

Blodgett ch
Rants
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HSB 188

WAYS AND MEANS

Successor by
SF/HF

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

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

A BILL FOR

1 An Act relating to reductions in the state individual income tax
2 by increasing the deduction for pension income and increasing
3 the personal and dependent credits, and including a
4 retroactive applicability date provision.

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

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1 joint return, eighty one hundred forty dollars.

2 c. For each dependent, an additional forty seventy
3 dollars. As used in this section, the term "dependent" has
4 the same meaning as provided by the Internal Revenue Code.

5 Sec. 3. APPLICABILITY DATE. This Act applies
6 retroactively to January 1, 1999, for tax years beginning on
7 or after that date.

8 EXPLANATION

9 The bill increases the pension income deduction from \$5,000
10 for single filers and \$10,000 for joint filers to \$6,000 and
11 \$12,000, respectively, and the personal and dependent credits
12 from \$40 to \$70 under the individual income tax.

13 The bill applies retroactively to January 1, 1999, for tax
14 years beginning on or after that date.

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MAR 24 1999

S-4/12/99 Ways & Means
S. 4/22/99 Do Pass

WAYS & MEANS CALENDAR

HOUSE FILE 744
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 188)

Passed House, ^(P. 1196) Date 4/12/99 Passed Senate, ^(P. 1420) Date 4/29/99
Vote: Ayes 60 Nays 38 Vote: Ayes 43 Nays 7
Approved 5/24/99

A BILL FOR

1 An Act relating to reductions in the state individual income tax
2 by increasing the deduction for pension income and increasing
3 the personal and dependent credits, and including a
4 retroactive applicability date provision.

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

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HF 744

1 Section 1. Section 422.7, subsection 31, Code 1999, is
2 amended to read as follows:

3 31. For a person who is disabled, or is fifty-five years
4 of age or older, or is the surviving spouse of an individual
5 or a survivor having an insurable interest in an individual
6 who would have qualified for the exemption under this
7 subsection for the tax year, subtract, to the extent included,
8 the total amount of a governmental or other pension or
9 retirement pay, including, but not limited to, defined benefit
10 or defined contribution plans, annuities, individual
11 retirement accounts, plans maintained or contributed to by an
12 employer, or maintained or contributed to by a self-employed
13 person as an employer, and deferred compensation plans or any
14 earnings attributable to the deferred compensation plans, up
15 to a maximum of ~~five~~ six thousand dollars for a person, other
16 than a husband or wife, who files a separate state income tax
17 return and up to a maximum of ~~ten~~ twelve thousand dollars for
18 a husband and wife who file a joint state income tax return.
19 However, a surviving spouse who is not disabled or fifty-five
20 years of age or older can only exclude the amount of pension
21 or retirement pay received as a result of the death of the
22 other spouse. A husband and wife filing separate state income
23 tax returns or separately on a combined state return are
24 allowed a combined maximum exclusion under this subsection of
25 up to ~~ten~~ twelve thousand dollars. The ~~ten~~ twelve thousand
26 dollar exclusion shall be allocated to the husband or wife in
27 the proportion that each spouse's respective pension and
28 retirement pay received bears to total combined pension and
29 retirement pay received.

30 Sec. 2. Section 422.12, subsection 1, paragraphs a, b, and
31 c, Code 1999, are amended to read as follows:

32 a. For an estate or trust, a single individual, or a
33 married person filing a separate return, ~~forty~~ seventy
34 dollars.

35 b. For a head of household, or a husband and wife filing a

1 joint return, eighty one hundred forty dollars.

2 c. For each dependent, an additional forty seventy
3 dollars. As used in this section, the term "dependent" has
4 the same meaning as provided by the Internal Revenue Code.

5 Sec. 3. APPLICABILITY DATE. This Act applies
6 retroactively to January 1, 1999, for tax years beginning on
7 or after that date.

8 EXPLANATION

9 The bill increases the pension income deduction from \$5,000
10 for single filers and \$10,000 for joint filers to \$6,000 and
11 \$12,000, respectively, and the personal and dependent credits
12 from \$40 to \$70 under the individual income tax.

