9, subsection 1, Code 1997,
32 is amended to read as follows:

33 1. An optional standard deduction, after deduction
34 of federal income tax, equal to one thousand two
35 hundred thirty dollars for a married person who files
36 separately or a single person or equal to three
37 thousand thirty dollars for a husband and wife who
38 file a joint return, a surviving spouse, or an
39 unmarried head of household. The optional standard
40 deduction shall not exceed the amount remaining after
41 deduction of the federal income tax. The amount of
42 the federal income taxes deducted shall not exceed the
43 amount as computed under subsection 2, paragraph "b".

44 Sec. ____ . Section 422.9, subsection 2, paragraph
45 b, Code 1997, is amended by striking the paragraph and
46 inserting in lieu thereof the following:

47 b. Add the amount of federal income taxes paid
48 with the federal return or as a result of an
49 adjustment to a federal return for tax years ending
50 prior to January 1, 1997. Subtract the amount of

H-1130

H-1130

Page 2

1 federal income tax refunds received for a tax year to
2 the extent that the federal income tax was deducted in
3 a previous tax year.

4 Sec. _____. This Act applies retroactively to
5 January 1, 1997".

6 2. Title page, lines 1 and 2, by striking the
7 words "by fifteen percent" and inserting the
8 following: ", and eliminating the deduction for
9 federal income taxes paid,".

By FALLON of Polk
WITT of Black Hawk

H-1130 FILED MARCH 3, 1997

Ruled not germane 3/4/97 (p. 487)

HOUSE FILE 388

H-1131

1 Amend House File 388 as follows:

2 1. Page 1, line 29, by striking the word and
3 figures "January 1, 1998" and inserting the following:
4 "July 1, 1997".

5 2. Page 1, line 30, by striking the words "that
6 date" and inserting the following: "January 1, 1997".

By WISE of Lee

H-1131 FILED MARCH 3, 1997

Act 3/4/97 (p. 487)

HOUSE FILE 388

H-1132

1 Amend House File 388 as follows:

2 1. Page 1, by striking lines 3 through 29 and
3 inserting the following:

4 "a. On all taxable income from zero through one
5 thousand dollars, ~~four-tenths~~ three-tenths of one
6 percent.

7 b. On all taxable income exceeding one thousand
8 dollars but not exceeding two thousand dollars, ~~eight-~~
9 ~~tenths~~ four-tenths of one percent.

10 c. On all taxable income exceeding two thousand
11 dollars but not exceeding four thousand dollars, two
12 ~~and-seven-tenths~~ percent.

13 d. On all taxable income exceeding four thousand
14 dollars but not exceeding nine thousand dollars, ~~five~~
15 ~~three and seventy-five hundredths~~ percent.

16 e. On all taxable income exceeding nine thousand
17 dollars but not exceeding fifteen thousand dollars,
18 ~~six four~~ and ~~eight-tenths~~ nine-tenths percent.

19 f. On all taxable income exceeding fifteen
20 thousand dollars but not exceeding twenty thousand
21 dollars, ~~seven five~~ and ~~two-tenths~~ twenty-five
22 hundredths percent.

23 g. On all taxable income exceeding twenty thousand
24 dollars but not exceeding thirty thousand dollars,
25 ~~seven five~~ and ~~fifty-five~~ twenty-five
26 hundredths percent.

27 h. On all taxable income exceeding thirty thousand
28 dollars but not exceeding forty-five thousand dollars,
29 ~~eight five~~ and ~~eight-tenths~~ twenty-five
30 hundredths percent.

31 i. On all taxable income exceeding forty-five
32 thousand dollars, ~~nine six~~ and ~~ninety-eight-hundredths~~
33 eight-tenths percent.

34 Sec. ____ . Section 422.9, subsection 1, Code 1997,
35 is amended to read as follows:

36 1. An optional standard deduction, after deduction
37 of federal income tax, equal to one thousand two
38 hundred thirty dollars for a married person who files
39 separately or a single person or equal to three
40 thousand thirty dollars for a husband and wife who
41 file a joint return, a surviving spouse, or an
42 unmarried head of household. The optional standard
43 deduction shall not exceed the amount remaining after
44 deduction of the federal income tax. The amount of
45 the federal income taxes deducted shall not exceed the
46 amount as computed under subsection 2, paragraph "b".

47 Sec. ____ . Section 422.9, subsection 2, paragraph
48 b, Code 1997, is amended by striking the paragraph and
49 inserting in lieu thereof the following:

50 b. Add the amount of federal income taxes paid

H-1132

H-1132

Page 2

1 with the federal return or as a result of an
2 adjustment to a federal return for tax years ending
3 prior to January 1, 1997. Subtract the amount of
4 federal income tax refunds received for a tax year to
5 the extent that the federal income tax was deducted in
6 a previous tax year.

7 Sec. _____. This Act applies retroactively to
8 January 1, 1997".

9 2. Title page, lines 1 and 2, by striking the
10 words "by fifteen percent" and inserting the
11 following: ", and eliminating the deduction for
12 federal income taxes paid,".

