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SENATE FILE **368**
BY NEUHAUSER and DVORSKY

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

A BILL FOR

1 An Act relating to making the state individual income tax a
2 percent of the federal income tax liability with certain
3 adjustments and including effective and applicability date
4 provisions.

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

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S.F. 368

1 DIVISION I -- PERCENTAGE OF FEDERAL TAX LIABILITY

2 Section 1. Section 422.4, subsection 1, Code 1997, is
3 amended by striking the subsection and inserting in lieu
4 thereof the following:

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

14 Sec. 2. Section 422.4, subsection 2, Code 1997, is amended
15 by striking the subsection.

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

18 NEW SUBSECTION. 9A. "Net income" means the federal
19 taxable income as properly computed for federal income tax
20 purposes under the Internal Revenue Code with the adjustments
21 made in section 422.7, subsections 1 and 2.

22 Sec. 4. Section 422.4, subsection 16, Code 1997, is
23 amended by striking the subsection.

24 Sec. 5. Section 422.5, subsection 1, Code 1997, is amended
25 by striking the subsection and inserting in lieu thereof the
26 following:

27 1. a. A tax is imposed upon every resident and
28 nonresident individual or estate and trust, which tax is
29 levied and shall be collected and paid annually upon and with
30 respect to net income at the rate of twenty-seven percent of
31 the taxpayer's adjusted federal income tax liability.

32 b. However, the tax imposed upon the income of a
33 nonresident shall be computed by multiplying the amount of tax
34 determined under paragraph "a" by a fraction of which the
35 nonresident's net income allocated to Iowa, as determined in

1 section 422.8, subsection 2, is the numerator and the
2 nonresident's total net income is the denominator. This
3 provision also applies to individuals who are residents of
4 Iowa for less than the entire tax year.

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

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

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

1 (4) For any tax year, the aggregate amount of refund
2 claims that shall be paid pursuant to this lettered paragraph
3 shall not exceed five million dollars. If, for a tax year,
4 the aggregate amount of refund claims filed pursuant to this
5 lettered paragraph exceeds five million dollars, each claim
6 for refund shall be paid on a pro rata basis so that the
7 aggregate amount of refund claims does not exceed five million
8 dollars. In the case where refund claims are not paid in
9 full, the amount of the refund to which the taxpayer is
10 entitled under this lettered paragraph is the pro rata amount
11 that was paid and the taxpayer is not entitled to a refund of
12 the unpaid portion and is not entitled to carry that amount
13 forward or backward to another tax year. Taxpayers shall not
14 use refunds as estimated payments for the succeeding tax year.
15 Taxpayers whose tax years begin on January 1 must file their
16 refund claims by October 31 of the calendar year following the
17 end of their tax year to be eligible for refunds. Taxpayers
18 whose tax years begin on a date other than January 1 must file
19 their refund claims by the end of the tenth month following
20 the end of their tax years to be eligible. The department
21 shall determine on February 1 of the second succeeding
22 calendar year if the total amount of claims for refund exceeds
23 five million dollars for the tax year. Notwithstanding any
24 other provision, interest shall not be due on any refund
25 claims that are paid by the last day of February of the second
26 succeeding calendar year. If the claim is not payable on
27 February 1 of the second succeeding calendar year, because the
28 taxpayer is a fiscal year filer, then the amount of the claim
29 allowed shall be in the same ratio as the refund claims
30 available on February 1 of the second succeeding calendar
31 year. These claims shall be funded by moneys appropriated for
32 payment of individual income tax refunds.