13 The bill applies retroactively to January 1, 1999, for tax
14 years beginning on or after that date.

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**HOUSE FILE 744
FISCAL NOTE**

A fiscal note for House File 744 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 744 increases the pension income exclusion from \$5,000 for single filers and \$10,000 for joint filers to \$6,000 and \$12,000, respectively. The Bill also increases the personal and dependent credits from \$40 to \$70. All provisions of House File 744 are retroactive to January 1, 1999.

FISCAL EFFECT

The estimated General Fund revenue loss from House File 744 is allocated as follows (dollar amounts in millions):

	<u>FY 2000</u>	<u>FY 2001</u>
Dependent Credit Increase	\$21.9	\$19.8
Personal Credit Increase	43.5	39.6
Increase Pension Income Exclusion	8.5	7.1
Total	<u>\$73.9</u>	<u>\$66.5</u>

SOURCES

Legislative Tax Model
Department of Revenue and Finance

(LSB 2412hv, LCS)

FILED MARCH 29, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 744

H-1283

1 Amend House File 744 as follows:

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

4 "Section 1. Section 257.20, subsection 2,
5 paragraphs a and b, Code 1999, are amended by striking
6 the paragraphs.

7 Sec. 2. Section 422.7, subsection 31, Code 1999,
8 is amended to read as follows:

9 31. For a person who is disabled, or is fifty-five
10 years of age or older, or is the surviving spouse of
11 an individual or a survivor having an insurable
12 interest in an individual who would have qualified for
13 the exemption under this subsection for the tax year,
14 subtract, to the extent included, the total amount of
15 a governmental or other pension or retirement pay,
16 including, but not limited to, defined benefit or
17 defined contribution plans, annuities, individual
18 retirement accounts, plans maintained or contributed
19 to by an employer, or maintained or contributed to by
20 a self-employed person as an employer, and deferred
21 compensation plans or any earnings attributable to the
22 deferred compensation plans, up to a maximum of five
23 six thousand dollars for a person, other than a
24 husband or wife, who files a separate state income tax
25 return and up to a maximum of ten twelve thousand
26 dollars for a husband and wife who file a joint state
27 income tax return. However, a surviving spouse who is
28 not disabled or fifty-five years of age or older can
29 only exclude the amount of pension or retirement pay
30 received as a result of the death of the other spouse.
31 A husband and wife filing separate state income tax
32 returns or separately on a combined state return are
33 allowed a combined maximum exclusion under this
34 subsection of up to ten twelve thousand dollars. The
35 ten twelve thousand dollar exclusion shall be
36 allocated to the husband or wife in the proportion
37 that each spouse's respective pension and retirement
38 pay received bears to total combined pension and
39 retirement pay received.

40 Sec. 3. Section 426B.1, subsections 2 and 3, Code
41 1999, are amended to read as follows:

42 2. There is appropriated to the property tax
43 relief fund for the indicated fiscal years from the
44 general fund of the state the following amounts:

45 a:--~~For the fiscal year beginning July 1, 1995,~~
46 ~~sixty-one million dollars.~~

47 b:--~~For the fiscal year beginning July 1, 1996,~~
48 ~~seventy-eight million dollars.~~

49 c: a. For the fiscal year beginning July 1, 1997
50 1998, and succeeding fiscal years, ninety-five million

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Page 2

1 dollars.

2 b. For the fiscal year beginning July 1, 1999, and
3 succeeding fiscal years, one hundred fifteen million
4 dollars.

5 3. There is annually appropriated from the
6 property tax relief fund to the department of human
7 services to supplement the medical assistance
8 appropriation for the fiscal year beginning July 1,
9 ~~1997~~ 1999, and for succeeding fiscal years, six
10 million six hundred thousand dollars to be used for
11 the nonfederal share of the costs of services provided
12 to minors with mental retardation under the medical
13 assistance program to meet the requirements of section
14 249A.12, subsection 4. The appropriation in this
15 subsection shall be charged to the property tax relief
16 fund prior to the distribution of moneys from the fund
17 under section 426B.2 and the amount of moneys
18 available for distribution shall be reduced
19 accordingly. ~~However, the appropriation in this~~
20 ~~subsection shall be considered to be a property tax~~
21 ~~relief payment for purposes of the combined amount of~~
22 ~~payments required to achieve fifty percent of the~~
23 ~~counties' base year expenditures as provided in~~
24 ~~section 426B.2, subsection 2.~~

