

4/6/99 Returned to Labor
+ And. Ref

MAR 17 1999

Place On Calendar

722

HOUSE FILE
BY COMMITTEE ON LABOR AND
INDUSTRIAL RELATIONS

(SUCCESSOR TO HF 523)

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

A BILL FOR

1 An Act providing for the distribution and accounting of earnings
2 from private employers of inmates of institutions under the
3 control of the department of corrections.

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

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HF 722

1 Section 1. Section 904.809, subsection 5, Code 1999, is
2 amended to read as follows:

3 5. a. An inmate of a correctional institution employed
4 pursuant to this section shall surrender to the department of
5 corrections the inmate's total earnings less deductions for
6 federal, state, and local taxes, and any other payroll
7 deductions required by law. ~~The department of corrections~~
8 ~~shall deduct twenty percent of the balance to be credited to~~
9 ~~the inmate's general account. The department shall then~~
10 ~~deduct from the earnings remaining as follows:~~

11 a. ~~The department shall first deduct the following amounts~~
12 ~~in the following order of priority:~~

13 The inmate's employer shall provide each employed inmate
14 with the withholding statement required under section 422.16,
15 and any other employment information necessary for the receipt
16 of the remainder of an inmate's payroll earnings.

17 b. From the inmate's gross payroll earnings, the following
18 amounts shall be deducted:

19 (1) ~~An amount the inmate may be legally obligated to pay~~
20 ~~for the support of the inmate's dependents, the amount of~~
21 ~~which shall be paid to the dependents through the department~~
22 ~~of human services collection services center. Twenty percent,~~
23 to be deposited in the inmate's general account.

24 (2) ~~Restitution as ordered by the court pursuant to~~
25 ~~chapter 910. All required tax deductions, to be collected by~~
26 the inmate's employer.

27 (3) ~~Five percent, of the balance to be deducted for the~~
28 ~~victim compensation fund created in section 915.94.~~

29 c. From the balance remaining after deduction of the
30 amounts under paragraph "b", the following amounts shall be
31 deducted in the following order of priority:

32 (1) An amount which the inmate may be legally obligated to
33 pay for the support of the inmate's dependents, which shall be
34 paid through the department of human services collection
35 services center, and which shall include an amount for

1 delinquent child support not to exceed fifty percent of gross
2 earnings.

3 (2) Restitution as ordered by the court under chapter 910.

4 ~~(4)~~ (3) An amount the inmate is legally obligated to pay
5 for any other financial obligation.

6 (4) Any balance remaining after the deductions made under
7 subparagraphs (1) through (3) shall represent the costs of the
8 inmate's incarceration and shall be deposited, effective July
9 1, 2000, in the general fund of the state.

10 ~~(5)--An amount determined to be the cost to the department~~
11 ~~of corrections for providing for the incarceration of the~~
12 ~~inmate.~~

13 ~~b.--Of the balance remaining after deductions and payments~~
14 ~~required pursuant to paragraph "a", the department shall~~
15 ~~deposit in the Iowa state industries revolving fund created in~~
16 ~~section 904.813, an amount equal to the costs incurred by the~~
17 ~~fund related to the inmate's employment pursuant to this~~
18 ~~section.~~

19 ~~Any balance remaining after the deductions and payments~~
20 ~~required by this subsection shall be credited to the inmate's~~
21 ~~general account.~~

EXPLANATION

23 This bill amends the procedure for deducting amounts earned
24 by inmates from private employers.

25 Code section 904.809 is amended to provide that an inmate
26 employed by a private sector employer shall surrender the
27 inmate's earnings, less all tax deductions, to the department
28 of corrections. The employer is also to provide the employed
29 inmate with withholdings statements and any other information
30 necessary for the filing of the inmate's tax returns. The
31 deductions which are then to be made by the department of
32 corrections from the balance of an inmate's earnings are
33 modified. From the inmate's gross payroll earnings, 20
34 percent shall go to the inmate's general account, tax
35 obligations shall be paid, and 5 percent shall go to the

1 victim compensation fund. From the balance remaining after
2 these deductions are made, amounts shall be deducted for the
3 support of the inmate's dependents, for payment of court-
4 ordered restitution, for other obligations owed by the inmate,
5 and any remaining balance shall be deposited, beginning July
6 1, 2000, in the general fund of the state representing the
7 cost of the inmate's incarceration.

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**HOUSE FILE 722
FISCAL NOTE**

A fiscal note for House File 722 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 722 changes the distribution of the earnings of prison inmates employed in private sector jobs. The major changes relate to the distribution calculations which are to be based on the gross wages instead of wages net of FICA, State, and federal taxes; and the maximum child support is set at 50.0% of gross wages.

ASSUMPTIONS

1. There will be 200 inmates employed in private sector jobs.
2. Gross wages will total \$2.6 million.
3. The inmates receive 20.0% of net wages under current law and will receive 20.0% of gross wages under the proposed law.
4. Victims Compensation is 5.0% of net wages under current law and will be 5.0% of gross wages under the proposed law.
5. Child support is 37.5% of wages net of all of the above deductions under current law and will be 50.0% of gross wages under the proposed law. Half the inmates (100) will pay child support.
6. Restitution is 37.5% of wages net of all of the above deductions under current law and will be 37.5% of gross wages under the proposed law.
7. Inmates with private sector jobs rarely have other financial obligations.
8. Any remaining balances under the proposed law transfers to the Department of Corrections in FY 2000 and to the General Fund in FY 2001 and following years.

FISCAL IMPACT

House File 722 will result in a reduction in revenue of \$783,000 to the Department of Corrections for FY 2000. In FY 2001, there would be no revenue generated to the General Fund.

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The revenues from the private sector employment of inmates are distributed as follows.

	Current Law		Proposed Law	
	Cost	Balance	Cost	Balance
Gross Wages		\$ 2,568,436		\$ 2,568,436
FICA	\$ 161,512		\$ 161,512	
Federal Tax	273,138		273,138	
State Tax	77,858		77,858	
Net Wages		2,055,928		2,055,928
Inmate Savings	411,186		513,687	
Victim Comp.	102,796	1,541,946	128,422	1,413,819
Child Support	289,115	1,252,831	642,109	771,710
Restitution	469,812	783,019	963,164	-191,454
Remainder to DOC	783,019	0	0	-191,454

SOURCE

Department of Corrections

(LSB 2053hv, MDF)

FILED MARCH 24, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR