

H-1/23/97 Ways & means

FILED JAN 16 1997

SENATE FILE 35
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1.1)

Passed Senate, Date 1-22-97 Passed House, Date 2-4-97
Vote: Ayes 42 Nays 7 Vote: Ayes 96 Nays 2
Approved Feb. 10, 1997

A BILL FOR

1 An Act eliminating the inheritance tax on property passing to
2 parents, grandparents, great-grandparents, and other lineal
3 ascendants, children including legally adopted children and
4 biological children entitled to inherit under the laws of this
5 state, stepchildren, and grandchildren, great-grandchildren,
6 and other lineal descendants of the decedent and providing an
7 applicability date provision.

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

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S.F. 35

1 Section 1. Section 450.7, subsection 1, unnumbered
2 paragraph 1, Code 1997, is amended to read as follows:

3 Except for the share of the estate passing to the surviving
4 spouse, and parents, grandparents, great-grandparents, and
5 other lineal ascendants, children including legally adopted
6 children and biological children entitled to inherit under the
7 laws of this state, stepchildren, and grandchildren, great-
8 grandchildren, and other lineal descendants, the tax is a
9 charge against and a lien upon the estate subject to tax under
10 this chapter, and all property of the estate or owned by the
11 decedent from the death of the decedent until paid, subject to
12 the following limitation:

13 Sec. 2. Section 450.9, Code 1997, is amended by striking
14 the section and inserting in lieu thereof the following:

15 450.9 INDIVIDUAL EXEMPTIONS.

16 In computing the tax on the net estate, the entire amount
17 of property, interest in property, and income passing to the
18 surviving spouse, and parents, grandparents, great-
19 grandparents, and other lineal ascendants, children including
20 legally adopted children and biological children entitled to
21 inherit under the laws of this state, stepchildren, and
22 grandchildren, great-grandchildren, and other lineal
23 descendants are exempt from tax.

24 Sec. 3. Section 450.10, subsection 1, Code 1997, is
25 amended by striking the subsection.

26 Sec. 4. Section 450.10, subsection 2, unnumbered paragraph
27 1, Code 1997, is amended to read as follows:

28 When the property or any interest ~~therein~~ in property, or
29 income ~~therefrom~~ from property taxable under the provisions of
30 this chapter passes to the brother or sister, son-in-law, or
31 daughter-in-law, ~~or step-children~~, the rate of tax imposed on
32 the individual share so passing shall be as follows:

33 Sec. 5. Section 450.10, subsection 3, unnumbered paragraph
34 1, Code 1997, is amended to read as follows:

35 When the property or interest in property or income from

1 property, taxable under this chapter, passes to a person not
2 included in subsections 1, 2, and 7, the rate of tax imposed
3 on the individual share so passing shall be as follows:

4 Sec. 6. Section 450.10, subsection 6, Code 1997, is
5 amended to read as follows:

6 6. When the property or any interest therein in property,
7 or income ~~therefrom~~ from property, taxable under the
8 ~~provisions of~~ this chapter passes to any person included under
9 subsection 1 or 2 hereof, there shall be credited to the tax
10 imposed on the individual share so passing an amount equal to
11 the tax imposed in this state on the decedent on any property,
12 real, personal or mixed, or the proportionate share thereof on
13 property passing to the person taxed hereunder, which can be
14 identified as having been received by the decedent as a share
15 in the estate of any person who died within two years prior to
16 the death of the decedent, or which can be identified as
17 having been acquired by the decedent in exchange for property
18 so received. The credit shall not be applicable to taxes on
19 property of the decedent which was not acquired from the prior
20 estate.

21 Sec. 7. Section 450.10, subsection 7, Code 1997, is
22 amended to read as follows:

23 7. Property, interest in property, or income passing to
24 the surviving spouse, and parents, grandparents, great-
25 grandparents, and other lineal ascendants, children including
26 legally adopted children and biological children entitled to
27 inherit under the laws of this state, stepchildren, and
28 grandchildren, great-grandchildren, and other lineal
29 descendants, is not taxable under this section.