25 Sec. 4. Section 426B.2, subsections 2 and 3, Code
26 1999, are amended to read as follows:

27 2. ~~The distributions under subsection 1 shall~~
28 ~~continue to be made until the combined amount of the~~
29 ~~distributions made under subsection 1 are equal to~~
30 ~~fifty percent of the total of all counties' base year~~
31 ~~expenditures as defined in section 331.438. The~~
32 amount of payment to a county from the property tax
33 relief fund for a fiscal year shall not exceed the
34 amount the county has proposed to levy for the county
35 mental health, mental retardation, and developmental
36 disabilities services fund under section 331.424A,
37 prior to adjustment pursuant to section 426B.3 for the
38 property tax relief payment. If as a result of this
39 limitation, moneys remain in the property tax relief
40 fund at the close of the fiscal year, these moneys
41 shall remain available for distribution in the
42 succeeding fiscal year under subsection 1.

43 3. The director of human services shall draw
44 warrants on the property tax relief fund, payable to
45 the county treasurer in the amount due to a county in
46 accordance with subsection subsections 1 and 2 and
47 mail the warrants to the county auditors in September
48 and March of each year.

49 Sec. 5. FISCAL YEAR 1999-2000 ADJUSTMENT FOR
50 RELIEF FUND PAYMENTS. Notwithstanding section 426B.3,

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1 for the fiscal year beginning July 1, 1999, the
 2 department of management shall reduce each county's
 3 certified property tax levy for the county's mental
 4 health, mental retardation, and developmental
 5 disabilities services fund by the increased amount of
 6 payment from the property tax relief fund which the
 7 county is to receive as a result of the enactment of
 8 this Act. In addition, the department of management
 9 shall revise each county's rate of taxation necessary
 10 to raise the reduced levy amount.

11 Sec. 6. There is appropriated from the general
 12 fund of the state to the department of education for
 13 the fiscal year beginning July 1, 1999, and ending
 14 June 30, 2000, the following amount, or so much
 15 thereof as is necessary, to be used for the purpose
 16 designated:

17 For the elimination of certified negative balances
 18 in school district funds raised for special education
 19 instruction programs for the school budget year
 20 beginning July 1, 1998, and ending June 30, 1999:
 21 \$16,500,000

22 Sec. 7. The funds appropriated in section 6 of
 23 this Act shall be allocated by the department to the
 24 school budget review committee for distribution to
 25 school districts for which the committee, pursuant to
 26 section 257.31, subsection 14, has certified to the
 27 director of the department of management a negative
 28 balance of funds for the school budget year beginning
 29 July 1, 1998, and ending June 30, 1999. The funds
 30 appropriated shall be considered supplemental aid and
 31 added to the supplemental aid otherwise payable and
 32 distributed pursuant to section 257.31, subsection 14,
 33 paragraph "b". For purposes of the funds allocated
 34 pursuant to this section, the supplemental aid amount
 35 shall be equal to a school district's negative
 36 balance.

37 Sec. 8. Pursuant to section 257.31, subsection 12,
 38 the school budget review committee within 30 days of
 39 the effective date of this section shall review the
 40 special education weighting plan in effect for the
 41 school budget year beginning July 1, 1999, and ending
 42 June 30, 2000, and adjust the weighting levels to
 43 eliminate special education negative balance
 44 projections. In reviewing the weighting plan, the
 45 committee shall utilize the most recent information
 46 available regarding special education instruction
 47 program funding balances and the average costs of
 48 providing instruction for children requiring special
 49 education in the categories of the weighting plan.

50 Sec. 9. EFFECTIVE AND APPLICABILITY DATES.

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1 1. Section 2 of this Act applies retroactively to
2 January 1, 1999, for tax years beginning on or after
3 that date.

4 2. Sections 3, 4, and 5 of this Act, being deemed
5 of immediate importance, take effect upon enactment
6 and are first applicable to county budgets for the
7 fiscal year beginning July 1, 1999.

8 3. Section 8 of this Act, being deemed of
9 immediate importance, takes effect upon enactment and
10 applies to special education funding calculations for
11 the school budget year beginning on July 1, 1999."