By BERNAU of Story
MYERS of Johnson
BELL of Jasper
BRAND of Tama
BUKTA of Clinton
BURNETT of Story
CATALDO of Polk
CHAPMAN of Linn
CHIODO of Polk
COHOON of Des Moines
CONNORS of Polk
DREES of Carroll
FALCK of Fayette
FOEGE of Linn
FORD of Polk
FREVERT of Palo Alto
HUSER of Polk
JOCHUM of Dubuque
KINZER of Scott
KOENIGS of Mitchell

KREIMAN of Davis
LARKIN of Lee
MASCHER of Johnson
MAY of Worth
MERTZ of Kossuth
MORELAND of Wapello
MUNDIE of Webster
MURPHY of Dubuque
O'BRIEN of Boone
OSTERHAUS of Jackson
REYNOLDS-KNIGHT of Van Buren
RICHARDSON of Warren
SCHERRMAN of Dubuque
SCHRADER of Marion
THOMAS of Clayton
WARNSTADT of Woodbury
WEIGEL of Chickasaw
WHITEAD of Woodbury
WISE of Lee

H-1132 FILED MARCH 3, 1997

Ruled not germane 3/4/97
Motion to suspend rules 3/4/97
" Last 3/4/97

HSB 159

WAYS AND MEANS

Sub SE 388

Rants, Chair
Dinkla
Van Fossen
Bernau
Myers

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DINKLA)

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

A BILL FOR

1 An Act reducing the state individual income tax rates by fifteen
2 percent and including an effective date provision.

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

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1 Section 1. Section 422.5, subsection 1, paragraphs a
2 through i, Code 1997, are amended to read as follows:

3 a. On all taxable income from zero through one thousand
4 dollars, ~~four-tenths~~ thirty-four hundredths of one percent.

5 b. On all taxable income exceeding one thousand dollars
6 but not exceeding two thousand dollars, ~~eight-tenths~~ sixty-
7 eight hundredths of one percent.

8 c. On all taxable income exceeding two thousand dollars
9 but not exceeding four thousand dollars, two and ~~seven-tenths~~
10 three-tenths percent.

11 d. On all taxable income exceeding four thousand dollars
12 but not exceeding nine thousand dollars, ~~five~~ four and twenty-
13 five hundredths percent.

14 e. On all taxable income exceeding nine thousand dollars
15 but not exceeding fifteen thousand dollars, ~~six~~ five and
16 ~~eight-tenths~~ seventy-eight hundredths percent.

17 f. On all taxable income exceeding fifteen thousand
18 dollars but not exceeding twenty thousand dollars, ~~seven~~ six
19 and ~~two-tenths~~ twelve-hundredths percent.

20 g. On all taxable income exceeding twenty thousand dollars
21 but not exceeding thirty thousand dollars, ~~seven~~ six and
22 ~~fifty-five~~ forty-two hundredths percent.

23 h. On all taxable income exceeding thirty thousand dollars
24 but not exceeding forty-five thousand dollars, ~~eight~~ seven and
25 ~~eight-tenths~~ forty-eight hundredths percent.

26 i. On all taxable income exceeding forty-five thousand
27 dollars, ~~nine~~ eight and ~~ninety-eight~~ forty-eight hundredths
28 percent.

29 Sec. 2. This Act takes effect January 1, 1998, and applies
30 to tax years beginning on or after that date.

31 EXPLANATION

32 The bill reduces the state individual income tax rates by
33 15 percent. The lowest and highest rates under present law
34 are .4 percent and 9.98 percent, respectively. Under the bill
35 these figures would be .34 percent and 8.48 percent.

1 The bill takes effect January 1, 1998, and applies to tax
2 years beginning on or after that date.

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HOUSE FILE 388

AN ACT

REDUCING THE STATE INDIVIDUAL INCOME TAX RATES BY TEN PERCENT AND INCLUDING AN EFFECTIVE DATE PROVISION.

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

Section 1. Section 422.5, subsection 1, paragraphs a through i, Code 1997, are amended to read as follows:

- a. On all taxable income from zero through one thousand dollars, four-tenths thirty-six hundredths of one percent.
- b. On all taxable income exceeding one thousand dollars but not exceeding two thousand dollars, eight-tenths seventy-two hundredths of one percent.
- c. On all taxable income exceeding two thousand dollars but not exceeding four thousand dollars, two and seven-tenths forty-three hundredths percent.
- d. On all taxable income exceeding four thousand dollars but not exceeding nine thousand dollars, five four and one-half percent.
- e. On all taxable income exceeding nine thousand dollars but not exceeding fifteen thousand dollars, six and eight-tenths twelve hundredths percent.
- f. On all taxable income exceeding fifteen thousand dollars but not exceeding twenty thousand dollars, seven-and two-tenths six and forty-eight hundredths percent.
- g. On all taxable income exceeding twenty thousand dollars but not exceeding thirty thousand dollars, seven-and-fifty-five-hundredths six and eight-tenths percent.
- h. On all taxable income exceeding thirty thousand dollars but not exceeding forty-five thousand dollars, eight-and eight-tenths seven and ninety-two hundredths percent.
- i. On all taxable income exceeding forty-five thousand dollars, nine eight and ninety-eight hundredths percent.

Sec. 2. This Act takes effect January 1, 1998, and applies to tax years beginning on or after that date.

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 388, Seventy-seventh General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved March 27, 1997

TERRY E. BRANSTAD
Governor