30 Sec. 8. This Act applies to estates of decedents dying on
31 or after July 1, 1997.

32 EXPLANATION

33 The bill eliminates the inheritance tax on property of
34 decedents dying on or after July 1, 1997, passing to parents,
35 grandparents, great-grandparents, and other lineal ascendants,

1 children including adopted children and biological children
2 entitled to inherit under the laws of this state,
3 stepchildren, and grandchildren, great-grandchildren, and
4 other lineal descendants.

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SENATE FILE 35
FISCAL NOTE

A fiscal note for Senate File 35 as amended by H-1005 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.

Amendment H-1005 strikes the inheritance tax provisions of SF 35 and provides for a full exclusion of pension income from the State income tax. Under current law, couples are given an exclusion of \$6,000, and single persons are given a \$3,000 exclusion. There are an estimated 197,000 returns filed by Iowans that report taxable pension income. Since this is based on the number of returns, the number of persons affected by the Bill would be significantly greater.

FISCAL IMPACT

Amendment H-1005 is expected to result in a decrease in revenues to the General Fund of approximately \$50.0 million in FY 1998 and subsequent years.

FILED FEBRUARY 3, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR

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LSB 1672SV 77

S-3011

1 Amend Senate File 35 as follows:
 2 1. By striking everything after the enacting
 3 clause and inserting the following:
 4 "Section 1. Section 450.2, Code 1997, is amended
 5 by adding the following new unnumbered paragraph:
 6 NEW UNNUMBERED PARAGRAPH. Property passing from
 7 estates of decedents dying on or after July 1, 1997,
 8 is not subject to tax under this chapter. This
 9 chapter is repealed July 1, 1997, for property of
 10 estates of decedents dying on or after July 1, 1997.
 11 Sec. 2. Section 450.4, Code 1997, is amended by
 12 adding the following new subsection:
 13 NEW SUBSECTION. 7. On any property of an estate
 14 of a person dying on or after July 1, 1997.
 15 Sec. 3. This Act applies to estates of decedents
 16 dying on or after July 1, 1997."
 17 2. Title page, by striking lines 1 through 6 and
 18 inserting the following: "An Act eliminating the
 19 state inheritance tax and providing an".
 By PATTY JUDGE MICHAEL E. GRONSTAL
 JOHN P. KIBBIE EUGENE S. FRAISE
 TOM FLYNN ROBERT E. DVORSKY
 DENNIS H. BLACK DON GETTINGS

S-3011 FILED JANUARY 21, 1997

Out of Order 1-22-97

S-3018

1 Amend Senate File 35 as follows:
 2 1. Page 1, line 4, by inserting before the word
 3 "parents," the following: "except for the first five
 4 million dollars of each share passing to persons who
 5 are".
 6 2. By striking page 1, line 13, through page 2,
 7 line 29, and inserting the following:
 8 "Sec. ____ . Section 450.9, subsection 2, Code 1997,
 9 is amended to read as follows:
 10 2. Each son and daughter, including legally
 11 adopted sons and daughters, or biological sons and
 12 daughters entitled to inherit under the law of this
 13 state, fifty-thousand or parent, grandparent, great-
 14 grandparent, or other lineal ascendant, stepchild, or
 15 grandchild, great-grandchild, or other lineal
 16 descendant, five million dollars.
 17 Sec. ____ . Section 450.9, subsections 3 and 4, Code
 18 1997, is amended by striking the subsections."
 19 3. Title page, line 1, by striking the words
 20 "eliminating the inheritance tax on" and inserting the
 21 following: "increasing the exemptions from the
 22 inheritance tax for".

By JOHN P. KIBBIE

S-3018 FILED JANUARY 22, 1997

LOST

**SENATE FILE 35
FISCAL NOTE**

A fiscal note for Senate File 35 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.

Senate File 35 provides a full exemption from inheritance tax for all lineal descendants (children, grandchildren, great-grandchildren, etc.) and all lineal ascendants (parents, grandparents, great-grandparents, etc.); and also provides a full exemption for step-children. The Bill would not eliminate the "pick-up" tax (equal to the federal State Death Tax Credit). The exemption would apply to all deaths that occur on or after July 1, 1997.