12 2. Title page, by striking lines 1 through 4 and
13 inserting the following: "An Act relating to income
14 tax and property tax relief by increasing the
15 deduction for pension income, increasing the state aid
16 portion under the instructional support program,
17 eliminating special education negative balances, and
18 making appropriations and changes to the property tax
19 relief fund for county mental health, mental
20 retardation, and developmental disabilities, and
21 including effective and retroactive applicability date
22 provisions."

By SHOULTZ of Black Hawk

H-1283 FILED MARCH 29, 1999

HOUSE FILE 744

H-1290

1 Amend House File 744 as follows:

2 1. Page 2, by inserting after line 4 the
3 following:

4 "Sec. ____ Section 422.12, Code 1999, is amended
5 by adding the following new subsection:

6 NEW SUBSECTION. 2A. a. A volunteer emergency
7 medical services personnel credit equal to one hundred
8 fifty dollars. However, if the individual is not a
9 volunteer emergency medical services personnel for the
10 entire tax year, the one hundred fifty dollar credit
11 shall be prorated and the amount of credit shall equal
12 one hundred fifty dollars, divided by twelve,
13 multiplied by the number of months in the tax year the
14 individual was a volunteer. The credit shall be
15 rounded to the nearest five dollars. If the
16 individual is a volunteer during any part of a month,
17 the individual shall be considered a volunteer for the
18 entire month.

19 b. (1) A volunteer fire fighter credit equal to
20 the appropriate credit amount as set out in
21 subparagraph (2). However, if the individual is not a
22 volunteer fire fighter for the entire tax year, the
23 appropriate credit amount shall be prorated and the
24 amount of credit shall equal the appropriate credit
25 amount, divided by twelve, multiplied by the number of
26 months in the tax year the individual was a volunteer.
27 The credit shall be rounded to the nearest five
28 dollars. If the individual is a volunteer during any
29 part of a month, the individual shall be considered a
30 volunteer for the entire month.

31 (2) The appropriate credit amount equals one
32 hundred dollars for a volunteer fire fighter who has
33 completed a twenty-four hour basic fire fighter course
34 and one hundred fifty dollars for a volunteer fire
35 fighter who has a fire fighter I certification. In
36 order to continue to receive the credit under this
37 paragraph "b", a fire fighter who has completed a
38 twenty-four hour basic fire fighter course must
39 complete twelve hours of continuing education every
40 two years, and a fire fighter with a fire fighter I
41 certification must complete twenty hours of continuing
42 education every two years.

43 c. If the individual is a volunteer fire fighter
44 and an emergency medical services personnel during the
45 same month, a credit may be claimed for only one
46 volunteer position for that month.

47 d. The individual is required to have a written
48 statement from the fire chief or other appropriate
49 supervisor verifying that the individual was a
50 volunteer fire fighter who has met the education

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Page 2

1 requirements or was a volunteer emergency medical
2 services personnel for the months for which the credit
3 under paragraph "a" or "b" is claimed."

4 2. Title page, line 3, by inserting after the
5 word "credits," the following: "and providing a
6 credit for volunteer fire fighters and emergency
7 medical services personnel,".

By THOMAS of Clayton

H-1290 FILED MARCH 29, 1999

W/D 4/12/99 (P. 1195)

HOUSE FILE 744

H-1487

1 Amend House File 744 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section 422.7, subsection 21, Code
5 1999, is amended by adding the following new
6 paragraph:

7 NEW PARAGRAPH. e. Net capital gain from the sale
8 of stock of a corporation and the net capital gain
9 from the sale of an ownership interest in another
10 business entity, in which the taxpayer materially
11 participated for ten years as defined in section
12 469(h) of the Internal Revenue Code and which has been
13 held by the taxpayer for a minimum of ten years. The
14 sale of the stock of the corporation or the ownership
15 interest in another business entity must involve at
16 least ninety percent of the taxpayer's ownership in
17 the corporation or entity. In addition, the
18 corporation must be one where no stock of the
19 corporation has been publicly traded and the
20 corporation cannot have more than seventy-five
21 shareholders. The business entity must be one where
22 the ownership interest is not publicly traded. When
23 the stock of the corporation or the ownership interest
24 of the business entity is sold or transferred to a
25 lineal descendant of the taxpayer as defined in
26 paragraph "a", the taxpayer does not have to have
27 materially participated in the corporation or business
28 entity in order for the net capital gain from the sale
29 or transfer to be excluded from taxation.

