

SENATE FILE 2304
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3173)

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

A BILL FOR

1 An Act relating to the delay in the reduction in the individual
2 income tax rate schedule and providing for contingent
3 effectiveness.

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

5

6 ~~SENATE FILE 2304~~

S-5314

8 1 Amend Senate File 2304 as follows:
9 2 1. Page 4, line 1, by inserting before the word
10 3 "This" the following: "1."
11 4 2. Page 4, line 4, by striking the word
12 5 "provisions" and inserting the following: "sections
13 6 44 through 72".
14 7 3. Page 4, by inserting after line 5 the
15 8 following:
16 9 "2. If this Act takes effect as provided in
17 10 subsection 1, this Act applies retroactively to June
18 11 19, 2003, for the purpose of repealing the amendment
19 12 of income tax rates for tax years beginning in
20 13 calendar year 2004."
21 14 4. Title page, line 3, by inserting after the
22 15 word "effectiveness" the following: "and retroactive
23 16 applicability".

By DOUG SHULL

S-5314 FILED APRIL 14, 2004
ADOPTED

SF 2304

WAYS & MEANS

1 Section 1. Section 422.5, subsection 1, paragraphs a
 2 through i, Code 2003, as amended by 2003 Iowa Acts, First
 3 Extraordinary Session, chapter 1, section 44, are amended to
 4 read as follows:

	For tax years beginning		
	in the calendar year:		
	2004	2005	2006
	<u>2005</u>	<u>2006</u>	<u>2007</u>
5			
6			
7			
8			
9 a. On all taxable income from			
10 zero through one thousand dollars: ....	.35%	.34%	.32%
11 b. On all taxable income exceeding			
12 one thousand dollars but not			
13 exceeding two thousand dollars: .....	.70%	.68%	.65%
14 c. On all taxable income exceeding			
15 two thousand dollars but not			
16 exceeding four thousand dollars:	2.36%	2.30%	2.19%
17 d. On all taxable income exceeding			
18 four thousand dollars but not			
19 exceeding nine thousand dollars:	4.37%	4.27%	4.05%
20 e. On all taxable income exceeding			
21 nine thousand dollars but not			
22 exceeding fifteen thousand			
23 dollars:	5.94%	5.80%	5.51%
24 f. On all taxable income exceeding			
25 fifteen thousand dollars but not			
26 exceeding twenty thousand			
27 dollars:	6.29%	6.14%	5.84%
28 g. On all taxable income exceeding			
29 twenty thousand dollars but not			
30 exceeding thirty thousand			
31 dollars:	6.60%	6.45%	6.13%
32 h. On all taxable income exceeding			
33 thirty thousand dollars but not			
34 exceeding forty-five thousand			
35 dollars:	7.68%	7.51%	7.14%

1 i. On all taxable income exceeding
2 forty-five thousand dollars: 8.71% 8.51% 8.09%

3 Sec. 2. 2003 Iowa Acts, First Extraordinary Session,
4 chapter 1, section 45, is amended to read as follows:

5 SEC. 45. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

6 This division of this Act takes effect January 1, ~~2004~~ 2005,
7 for tax years beginning on or after January 1, ~~2004~~ 2005, but
8 before January 1, ~~2007~~ 2008.

9 Sec. 3. Section 422.5, subsection 1, paragraphs a through
10 i, Code 2003, as amended by 2003 Iowa Acts, First
11 Extraordinary Session, chapter 1, section 46, are amended to
12 read as follows:

13 For tax years beginning
14 in the calendar year:
15 ~~2007~~ 2008 and subsequent
16 calendar years

17 a. On all taxable income from
18 zero through one thousand dollars:31%

19 b. On all taxable income exceeding
20 one thousand dollars but not
21 exceeding two thousand dollars:62%

22 c. On all taxable income exceeding
23 two thousand dollars but not
24 exceeding four thousand dollars: 2.09%

25 d. On all taxable income exceeding
26 four thousand dollars but not
27 exceeding nine thousand dollars: 3.87%

28 e. On all taxable income exceeding
29 nine thousand dollars but not
30 exceeding fifteen thousand
31 dollars: 5.26%

32 f. On all taxable income exceeding
33 fifteen thousand dollars but not
34 exceeding twenty thousand
35 dollars: 5.57%

1 g. On all taxable income exceeding
2 twenty thousand dollars but not
3 exceeding thirty thousand
4 dollars: 5.84%

5 h. On all taxable income exceeding
6 thirty thousand dollars but not
7 exceeding forty-five thousand
8 dollars: 6.80%

9 i. On all taxable income exceeding
10 forty-five thousand dollars: 7.71%

11 Sec. 4. Iowa Acts, First Extraordinary Session, chapter 1,
12 section 47, is amended to read as follows:

13 SEC. 47. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.
14 This division of this Act takes effect January 1, ~~2007~~ 2008,
15 for tax years beginning on or after January 1, ~~2007~~ 2008.