FISCAL IMPACT

Senate File 35 is expected to result in a decrease in revenues to the General Fund of approximately \$19.0 million in FY 1998 and \$45.7 million in FY 1999 (estimated on an accrual basis).

An Issue Review that provides more detail on the State inheritance tax is available upon request from the LFB.

SOURCES

Department of Revenue and Finance

(LSB 1672sv, JAM)

FILED JANUARY 22, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR

1 Amend Senate File 35 as follows:

2 1. Page 1, line 4, by inserting before the word
3 "parents," the following: "except for the share of
4 the estate passing to residents of the state who are".

5 2. Page 1, by striking lines 13 through 25 and
6 inserting the following:

7 "Sec. ____ . Section 450.9, Code 1997, is amended to
8 read as follows:

9 450.9 INDIVIDUAL EXEMPTIONS.

10 In computing the tax on the net estate passing to
11 the surviving spouse, heirs or beneficiaries of the
12 deceased the following exemptions shall be allowed:

13 1. Surviving spouse, and residents of the state
14 who are parents, grandparents, great-grandparents, and
15 other lineal ascendants, children including legally
16 adopted children and biological children entitled to
17 inherit under the laws of this state, stepchildren,
18 and grandchildren, great-grandchildren, and other
19 lineal descendants, the entire amount of property,
20 interest in property, and income.

21 2. Each nonresident son and daughter, including
22 legally adopted sons and daughters, or biological sons
23 and daughters entitled to inherit under the law of
24 this state, fifty thousand dollars.

25 3. Father Nonresident father or mother, fifteen
26 thousand dollars.

27 4. Any other nonresident lineal descendant of the
28 deceased, fifteen thousand dollars.

29 Sec. ____ . Section 450.10, subsection 1, unnumbered
30 paragraph I, Code 1997, is amended to read as follows:

31 When the property, interest, or income passes to a
32 nonresident of the state who is the father or mother,
33 or to a nonresident of the state who is a child or
34 lineal descendant of the decedent, grantor, donor, or
35 vendor, including a legally adopted child or
36 biological child entitled to inherit under the laws of
37 this state, the tax imposed shall be on the individual
38 share so passing in excess of the exemptions allowed
39 as follows:"

40 3. Page 1, line 31, by striking the following:
41 "or-step-children," and inserting the following: "or
42 nonresident step-children,".

43 4. By striking page 1, line 33, through page 2,
44 line 20.

45 5. Page 2, line 24, by inserting after the word
46 "and" the following: "passing to residents of the
47 state who are".

48 6. Title page, line 1, by inserting after the
49 word "to" the following: "residents of the state who
50 are".

By TOM VILSACK

SENATE FILE 35

S-3013

1 Amend Senate File 35 as follows:

- 2 1. Page 1, line 5, by inserting after the word
- 3 "ascendants," the following: "uncles, aunts,".
- 4 2. Page 1, line 19, by inserting after the word
- 5 "ascendants," the following: "uncles, aunts,".
- 6 3. Page 2, line 25, by inserting after the word
- 7 "ascendants," the following: "uncles, aunts,".
- 8 4. Title page, line 3, by inserting after the
- 9 word "ascendants," the following: "uncles, aunts,".

By STEVEN D. HANSEN

S-3013 FILED JANUARY 22, 1997

LOST

SENATE FILE 35

S-3015

1 Amend Senate File 35 as follows:

- 2 1. Page 1, line 5, by inserting after the word
- 3 "ascendants," the following: "brothers, sisters,".
- 4 2. Page 1, line 19, by inserting after the word
- 5 "ascendants," the following: "brothers, sisters,".
- 6 3. Page 1, line 30, by striking the words
- 7 "brother or sister," and inserting the following:
- 8 "brother-or-sister,".
- 9 4. Page 2, line 25, by inserting after the word
- 10 "ascendants," the following: "brothers, sisters,".
- 11 5. Title page, line 3, by inserting after the
- 12 word "ascendants," the following: "brothers,
- 13 sisters,".