30 For purposes of this paragraph, other business
31 entity includes a sole proprietorship, a partnership,
32 or a limited liability company."

33 2. Title page, line 1, by inserting after the
34 word "tax" the following: "by excluding net capital
35 gains from certain sales of stock or ownership
36 interests of a business,".

By CARROLL of Poweshiek

H-1487 FILED APRIL 6, 1999

W/D 4/12/99 (P. 1195)

HOUSE FILE 744

H-1537

1 Amend House File 744 as follows:

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

4 "Section 1. Section 257.1, subsection 2,
5 unnumbered paragraph 2, Code 1999, is amended to read
6 as follows:

7 For the budget year commencing July 1, ~~1996~~ 1999,
8 and for each succeeding budget year the regular
9 program foundation base per pupil is ~~eighty-seven~~
10 eighty-eight and five-tenths percent of the regular
11 program state cost per pupil, ~~except that the regular~~
12 ~~program foundation base per pupil for the portion of~~
13 ~~weighted enrollment that is additional enrollment~~
14 ~~because of special education is seventy-nine percent~~
15 ~~of the regular program state cost per pupil.~~ For the
16 budget year commencing July 1, ~~1991~~ 1999, and for each
17 succeeding budget year the special education support
18 services foundation base is ~~seventy-nine~~ eighty-eight
19 and five-tenths percent of the special education
20 support services state cost per pupil. The combined
21 foundation base is the sum of the regular program
22 foundation base and the special education support
23 services foundation base.

24 Sec. 2. Section 257.3, subsection 1, unnumbered
25 paragraph 1, Code 1999, is amended to read as follows:

26 AMOUNT OF TAX. ~~Except as provided in subsections 2~~
27 ~~and 3,~~ A school district shall cause to be levied
28 each year, for the school general fund, a foundation
29 property tax equal to five dollars and ~~forty~~ fifty
30 cents per thousand dollars of assessed valuation on
31 all taxable property in the district. The county
32 auditor shall spread the foundation levy over all
33 taxable property in the district.

34 Sec. 3. Section 257.3, subsections 2 and 3, Code
35 1999, are amended by striking the subsections.

36 Sec. 4. Section 257.3, subsection 4, Code 1999, is
37 amended to read as follows:

38 4. RAILWAY CORPORATIONS. For purposes of section
39 257.1, the "amount per pupil of foundation property
40 tax" does not include the tax levied under subsection
41 ~~1-2-3~~ on the property of a railway corporation,
42 or on its trustee if the corporation has been declared
43 bankrupt or is in bankruptcy proceedings.

44 Sec. 5. NEW SECTION. 257.14A ON-TIME FUNDING FOR
45 SPECIAL EDUCATION.

46 Commencing with the budget year beginning July 1,
47 1999, if a school district's additional enrollment
48 because of special education determined by the
49 district on December 1 in the budget year is greater
50 than its additional enrollment because of special

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1 education determined by the district on December 1 in
2 the base year, the school district is entitled to on-
3 time funding from the state in an amount equal to its
4 district cost per pupil for the budget year multiplied
5 by the district's increase in additional enrollment
6 because of special education. The additional funding
7 shall be miscellaneous income.

8 For the purpose of this section, a school
9 district's additional enrollment because of special
10 education is determined by multiplying the weighting
11 for each category of child under section 256B.9 times
12 the number of children in each category totaled for
13 all categories minus the total number of children in
14 all categories.

15 If a district receives additional funding under
16 this section for a budget year, the department of
17 management shall determine the amount of the
18 additional funding which would have been generated by
19 local property tax revenues in proportion to the
20 amount of funding actually received pursuant to this
21 section, if the additional enrollment because of
22 special education in the budget year had been used for
23 that budget year in determining combined district
24 cost, shall reduce, but not by more than the amount of
25 the additional funding, the district's total state
26 school aids available under this chapter for the next
27 following budget year by the amount so determined, and
28 shall increase the district's additional property tax
29 levy for the next following budget year by the amount
30 necessary to compensate for the reduction in state
31 aid, so that the local property tax for the next
32 following year will be increased only by the amount
33 which would have been increased in the budget year if
34 the additional enrollment because of special education
35 in the budget year could have been used to establish
36 the levy.

