

4/21/97 Referred to W. d m.  
Comm.

APR 17 1997  
APPROPRIATIONS CALENDAR

HOUSE FILE 727  
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO HF 408)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the appropriation and allocation of franchise  
2 tax revenue, establishing a program to identify nonfilers and  
3 nonpayers of state taxes, and providing an effective date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 727

1 Section 1. Section 331.427, subsection 1, unnumbered  
2 paragraph 1, Code 1997, is amended to read as follows:

3 Except as otherwise provided by state law, county revenues  
4 from taxes and other sources for general county services shall  
5 be credited to the general fund of the county, including  
6 revenues received under sections 101A.3, 101A.7, 123.36,  
7 123.143, 142B.6, 176A.8, 321.105, 321.152, 321G.7, 331.554,  
8 subsection 6, 341A.20, 364.3, 368.21, ~~422-657~~ 422A.2, 428A.8,  
9 430A.3, 433.15, 434.19, 445.57, 453A.35, 458A.21, 483A.12,  
10 533.24, 556B.1, 567.10, 583.6, 602.8108, 904.908, and 906.17,  
11 and chapter 405A, and the following:

12 Sec. 2. NEW SECTION. 405A.10 FRANCHISE TAX REVENUE  
13 ALLOCATION.

14 For the fiscal year beginning July 1, 1997, and each  
15 subsequent fiscal year, there is appropriated from the general  
16 fund of the state to the department of revenue and finance the  
17 sum of eight million eight hundred thousand dollars which  
18 shall be paid quarterly on warrants by the director as  
19 allocated pursuant to section 422.65.

20 Sec. 3. Section 421.17, Code 1997, is amended by adding  
21 the following new subsection:

22 NEW SUBSECTION. 22A. To develop, modify, and administer  
23 or contract with vendors to develop and administer systems or  
24 programs which identify nonfilers of returns or nonpayers of  
25 taxes. Fees for services, reimbursements, or other  
26 remuneration paid under contract may be funded from the amount  
27 of tax, penalty, interest, or fees actually collected and  
28 shall be paid only after the amount is collected. An amount  
29 is appropriated from the amount of tax, penalty, interest, or  
30 fees actually collected, not to exceed the amount collected,  
31 which is sufficient to pay for services, reimbursement, or  
32 other remuneration pursuant to this subsection. Vendors  
33 entering into a contract with the department pursuant to this  
34 subsection are subject to the requirements and penalties of  
35 the confidentiality laws of this state regarding tax

1 information.

2 Sec. 4. Section 422.20, subsection 3, unnumbered paragraph  
3 1, Code 1997, is amended to read as follows:

4 Unless otherwise expressly permitted by section 421.17,  
5 subsections 21, 22, 22A, 23, 25, 29, and 32, sections 252B.9,  
6 421.19, 421.28, 422.72, and 452A.63, and this section, a tax  
7 return, return information, or investigative or audit  
8 information shall not be divulged to any person or entity,  
9 other than the taxpayer, the department, or internal revenue  
10 service for use in a matter unrelated to tax administration.

11 Sec. 5. Section 422.65, Code 1997, is amended to read as  
12 follows:

13 422.65 ALLOCATION OF REVENUE.

14 All moneys received from the franchise tax shall be  
15 deposited in the state general fund. ~~Commencing with the~~  
16 ~~fiscal year beginning July 1, 1993, there is appropriated for~~  
17 ~~each fiscal year from the franchise tax money received and~~  
18 ~~deposited in the state general fund the sum of eight million~~  
19 ~~eight hundred thousand dollars which shall be paid quarterly~~  
20 ~~on warrants by the director, after certification by the~~  
21 ~~director, Franchise tax moneys appropriated in section 405A.10~~  
22 are allocated as follows:

23 1. Sixty percent to the general fund of the city from  
24 which the tax is collected.

25 2. Forty percent to the county from which the tax is  
26 collected.

27 If the financial institution maintains one or more offices  
28 for the transaction of business, other than its principal  
29 office, a portion of its franchise tax shall be allocated to  
30 each office, based upon a reasonable measure of the business  
31 activity of each office. The director shall prescribe, for  
32 each type of financial institution, a method of measuring the  
33 business activity of each office. Financial institutions  
34 shall furnish all necessary information for this purpose at  
35 the request of the director.

1 ~~Quarterly, the director shall certify to the treasurer of~~  
2 ~~state the amounts to be paid to each city and county from the~~  
3 ~~state general fund. All moneys received from the franchise~~  
4 ~~tax are appropriated according to the provisions of this~~  
5 ~~section.~~

6 Sec. 6. Section 422.72, subsection 3, unnumbered paragraph  
7 1, Code 1997, is amended to read as follows:

8 Unless otherwise expressly permitted by section 421.17,  
9 subsections 21, 22, 22A, 23, 25, 29, and 32, sections 252B.9,  
10 421.19, 421.28, 422.20, and 452A.63, and this section, a tax  
11 return, return information, or investigative or audit  
12 information shall not be divulged to any person or entity,  
13 other than the taxpayer, the department, or internal revenue  
14 service for use in a matter unrelated to tax administration.

15 Sec. 7. EFFECTIVE DATE. Sections 3, 4, and 6 of this Act,  
16 relating to contractual agreements by the department of  
17 revenue and finance, being deemed of immediate importance,  
18 take effect upon enactment.

19 EXPLANATION

20 This bill authorizes the department of revenue and finance  
21 to develop a program to identify nonfilers and nonpayers of  
22 taxes and to contract for services to carry out the program.  
23 The costs of the identification program shall be paid from  
24 taxes, penalties, interest, and other fees actually collected.  
25 Vendors are required to observe confidentiality requirements  
26 regarding tax information obtained from identification of  
27 nonfilers and nonpayers of taxes.

28 The bill also appropriates \$8.8 million annually from  
29 franchise tax revenue in the general fund of the state to be  
30 allocated to cities and counties.

31 Sections 3, 4, and 6, relating to contract agreements by  
32 the department of revenue and finance, take effect upon  
33 enactment.

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