33 Sec. 6. Section 422.5, subsection 2, unnumbered paragraph
34 1, Code 1997, is amended to read as follows:

35 However, the tax shall not be imposed on a resident or

1 nonresident whose net income, ~~as defined in section 422.7,~~ is
2 thirteen thousand five hundred dollars or less in the case of
3 married persons filing jointly ~~or filing separately on a~~
4 ~~combined return,~~ unmarried heads of household, and surviving
5 spouses or nine thousand dollars or less in the case of all
6 other persons, ~~but in the event that.~~ If the payment of tax
7 under this division would reduce the net income of a resident
8 or nonresident to less than thirteen thousand five hundred
9 dollars or nine thousand dollars as applicable, then the tax
10 shall be reduced to that amount which would result in allowing
11 the taxpayer to retain a net income of thirteen thousand five
12 hundred dollars or nine thousand dollars as applicable. The
13 ~~preceding sentence does~~ sentences do not apply to estates or
14 trusts. For the purpose of this subsection, the entire net
15 income, including any part of the net income not allocated to
16 Iowa, shall be taken into account. For purposes of this
17 subsection, ~~net income~~ "net income" includes all amounts of
18 pensions or other retirement income received from any source
19 which is not taxable under this division as a result of the
20 ~~government pension exclusions in section 422.7,~~ or any other
21 state law. If the combined net income of a husband and wife
22 exceeds thirteen thousand five hundred dollars, neither of
23 them shall receive the benefit of this subsection, and it is
24 immaterial whether they file a joint return or separate
25 returns. However, if a husband and wife file separate returns
26 and have a combined net income of thirteen thousand five
27 hundred dollars or less, neither spouse shall receive the
28 benefit of this paragraph, if one spouse has a net operating
29 loss and elects to carry back or carry forward the loss as
30 provided in ~~section 422.9,~~ ~~subsection 3~~ the Internal Revenue
31 Code. A person who is claimed as a dependent, as defined in
32 the Internal Revenue Code, by another person ~~as defined in~~
33 ~~section 422.12~~ shall not receive the benefit of this
34 subsection if the person claiming the dependent has net income
35 exceeding thirteen thousand five hundred dollars or nine

1 thousand dollars as applicable or the person claiming the
2 dependent and the person's spouse have combined net income
3 exceeding thirteen thousand five hundred dollars or nine
4 thousand dollars as applicable.

5 Sec. 7. Section 422.5, subsection 2, unnumbered paragraph
6 2, Code 1997, is amended by striking the unnumbered paragraph.

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

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

11 422.6 INCOME FROM ESTATES OR TRUSTS.

12 The tax imposed by section 422.5 applies to and is a charge
13 against estates and trusts with respect to their net income,
14 and the rate is the same as that applicable to individuals.
15 The fiduciary shall make the return of income for the estate
16 or trust for which the fiduciary acts, whether the income is
17 taxable to the estate or trust or to the beneficiaries.

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

20 422.7 ADJUSTMENTS TO FEDERAL TAXABLE INCOME.

21 In determining the taxpayer's adjusted federal income tax
22 liability, the taxpayer's federal taxable income shall be
23 adjusted as provided in subsections 1 and 2.

24 1. Federal taxable income is increased by the following:

25 a. Interest and dividends from foreign securities and from
26 securities of states and other political subdivisions exempt
27 from federal income tax under the Internal Revenue Code to the
28 extent not otherwise exempted by this state.

29 b. Interest and dividends from regulated investment
30 companies exempt from federal income tax under the Internal
31 Revenue Code.

32 2. Federal taxable income is decreased by the following:

33 a. Interest and dividends from federal securities. The
34 amount decreased shall be reduced by any interest on
35 indebtedness incurred to carry the federal securities and by

1 any expenses incurred in the production of interest and
2 dividends from the federal securities to the extent deductible
3 in determining federal taxable income.

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

8 Sec. 11. Section 422.8, subsections 2, 3, and 4, Code
9 1997, are amended to read as follows:

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

1 carried on within the state.

2 b. A resident's income allocable to Iowa is the net income
3 ~~determined under section 422.7~~ reduced by items of income and
4 expenses from a subchapter S corporation which is a value-
5 added corporation that carries on business within and without
6 the state when those items of income and expenses pass
7 directly to the shareholders under provisions of the Internal
8 Revenue Code. These items of income and expenses are
9 increased by the greater of the following:

10 (1) The net income or loss of the corporation which is
11 fairly and equitably attributable to this state under section
12 422.33, subsections 2 and 3.