37 There is appropriated each year from the general
38 fund of the state to the department of education the
39 amount required to pay on-time funding authorized
40 under this section, up to a maximum of thirteen
41 million dollars annually, which shall be paid to
42 school districts in the same manner as other state
43 aids are paid under section 257.16. If the amount
44 appropriated is insufficient to provide the full
45 amount of on-time funding, the payments to school
46 districts shall be prorated such that each school
47 district shall receive an amount of on-time funding
48 equal to the percentage that the on-time funding to be
49 provided to the school district bears to the total
50 amount of on-time funding to be provided to all school

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Page 3

1 districts.

2 Sec. 6. Section 422.7, subsection 31, Code 1999,
3 is amended to read as follows:

4 31. For a person who is disabled, or is fifty-five
5 years of age or older, or is the surviving spouse of
6 an individual or a survivor having an insurable
7 interest in an individual who would have qualified for
8 the exemption under this subsection for the tax year,
9 subtract, to the extent included, the total amount of
10 a governmental or other pension or retirement pay,
11 including, but not limited to, defined benefit or
12 defined contribution plans, annuities, individual
13 retirement accounts, plans maintained or contributed
14 to by an employer, or maintained or contributed to by
15 a self-employed person as an employer, and deferred
16 compensation plans or any earnings attributable to the
17 deferred compensation plans, up to a maximum of five
18 six thousand dollars for a person, other than a
19 husband or wife, who files a separate state income tax
20 return and up to a maximum of ten twelve thousand
21 dollars for a husband and wife who file a joint state
22 income tax return. However, a surviving spouse who is
23 not disabled or fifty-five years of age or older can
24 only exclude the amount of pension or retirement pay
25 received as a result of the death of the other spouse.
26 A husband and wife filing separate state income tax
27 returns or separately on a combined state return are
28 allowed a combined maximum exclusion under this
29 subsection of up to ten twelve thousand dollars. The
30 ten twelve thousand dollar exclusion shall be
31 allocated to the husband or wife in the proportion
32 that each spouse's respective pension and retirement
33 pay received bears to total combined pension and
34 retirement pay received.

35 Sec. 7. Section 425A.3, subsection 1, Code 1999,
36 is amended to read as follows:

37 1. The family farm tax credit fund shall be
38 apportioned each year in the manner provided in this
39 chapter so as to give a credit against the tax on each
40 eligible tract of agricultural land within the several
41 school districts of the state in which the levy for
42 the general school fund exceeds five dollars and forty
43 fifty cents per thousand dollars of assessed value.
44 The amount of the credit on each eligible tract of
45 agricultural land shall be the amount the tax levied
46 for the general school fund exceeds the amount of tax
47 which would be levied on each eligible tract of
48 agricultural land were the levy for the general school
49 fund five dollars and forty fifty cents per thousand
50 dollars of assessed value for the previous year.

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1 However, in the case of a deficiency in the family
2 farm tax credit fund to pay the credits in full, the
3 credit on each eligible tract of agricultural land in
4 the state shall be proportionate and applied as
5 provided in this chapter.

6 Sec. 8. Section 425A.5, Code 1999, is amended to
7 read as follows:

8 425A.5 COMPUTATION BY COUNTY AUDITOR.

9 The family farm tax credit allowed each year shall
10 be computed as follows: On or before March 1, the
11 county auditor shall list by school districts all
12 tracts of agricultural land which are entitled to
13 credit, the taxable value for the previous year, the
14 budget from each school district for the previous
15 year, and the tax rate determined for the general fund
16 of the school district in the manner prescribed in
17 section 444.3 for the previous year, and if the tax
18 rate is in excess of five dollars and forty fifty
19 cents per thousand dollars of assessed value, the
20 auditor shall multiply the tax levy which is in excess
21 of five dollars and forty fifty cents per thousand
22 dollars of assessed value by the total taxable value
23 of the agricultural land entitled to credit in the
24 school district, and on or before March 1, certify the
25 total amount of credit and the total number of acres
26 entitled to the credit to the department of revenue
27 and finance.

28 Sec. 9. Section 426.3, Code 1999, is amended to
29 read as follows:

30 426.3 WHERE CREDIT GIVEN.

