

FILED MAR 10 1999

SENATE FILE
BY DELUHERY

373

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

A BILL FOR

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

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

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SF 373
WAYS & MEANS

1 Section 1. Section 422.4, subsection 2, paragraphs b and
2 c, Code 1999, are amended to read as follows:

3 b. "Cumulative standard deduction factor" means the
4 product of the annual standard deduction factor for the ~~1989~~
5 1999 calendar year and all annual standard deduction factors
6 for subsequent calendar years as determined pursuant to this
7 subsection. The cumulative standard deduction factor applies
8 to all tax years beginning on or after January 1 of the
9 calendar year for which the latest annual standard deduction
10 factor has been determined.

11 c. The annual standard deduction factor for the ~~1989~~ 1999
12 calendar year is one hundred percent.

13 Sec. 2. Section 422.5, subsection 1, paragraphs a through
14 i, Code 1999, are amended to read as follows:

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

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

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

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

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

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

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

35 h. On all taxable income exceeding thirty thousand dollars

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

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

5 Sec. 3. Section 422.9, subsection 1, Code 1999, is amended
6 to read as follows:

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

16 Sec. 4. Section 422.12C, subsection 1, Code 1999, is
17 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

11 Sec. 5. This Act applies retroactively to January 1, 1999,
12 for tax years beginning on or after that date.

13 EXPLANATION

14 The bill amends the state individual income tax by reducing
15 the tax rates, increasing the standard deduction, and
16 increasing the child and dependent care credit. The tax rates
17 are reduced by 10 percent across the board. The lowest rate
18 becomes .32 percent and the highest rate becomes 8.08 percent.
19 The standard deduction is increased to \$3,400 from \$1,440 for
20 singles and unmarrieds filing separately and increased to
21 \$8,500 from \$3,550 for marrieds filing jointly, surviving
22 spouses, and heads of households. The 1998 tax year standard
23 deductions of \$1,440 and \$3,550 are the statutory amounts
24 adjusted for inflation. The child and dependent care credit
25 is presently a percentage of the allowable federal credit
26 limited to those with net incomes of less than \$40,000. The
27 bill increases the percentage amount by 15 percentage points
28 and sets the percentage amount at 40 percent for taxpayers
29 with net incomes between \$40,000 and \$60,000 and at 25 percent
30 for taxpayers with net incomes between \$60,000 and \$80,000 and
31 limits the eligibility for the credit to those with net
32 incomes of less than \$80,000.

33 These changes are retroactively applicable to tax years
34 beginning on or after January 1, 1999.

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