

FILED JAN 13 1997

SENATE FILE 1
BY DELUHERY

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

A BILL FOR

1 An Act relating to the state individual income tax by reducing
2 the tax rates, increasing the standard deductions, increasing
3 the amount of and eligibility for the child and dependent care
4 credit, and providing a retroactive date provision.

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

- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

S.F. 1

1 Section 1. Section 422.4, subsection 2, paragraphs b and
2 c, Code 1997, are amended to read as follows:

3 b. "Cumulative standard deduction factor" means the
4 product of the annual standard deduction factor for the ~~1989~~
5 1997 calendar year and all annual standard deduction factors
6 for subsequent calendar years as determined pursuant to this
7 subsection. The cumulative standard deduction factor applies
8 to all tax years beginning on or after January 1 of the
9 calendar year for which the latest annual standard deduction
10 factor has been determined.

11 c. The annual standard deduction factor for the ~~1989~~ 1997
12 calendar year is one hundred percent.

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

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

17 b. On all taxable income exceeding one thousand dollars
18 but not exceeding two thousand dollars, ~~eight-tenths~~ seventy-
19 two hundredths of one percent.

20 c. On all taxable income exceeding two thousand dollars
21 but not exceeding four thousand dollars, two and ~~seven-tenths~~
22 forty-three hundredths percent.

23 d. On all taxable income exceeding four thousand dollars
24 but not exceeding nine thousand dollars, ~~five~~ four and one-
25 half percent.

26 e. On all taxable income exceeding nine thousand dollars
27 but not exceeding fifteen thousand dollars, six and ~~eight-~~
28 tenths twelve hundredths percent.

29 f. On all taxable income exceeding fifteen thousand
30 dollars but not exceeding twenty thousand dollars, ~~seven~~ six
31 and ~~two-tenths~~ forty-eight hundredths percent.

32 g. On all taxable income exceeding twenty thousand dollars
33 but not exceeding thirty thousand dollars, ~~seven~~ six and
34 ~~fifty-five-hundredths~~ eight-tenths percent.

35 h. On all taxable income exceeding thirty thousand dollars

1 but not exceeding forty-five thousand dollars, eight seven and
2 eight-tenths ninety-two hundredths percent.

3 i. On all taxable income exceeding forty-five thousand
4 dollars, nine eight and ninety-eight hundredths percent.

5 Sec. 3. Section 422.9, subsection 1, Code 1997, is amended
6 to read as follows:

7 1. An optional standard deduction, after deduction of
8 federal income tax, equal to one three thousand two four
9 hundred thirty dollars for a married person who files
10 separately or a single person or equal to three eight thousand
11 thirty five hundred dollars for a husband and wife who file a
12 joint return, a surviving spouse, or an unmarried head of
13 household. The optional standard deduction shall not exceed
14 the amount remaining after deduction of the federal income
15 tax.

16 Sec. 4. Section 422.12C, subsection 1, Code 1997, is
17 amended to read as follows:

18 1. The taxes imposed under this division, less the credits
19 allowed under sections 422.11A, 422.11B, 422.11C, 422.12, and
20 422.12B shall be reduced by a child and dependent care credit
21 equal to the following percentages of the federal child and
22 dependent care credit provided in section 21 of the Internal
23 Revenue Code:

24 a. For a taxpayer with net income of less than ten
25 thousand dollars, seventy-five ninety percent.

26 b. For a taxpayer with net income of ten thousand dollars
27 or more but less than twenty thousand dollars, sixty-five
28 eighty percent.

29 c. For a taxpayer with net income of twenty thousand
30 dollars or more but less than twenty-five thousand dollars,
31 fifty-five seventy percent.

32 d. For a taxpayer with net income of twenty-five thousand
33 dollars or more but less than thirty-five thousand dollars,
34 fifty sixty-five percent.

35 e. For a taxpayer with net income of thirty-five thousand

1 dollars or more but less than forty thousand dollars, forty
2 fifty-five percent.

3 f. For a taxpayer with net income of forty thousand
4 dollars or more, zero but less than sixty thousand dollars,
5 forty percent.

6 g. For a taxpayer with net income of sixty thousand
7 dollars or more but less than eighty thousand dollars, twenty-
8 five percent.

9 h. For a taxpayer with net income of eighty thousand
10 dollars or more, zero percent.

11 Sec. 5. This Act applies retroactively to January 1, 1997,
12 for tax years beginning on or after that date.

13 EXPLANATION

14 The bill amends the state individual income tax by reducing
15 the tax rates, increasing the standard deduction, and
16 increasing the child and dependent credit. The tax rates are
17 reduced by 10 percent across the board. The standard
18 deduction is increased to \$3,400 from \$1,380 for singles and
19 unmarrieds filing separately and increased to \$8,500 from
20 \$3,400 for marrieds filing jointly, surviving spouses, and
21 heads of households. The present standard deductions of
22 \$1,380 and \$3,400 are the statutory amounts adjusted for
23 inflation. The child and dependent care credit is presently a
24 percentage of the allowable federal credit limited to those
25 with net incomes of less than \$40,000. The bill increases the
26 percentage amount by 15 percentage points and sets the
27 percentage amount at 40 percent for taxpayers with net incomes
28 between \$40,000 and \$60,000 and at 25 percent for taxpayers
29 with net incomes between \$60,000 and \$80,000 and limits the
30 eligibility for the credit to those with net incomes of less
31 than \$80,000.

32 These changes are retroactively applicable to tax years
33 beginning on or after January 1, 1997.

34
35