31 The agricultural land credit fund shall be
32 apportioned each year in the manner hereinafter
33 provided in this chapter so as to give a credit
34 against the tax on each tract of agricultural lands
35 within the several school districts of the state in
36 which the levy for the general school fund exceeds
37 five dollars and forty fifty cents per thousand
38 dollars of assessed value~~7-the.~~ The amount of such
39 credit on each tract of such lands shall be the amount
40 the tax levied for the general school fund exceeds the
41 amount of tax which would be levied on said the tract
42 of such lands were the levy for the general school
43 fund five dollars and forty fifty cents per thousand
44 dollars of assessed value for the previous year~~7~~
45 except. However, in the case of a deficiency in the
46 agricultural land credits fund to pay said credits in
47 full, in which case the credit on each eligible tract
48 of such lands in the state shall be proportionate and
49 shall be applied as hereinafter provided in this
50 chapter.

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Page 5

1 Sec. 10. Section 426.6, unnumbered paragraph 1,
2 Code 1999, is amended to read as follows:

3 The agricultural land tax credit allowed each year
4 shall be computed as follows: On or before the first
5 of June the county auditor shall list by school
6 districts all tracts of agricultural lands which they
7 are entitled to credit, together with the taxable
8 value for the previous year, together with the budget
9 from each school district for the previous year, and
10 the tax rate determined for the general fund of the
11 district in the manner prescribed in section 444.3 for
12 the previous year, and if such the tax rate is in
13 excess of five dollars and forty fifty cents per
14 thousand dollars of assessed value, the auditor shall
15 multiply the tax levy which is in excess of five
16 dollars and forty fifty cents per thousand dollars of
17 assessed value by the total taxable value of the
18 agricultural lands entitled to credit in the district,
19 and on or before the first of June certify the amount
20 to the department of revenue and finance.

21 Sec. 11. EFFECTIVE DATE.

22 1. Sections 1 through 5 of this Act, being deemed
23 of immediate importance, take effect upon enactment
24 for the computation of state school aid for school
25 budget years beginning on or after July 1, 1999.

26 2. Section 6 of this Act applies retroactively to
27 January 1, 1999, for tax years beginning on or after
28 that date.

29 3. Sections 7 through 10 of this Act take effect
30 January 1, 2000, for the computation of the family
31 farm tax credit and agricultural land tax credit for
32 property taxes due and payable in fiscal years
33 beginning on or after July 1, 2000."

34 2. Title page, by striking lines 1 through 4 and
35 inserting the following: "An Act relating to income
36 tax and property tax relief by increasing the
37 deduction for pension income under the state income
38 tax, increasing the school foundation base, providing
39 an increase in the uniform levy, providing on-time
40 funding for special education under the school
41 foundation aid program, and including effective and
42 applicability date provisions."

By SHOULTZ of Black Hawk

H-1537 FILED APRIL 12, 1999

Paula Mae Skemone
Motion to Suspend Rules - Lost
4/12/99 (p. 1195)

HOUSE FILE 744

S-3556

1 Amend House File 744, as passed by the House, as
2 follows:
3 1. Page 1, line 3, by inserting after the figure
4 "31." the following: "a."
5 2. Page 1, by inserting after line 29 the
6 following:
7 "b. Notwithstanding the age, disability, and
8 dollar restrictions in paragraph "a", a taxpayer or
9 taxpayer's spouse who suffers from a catastrophic
10 illness during the tax year shall subtract, to the
11 extent included, the total amount of any governmental
12 or other pension or retirement pay including, but not
13 limited to, defined benefit or defined contribution
14 plans, annuities, individual retirement accounts,
15 plans maintained or contributed to by an employer, or
16 maintained or contributed to by a self-employed person
17 as an employer, and deferred compensation plans or any
18 earnings attributable to the deferred compensation
19 plan. For purposes of this paragraph, "catastrophic
20 illness" means a physical or mental illness or injury
21 of the taxpayer or taxpayer's spouse, as certified by
22 a licensed physician, that will result in the
23 inability of the taxpayer or taxpayer's spouse to work
24 or otherwise engage in any substantial gainful
25 activity for at least six months during the tax year."