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

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

23 4. The amount of minimum tax paid to another state or
24 foreign country by a resident taxpayer of this state from
25 preference items derived from sources outside of Iowa shall be
26 allowed as a credit against the tax computed under this
27 division except that the credit shall not exceed what the
28 product of the state tax rate times the amount of state the
29 federal alternative minimum tax would-have-been on the same
30 preference items which were taxed by the other state or
31 foreign country. The limitation on this credit shall be
32 computed according to the following formula: The total of
33 preference items earned outside of Iowa and taxed by another
34 state or foreign country shall be divided by the total of
35 preference items of the resident taxpayer of Iowa. In

1 ~~computing this quotient, those items excludable under section~~
2 ~~422.5, subsection 1, paragraph "k", subparagraph (1) shall not~~
3 ~~be used in computing the preference items.~~ This quotient
4 multiplied ~~times~~ by the net-state federal alternative minimum
5 tax ~~as determined in section 422.5, subsection 1, paragraph~~
6 ~~"k"~~ on the total of preference items as if entirely earned in
7 Iowa multiplied by the state tax rate shall be the maximum tax
8 credit ~~against the Iowa alternative minimum tax.~~ However, the
9 maximum tax credit ~~will~~ shall not be allowed to the extent
10 that the minimum tax imposed by the other state or foreign
11 country is less than the maximum tax credit otherwise computed
12 above.

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

15 ~~Except as provided in subsection 1A, a~~ A resident or
16 nonresident of this state shall make a return, signed in
17 accordance with forms and rules prescribed by the director, if
18 any of the following are applicable:

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

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

23 1. A fiduciary subject to taxation under this division, as
24 provided in section 422.6, shall make a return, signed in
25 accordance with forms and rules prescribed by the director,
26 for the individual, estate, or trust for whom or for which the
27 fiduciary acts, if the taxable net income thereof amounts to
28 six hundred dollars or more. A nonresident fiduciary shall
29 file a copy of the federal income tax return for the current
30 tax year with the return required by this section.

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

33 Every withholding agent and every employer as defined in
34 this chapter and further defined in the Internal Revenue Code,
35 with respect to income tax collected at source, making payment

1 of wages to a nonresident employee working in Iowa, or to a
2 resident employee, shall deduct and withhold from the wages an
3 amount which will approximate the employee's annual tax
4 liability on a calendar year basis, calculated on the basis of
5 tables to be prepared by the department and schedules or
6 percentage rates, based on the wages, to be prescribed by the
7 department. Every employee or other person shall declare to
8 the employer or withholding agent the number of the employee's
9 or other person's personal exemptions and dependency
10 exemptions or credits to be used in applying the tables and
11 schedules or percentage rates. However, no greater number of
12 personal or dependency exemptions or credits may be declared
13 by the employee or other person than the number to which the
14 employee or other person is entitled except as allowed under
15 section 3402(m)(1) of the Internal Revenue Code ~~and as allowed~~
16 ~~for the child and dependent care credit provided in section~~
17 ~~422.12C~~. The claiming of exemptions or credits in excess of
18 entitlement is a serious misdemeanor.

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

21 Sec. 17. Section 422.21, unnumbered paragraph 7, Code
22 1997, is amended to read as follows:

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

29 Sec. 18. Sections 422.9, 422.10, 422.11A, 422.11B, 422.12,
30 422.12B, and 422.12C, Code 1997, are repealed.

31 DIVISION II -- COORDINATING AMENDMENTS

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

34 19. "State income tax liability" means the state
35 individual income tax imposed under section 422.5 ~~reduced by~~

1 the-sum-of-the-deductions-from-the-computed-tax-as-provided
2 under-section-422-12.