By DENNIS BLACK

S-3015 FILED JANUARY 22, 1997

LOST

SENATE FILE 35

S-3017

1 Amend Senate File 35 as follows:

- 2 1. Page 2, by striking lines 30 and 31 and
- 3 inserting the following:
- 4 "Sec. ____ . This Act, being deemed of immediate
- 5 importance, takes effect from and after its
- 6 publication in the Des Moines Register, a newspaper
- 7 published in Des Moines, Iowa, and in the Cedar Rapids
- 8 Gazette, a newspaper published in Cedar Rapids, Iowa,
- 9 and applies to estates of decedents dying on or after
- 10 the effective date."

By WILLIAM D. PALMER

S-3017 FILED JANUARY 22, 1997

LOST

H-1006

1 Amend Senate File 35, as passed by the Senate, as
 2 follows:
 3 1. Page 2, by striking lines 30 and 31 and
 4 inserting the following:
 5 "Sec. ____ . This Act, being deemed of immediate
 6 importance, takes effect upon enactment and applies to
 7 estates of decedents dying on or after the effective
 8 date."

By HUSER of Polk
 FREVERT of Palo Alto

H-1006 FILED FEBRUARY 3, 1997

Lost (P. 233)
2-4-97

SENATE FILE 35

H-1007

1 Amend Senate File 35, as passed by the Senate, as
 2 follows:
 3 1. By striking page 1, line 1, through page 2,
 4 line 29, and inserting the following:
 5 "Section 1. Section 450.9, subsections 2, 3, and
 6 4, Code 1997, are amended to read as follows:
 7 2. Each son and daughter, including legally
 8 adopted sons and daughters, or biological sons and
 9 daughters entitled to inherit under the law of this
 10 state, fifty or stepchild, one hundred thousand
 11 dollars.
 12 3. Father or mother, fifteen one hundred thousand
 13 dollars.
 14 4. Any other lineal descendant or ascendant of the
 15 deceased, fifteen one hundred thousand dollars."
 16 2. Title page, by striking lines 1 through 6 and
 17 inserting the following: "An Act increasing the
 18 inheritance tax exemptions for parents, children,
 19 other lineal descendants and ascendants, and
 20 stepchildren, and providing an".

By SHOULTZ of Black Hawk

H-1007 FILED FEBRUARY 3, 1997

WITHDRAWN
2-4-97
(P. 233)

SENATE FILE 35

H-1005

1 Amend Senate File 35, as passed by the Senate, as
2 follows:

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

5 "Section 1. 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 Sec. 2. APPLICABILITY. This Act applies
30 retroactively to January 1, 1997, for tax years
31 beginning on or after that date."

32 2. Title page, by striking lines 1 through 7 and
33 inserting the following: "An Act providing an
34 exemption from state individual income tax for
35 pensions, annuities, and retirement allowances
36 received and providing a retroactive applicability
37 date."

By MILLAGE of Scott

H-1005 FILED JANUARY 30, 1997

WITHDRAWN
2-4-97
(p. 232)

H-1004

1 Amend Senate File 35, as passed by the Senate, as
2 follows:

3 1. By striking page 1, line 1, through page 2,
4 line 29, and inserting the following:

5 "Section 1. Section 450.9, subsections 2 and 4,
6 Code 1997, are amended to read as follows:

7 2. Each son and daughter, including legally
8 adopted sons and daughters, or biological sons and
9 daughters entitled to inherit under the law of this
10 state, fifty or stepchild, one hundred thousand
11 dollars.

12 4. Any other lineal descendant of the deceased,
13 fifteen one hundred thousand dollars."

14 2. Title page, by striking lines 1 through 6 and
15 inserting the following: "An Act increasing the
16 inheritance tax exemptions for children, other lineal
17 descendants, and stepchildren, and providing an".