By MATT McCOY

S-3556 FILED APRIL 29, 1999

LOST



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR
STATE CAPITOL
DES MOINES, IOWA 50319
515 281-5211
FAX 515-281-6611

SALLY J. PEDERSON
LT. GOVERNOR

May 24, 1999

MAY 25 1999
GOVERNOR'S OFFICE

The Honorable Chester Culver
Secretary of State
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

I hereby transmit House File 744, an Act relating to reductions in the state individual income tax by increasing the deduction for pension income and increasing the personal and dependent credits, and including a retroactive applicability date provision.

I am unable to approve House File 744 and hereby transmit it to you in accordance with Article III, Section 16, of the Constitution of the State of Iowa.

While this bill has merit, I have made clear my concerns about the legislature's tax cut and tax expenditure decisions for fiscal year 2000. These are projected to lead to general fund budget deficits in the fiscal year beginning July 1, 2000. That is unacceptable, and I am forced to closely scrutinize bills such as this one to ensure that the budget stays balanced and critical services like education and health care can be provided to the citizens of Iowa.

Some are now arguing that I should approve this and other measures because past budget projections have been too pessimistic. That is not the responsible way to approach budgeting. Betting that the economy will outperform expectations, particularly when current fiscal year 1999 estimates are quite accurate, is a risky gamble that could have severe consequences.

Nearly sixty per cent of our state's budget goes to educate our children and those pursuing higher education. It must be our highest priority. If we gamble that the state budget will do better than predicted, we risk having to make severe cuts compromising our ability to educate our children. That is a risk that I am unwilling to take.



Page 2

I am also disappointed that the Legislature chose to send me this bill as an all or nothing proposition. During the legislative session, I sought on several occasions to reach a consensus on a compromise tax cut plan. Even though I indicated my willingness to shift the focus of property tax relief from the mental health system to the school system, even though I agreed to accept some sales tax exemptions that were not part of my budget recommendations, and even though I indicated support for selective income tax cuts such as increasing the exclusion for pension income, the Legislature chose to ignore my efforts at compromise.

As a result of the Legislature's unwillingness to compromise, I am left with the poor choice of accepting a package that unduly strains the budget or entirely rejecting it despite supporting increasing the exclusion for pension income. In the end, nobody wins when confronted with those sorts of choices.

We accomplished much this session by working together -- landmark work to improve local schools, to fight methamphetamine use, and to ensure basic rights for patients. I am hopeful that the Legislature will return next year with a renewed interest to seek common ground.

Some may claim an interest to put more money into people's pockets with these proposals. However, the key to improved incomes is a healthy, well-skilled, and educated workforce. Our ability to have such a workforce would be compromised by House File 744 if signed.

For the above reasons, I hereby respectfully disapprove House File 744.

Sincerely,



Thomas D. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House

AN ACT

RELATING TO REDUCTIONS IN THE STATE INDIVIDUAL INCOME TAX BY INCREASING THE DEDUCTION FOR PENSION INCOME AND INCREASING THE PERSONAL AND DEPENDENT CREDITS, AND INCLUDING A RETROACTIVE APPLICABILITY DATE PROVISION.

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

Section 1. Section 422.7, subsection 31, Code 1999, is amended to read as follows:

31. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual

or a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up to a maximum of five six thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of ten twelve thousand dollars for a husband and wife who file a joint state income tax return. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A husband and wife filing separate state income tax returns or separately on a combined state return are allowed a combined maximum exclusion under this subsection of up to ten twelve thousand dollars. The ten twelve thousand dollar exclusion shall be allocated to the husband or wife in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

Sec. 2. Section 422.12, subsection 1, paragraphs a, b, and c, Code 1999, are amended to read as follows:

a. For an estate or trust, a single individual, or a married person filing a separate return, forty seventy dollars.

b. For a head of household, or a husband and wife filing a joint return, eighty one hundred forty dollars.

c. For each dependent, an additional forty seventy dollars. As used in this section, the term "dependent" has the same meaning as provided by the Internal Revenue Code.

Sec. 3. APPLICABILITY DATE. This Act applies retroactively to January 1, 1999, for tax years beginning on or after that date.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 744, Seventy-eighth General Assembly.

Vilsack
Approved 5/24/99, 1999

ELIZABETH ISAACSON
Chief Clerk of the House

THOMAS J. VILSACK
Governor