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

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

17 If the	The weekly	Subject to the
18 number of	benefit amount	following maxi-
19 dependents	shall equal the	mum percentage
20 is:	following frac-	of the statewide
21	tion of high	average weekly
22	quarter wages:	wage:
23 0	1/23	53%
24 1	1/22	55%
25 2	1/21	57%
26 3	1/20	60%
27 4 or more	1/19	65%

28 The maximum weekly benefit amount, if not a multiple of one
29 dollar shall be rounded to the lower multiple of one dollar.
30 However, until such time as sixty-five percent of the
31 statewide average weekly wage exceeds one hundred ninety
32 dollars, the maximum weekly benefit amounts shall be
33 determined using the statewide average weekly wage computed on
34 the basis of wages reported for calendar year 1981. As used
35 in this section "dependent" means dependent as defined in

1 ~~section 422.12, subsection 1, paragraph "c"~~ for state
2 individual income tax purposes, as if the individual claimant
3 was a taxpayer, except that an individual claimant's
4 nonworking spouse shall be deemed to be a dependent under this
5 section. "Nonworking spouse" means a spouse who does not earn
6 more than one hundred twenty dollars in gross wages in one
7 week.

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

10 15. Develop a plan to provide telephone yellow pages
11 information without charge to persons declared to be blind
12 ~~under the standards in section 422.12, subsection 1, paragraph~~
13 "e". The department may apply for federal funds to support
14 the service. The program shall be limited in scope by the
15 availability of funds. For the purposes of this subsection,
16 an individual is blind only if the individual's central visual
17 acuity does not exceed twenty-two hundredths in the better eye
18 with correcting lenses, or if the individual's visual acuity
19 is greater than twenty-two hundredths but is accompanied by a
20 limitation in the fields of vision such that the widest
21 diameter of the visual field subtends an angle no greater than
22 twenty degrees.

23 Sec. 22. Section 257.21, unnumbered paragraph 2, Code
24 1997, is amended to read as follows:

25 The instructional support income surtax shall be imposed on
26 the state individual income tax for the calendar year during
27 which the school's budget year begins, or for a taxpayer's
28 fiscal year ending during the second half of that calendar
29 year and after the date the board adopts a resolution to
30 participate in the program or the first half of the succeeding
31 calendar year, and shall be imposed on all individuals
32 residing in the school district on the last day of the
33 applicable tax year. As used in this section, "state
34 individual income tax" means the taxes computed under section
35 ~~422.5, less the credits allowed in sections 422.11A, 422.11B,~~

1 ~~422:11E, 422:12, and 422:12B.~~

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

4 (6) Upon the request of a debtor or a debtor's spouse to
5 the child support recovery unit, the foster care recovery
6 unit, or the investigations division of the department of
7 inspections and appeals, filed within fifteen days from the
8 mailing of the notice of entitlement to a refund or rebate,
9 and upon receipt of the full name and social security number
10 of the debtor's spouse, the unit or division shall notify the
11 department of revenue and finance of the request to divide a
12 joint income tax refund or rebate. The department of revenue
13 and finance shall upon receipt of the notice divide a joint
14 income tax refund or rebate between the debtor and the
15 debtor's spouse in proportion to each spouse's net income as
16 ~~determined under section 422:7~~ defined in section 422.4.

17 Sec. 24. Section 421.17, subsection 23, paragraph f, Code
18 1997, is amended to read as follows:

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

29 Sec. 25. Section 421.17, subsection 25, paragraph e, Code
30 1997, is amended to read as follows:

31 e. Upon the request of a debtor or a debtor's spouse to
32 the department, filed within fifteen days from the mailing of
33 the notice of entitlement to a refund or rebate, and upon
34 receipt of the full name and social security number of the
35 debtor's spouse, the department shall divide a joint income

1 tax refund or rebate between the debtor and the debtor's
2 spouse in proportion to each spouse's net income as determined
3 ~~under section 422.7~~ defined in section 422.4.