By SHOULTZ of Black Hawk

H-1004 FILED JANUARY 30, 1997

WITHDRAWN

(p. 232) 2/4/97

Borleng, Chair
Mr Kibben
Douglas
Delaney
Vilsack

SSB 1.1

Ways & Means
Succeeded By
SENATE FILE 35

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DOUGLAS)

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

A BILL FOR

1 An Act eliminating the inheritance tax on property passing to
2 parents, grandparents, great-grandparents, and other lineal
3 ascendants, children including legally adopted children and
4 biological children entitled to inherit under the laws of this
5 state, stepchildren, and grandchildren, great-grandchildren,
6 and other lineal descendants of the decedent and providing an
7 applicability date provision.

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

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1 Section 1. Section 450.7, subsection 1, unnumbered
2 paragraph 1, Code 1997, is amended to read as follows:

3 Except for the share of the estate passing to the surviving
4 spouse, and parents, grandparents, great-grandparents, and
5 other lineal ascendants, children including legally adopted
6 children and biological children entitled to inherit under the
7 laws of this state, stepchildren, and grandchildren, great-
8 grandchildren, and other lineal descendants, the tax is a
9 charge against and a lien upon the estate subject to tax under
10 this chapter, and all property of the estate or owned by the
11 decedent from the death of the decedent until paid, subject to
12 the following limitation:

13 Sec. 2. Section 450.9, Code 1997, is amended by striking
14 the section and inserting in lieu thereof the following:

15 450.9 INDIVIDUAL EXEMPTIONS.

16 In computing the tax on the net estate, the entire amount
17 of property, interest in property, and income passing to the
18 surviving spouse, and parents, grandparents, great-
19 grandparents, and other lineal ascendants, children including
20 legally adopted children and biological children entitled to
21 inherit under the laws of this state, stepchildren, and
22 grandchildren, great-grandchildren, and other lineal
23 descendants are exempt from tax.

24 Sec. 3. Section 450.10, subsection 1, Code 1997, is
25 amended by striking the subsection.

26 Sec. 4. Section 450.10, subsection 2, unnumbered paragraph
27 1, Code 1997, is amended to read as follows:

28 When the property or any interest ~~therein~~ in property, or
29 income ~~therefrom~~ from property taxable under the provisions of
30 this chapter passes to the brother or sister, son-in-law, or
31 daughter-in-law, ~~or-step-children~~, the rate of tax imposed on
32 the individual share so passing shall be as follows:

33 Sec. 5. Section 450.10, subsection 3, unnumbered paragraph
34 1, Code 1997, is amended to read as follows:

35 When the property or interest in property or income from

1 property, taxable under this chapter, passes to a person not
2 included in subsections ~~1~~ 2 and 7, the rate of tax imposed
3 on the individual share so passing shall be as follows:

4 Sec. 6. Section 450.10, subsection 6, Code 1997, is
5 amended to read as follows:

6 6. When the property or any interest ~~therein~~ in property,
7 or income ~~therefrom~~ from property, taxable under the
8 ~~provisions of~~ this chapter passes to any person included under
9 subsection ~~1 or 2~~ hereof, there shall be credited to the tax
10 imposed on the individual share so passing an amount equal to
11 the tax imposed in this state on the decedent on any property,
12 real, personal or mixed, or the proportionate share thereof on
13 property passing to the person taxed hereunder, which can be
14 identified as having been received by the decedent as a share
15 in the estate of any person who died within two years prior to
16 the death of the decedent, or which can be identified as
17 having been acquired by the decedent in exchange for property
18 so received. The credit shall not be applicable to taxes on
19 property of the decedent which was not acquired from the prior
20 estate.

21 Sec. 7. Section 450.10, subsection 7, Code 1997, is
22 amended to read as follows:

23 7. Property, interest in property, or income passing to
24 the surviving spouse, and parents, grandparents, great-
25 grandparents, and other lineal ascendants, children including
26 legally adopted children and biological children entitled to
27 inherit under the laws of this state, stepchildren, and
28 grandchildren, great-grandchildren, and other lineal
29 descendants, is not taxable under this section.