4 Sec. 26. Section 422.32, unnumbered paragraph 2, Code
5 1997, is amended to read as follows:

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

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

13 422D.2 LOCAL INCOME SURTAX.

14 A county may impose by ordinance a local income surtax as
15 provided in section 422D.1 at the rate set by the board of
16 supervisors, of up to one percent, on the state individual
17 income tax of each individual residing in the county at the
18 end of the individual's applicable tax year. However, the
19 cumulative total of the percents of income surtax imposed on
20 any taxpayer in the county shall not exceed twenty percent.
21 The reason for imposing the surtax and the amount needed shall
22 be set out in the ordinance. The surtax rate shall be set to
23 raise only the amount needed. For purposes of this section,
24 "state individual income tax" means the tax computed under
25 ~~section 422.57 less the credits allowed in sections 422.11A,~~
26 ~~422.11B, 422.11C, 422.12, and 422.12B.~~

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

29 7. "Income" means the sum of Iowa net income as defined in
30 ~~section 422.7~~ 422.4, plus all of the following to the extent
31 not already included in Iowa net income: capital gains,
32 alimony, child support money, cash public assistance and
33 relief, except property tax relief granted under this
34 division, amount of in-kind assistance for housing expenses,
35 the gross amount of any pension or annuity, including but not

1 limited to railroad retirement benefits, payments received
2 under the federal Social Security Act, except child insurance
3 benefits received by a member of the claimant's household, and
4 all military retirement and veterans' disability pensions,
5 interest received from the state or federal government or any
6 of its instrumentalities, workers' compensation and the gross
7 amount of disability income or "loss of time" insurance.
8 "Income" does not include gifts from nongovernmental sources,
9 or surplus foods or other relief in kind supplied by a
10 governmental agency. In determining income, net operating
11 losses and net capital losses shall not be considered.

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

14 5. On the value of that portion of installment payments
15 which will be includable as net income as defined in section
16 ~~422-7~~ 422.4 as received by a beneficiary under an annuity
17 which was purchased under an employees pension or retirement
18 plan.

19 Sec. 30. Section 476.6, subsection 1, unnumbered paragraph
20 2, Code 1997, is amended to read as follows:

21 A subscriber of a telephone exchange or service, who is
22 declared to be legally blind ~~under section 422-12, subsection~~
23 ~~17-paragraph "e"~~, is exempt from any charges for telephone
24 directory assistance that may be approved by the board. For
25 the purposes of this paragraph, an individual is legally blind
26 only if the individual's central visual acuity does not exceed
27 twenty-two hundredths in the better eye with correcting
28 lenses, or if the individual's visual acuity is greater than
29 twenty-two hundredths but is accompanied by a limitation in
30 the fields of vision such that the widest diameter of the
31 visual field subtends an angle no greater than twenty degrees.

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

34 An individual development account closed in accordance with
35 this subsection is not subject to the limitations and benefits

1 provided by this chapter but is subject to state tax in
2 accordance with the provisions of section-422.7, subsection
3 287-and section 450.4, subsection 6. An individual
4 development account may be closed for any of the following
5 reasons:

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

8 DIVISION III -- EFFECTIVE AND APPLICABILITY DATE PROVISIONS

9 Sec. 33. This Act takes effect January 1, 1998, and
10 applies to tax years beginning on or after January 1, 1998.

11 EXPLANATION

12 Division I of this bill makes the state individual income
13 tax equal to 27 percent of the taxpayer's adjusted federal
14 income tax liability less federal credits allowed and repeals
15 all the individual Iowa income tax credits and deductions
16 including federal tax deductibility. The federal income tax
17 liability is adjusted by determining what the federal
18 liability would be if interest and dividends from federal
19 securities were not taxed and interest and dividends from
20 state and foreign securities were taxed.

21 Division II of this bill contains coordinating amendments
22 as a result of the change in the state individual income tax.

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

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