30 Sec. 8. This Act applies to estates of decedents dying on
31 or after July 1, 1997.

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EXPLANATION

33 The bill eliminates the inheritance tax on property of
34 decedents dying on or after July 1, 1997, passing to parents,
35 grandparents, great-grandparents, and other lineal ascendants,

S.F. _____ H.F. _____

1 children including adopted children and biological children
2 entitled to inherit under the laws of this state,
3 stepchildren, and grandchildren, great-grandchildren, and
4 other lineal descendants.

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SENATE FILE 35

AN ACT

ELIMINATING THE INHERITANCE TAX ON PROPERTY PASSING TO PARENTS, GRANDPARENTS, GREAT-GRANDPARENTS, AND OTHER LINEAL ASCENDANTS, CHILDREN INCLUDING LEGALLY ADOPTED CHILDREN AND BIOLOGICAL CHILDREN ENTITLED TO INHERIT UNDER THE LAWS OF THIS STATE, STEPCHILDREN, AND GRANDCHILDREN, GREAT-GRANDCHILDREN, AND OTHER LINEAL DESCENDANTS OF THE DECEDENT AND PROVIDING AN APPLICABILITY DATE PROVISION.

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

Section 1. Section 450.7, subsection 1, unnumbered paragraph 1, Code 1997, is amended to read as follows:

Except for the share of the estate passing to the surviving spouse, and parents, grandparents, great-grandparents, and other lineal ascendants, children including legally adopted children and biological children entitled to inherit under the laws of this state, stepchildren, and grandchildren, great-grandchildren, and other lineal descendants, the tax is a charge against and a lien upon the estate subject to tax under this chapter, and all property of the estate or owned by the decedent from the death of the decedent until paid, subject to the following limitation:

Sec. 2. Section 450.9, Code 1997, is amended by striking the section and inserting in lieu thereof the following:

450.9 INDIVIDUAL EXEMPTIONS.

In computing the tax on the net estate, the entire amount of property, interest in property, and income passing to the surviving spouse, and parents, grandparents, great-grandparents, and other lineal ascendants, children including legally adopted children and biological children entitled to inherit under the laws of this state, stepchildren, and grandchildren, great-grandchildren, and other lineal

descendants are exempt from tax.

Sec. 3. Section 450.10, subsection 1, Code 1997, is amended by striking the subsection.

Sec. 4. Section 450.10, subsection 2, unnumbered paragraph 1, Code 1997, is amended to read as follows:

When the property or any interest therein in property, or income therefrom from property taxable under the provisions of this chapter passes to the brother or sister, son-in-law, or daughter-in-law, or step-children, the rate of tax imposed on the individual share so passing shall be as follows:

Sec. 5. Section 450.10, subsection 3, unnumbered paragraph 1, Code 1997, is amended to read as follows:

When the property or interest in property or income from property, taxable under this chapter, passes to a person not included in subsections ~~3~~ 2~~7~~ and 7, the rate of tax imposed on the individual share so passing shall be as follows:

Sec. 6. Section 450.10, subsection 6, Code 1997, is amended to read as follows:

6. When the property or any interest therein in property, or income therefrom from property, taxable under the provisions of this chapter passes to any person included under subsection ~~3~~ or 2 hereof, there shall be credited to the tax imposed on the individual share so passing an amount equal to the tax imposed in this state on the decedent on any property, real, personal or mixed, or the proportionate share thereof on property passing to the person taxed hereunder, which can be identified as having been received by the decedent as a share in the estate of any person who died within two years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received. The credit shall not be applicable to taxes on property of the decedent which was not acquired from the prior estate.

Sec. 7. Section 450.10, subsection 7, Code 1997, is amended to read as follows:

7. Property, interest in property, or income passing to the surviving spouse, and parents, grandparents, great-grandparents, and other lineal ascendants, children including legally adopted children and biological children entitled to inherit under the laws of this state, stepchildren, and grandchildren, great-grandchildren, and other lineal descendants, is not taxable under this section.

Sec. 8. This Act applies to estates of decedents dying on or after July 1, 1997.

MARY E. KRAMER
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 35, Seventy-seventh General Assembly.

MARY PAT GUNDERSON
Secretary of the Senate

Approved Feb. 10, 1997

TERRY E. BRANSTAD
Governor