16 Sec. 5. 2003 Iowa Acts, First Extraordinary Session,
17 chapter 1, section 72, is amended to read as follows:

18 SEC. 72.

19 1. This division of this Act takes effect upon
20 ratification prior to January 1, ~~2007~~ 2008, of an amendment to
21 the Constitution of the State of Iowa requiring a three-fifths
22 majority vote of each house of the general assembly in order
23 to pass a bill that amends the state individual income tax by
24 raising the rate or rates of the individual income tax or of
25 an amendment to the Constitution of the State of Iowa
26 requiring a statewide referendum in order to approve a bill
27 that amends the state individual income tax by raising the
28 rate or rates of the individual income tax.

29 2. If this division of this Act takes effect as provided
30 in subsection 1, this division of this Act, except as provided
31 in subsection 3, applies to tax years beginning on or after
32 January 1, ~~2007~~ 2008.

33 3. The section of this division of this Act repealing
34 section 422.11B applies to tax years beginning on or after
35 January 1, ~~2010~~ 2011.

1 Section 1. Section 422.5, subsection 1, paragraphs a
 2 through i, Code 2003, as amended by 2003 Iowa Acts, First
 3 Extraordinary Session, chapter 1, section 44, are amended to
 4 read as follows:

	For tax years beginning		
	in the calendar year:		
	2004	2005	2006
	<u>2005</u>	<u>2006</u>	<u>2007</u>
5			
6			
7			
8			
9	a. On all taxable income from		
10	zero through one thousand dollars: ....	.35%	.34%
11	b. On all taxable income exceeding		
12	one thousand dollars but not		
13	exceeding two thousand dollars: .....	.70%	.68%
14	c. On all taxable income exceeding		
15	two thousand dollars but not		
16	exceeding four thousand dollars:	2.36%	2.30%
17	d. On all taxable income exceeding		
18	four thousand dollars but not		
19	exceeding nine thousand dollars:	4.37%	4.27%
20	e. On all taxable income exceeding		
21	nine thousand dollars but not		
22	exceeding fifteen thousand		
23	dollars:	5.94%	5.80%
24	f. On all taxable income exceeding		
25	fifteen thousand dollars but not		
26	exceeding twenty thousand		
27	dollars:	6.29%	6.14%
28	g. On all taxable income exceeding		
29	twenty thousand dollars but not		
30	exceeding thirty thousand		
31	dollars:	6.60%	6.45%
32	h. On all taxable income exceeding		
33	thirty thousand dollars but not		
34	exceeding forty-five thousand		
35	dollars:	7.68%	7.51%

1 i. On all taxable income exceeding
2 forty-five thousand dollars: 8.71% 8.51% 8.09%

3 Sec. 2. 2003 Iowa Acts, First Extraordinary Session,
4 chapter 1, section 45, is amended to read as follows:

5 SEC. 45. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

6 This division of this Act takes effect January 1, ~~2004~~ 2005,
7 for tax years beginning on or after January 1, ~~2004~~ 2005, but
8 before January 1, ~~2007~~ 2008.

9 Sec. 3. Section 422.5, subsection 1, paragraphs a through
10 i, Code 2003, as amended by 2003 Iowa Acts, First
11 Extraordinary Session, chapter 1, section 46, are amended to
12 read as follows:

13 For tax years beginning
14 in the calendar year:
15 ~~2007~~ 2008 and subsequent
16 calendar years

17 a. On all taxable income from
18 zero through one thousand dollars:31%

19 b. On all taxable income exceeding
20 one thousand dollars but not
21 exceeding two thousand dollars:62%

22 c. On all taxable income exceeding
23 two thousand dollars but not
24 exceeding four thousand dollars: 2.09%

25 d. On all taxable income exceeding
26 four thousand dollars but not
27 exceeding nine thousand dollars: 3.87%

28 e. On all taxable income exceeding
29 nine thousand dollars but not
30 exceeding fifteen thousand
31 dollars: 5.26%

32 f. On all taxable income exceeding
33 fifteen thousand dollars but not
34 exceeding twenty thousand
35 dollars: 5.57%

1 g. On all taxable income exceeding
2 twenty thousand dollars but not
3 exceeding thirty thousand
4 dollars: 5.84%

5 h. On all taxable income exceeding
6 thirty thousand dollars but not
7 exceeding forty-five thousand
8 dollars: 6.80%

9 i. On all taxable income exceeding
10 forty-five thousand dollars: 7.71%

11 Sec. 4. Iowa Acts, First Extraordinary Session, chapter 1,
12 section 47, is amended to read as follows:

13 SEC. 47. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.
14 This division of this Act takes effect January 1, ~~2007~~ 2008,
15 for tax years beginning on or after January 1, ~~2007~~ 2008.

16 Sec. 5. 2003 Iowa Acts, First Extraordinary Session,
17 chapter 1, section 72, is amended to read as follows:

18 SEC. 72.

19 1. This division of this Act takes effect upon
20 ratification prior to January 1, ~~2007~~ 2008, of an amendment to
21 the Constitution of the State of Iowa requiring a three-fifths
22 majority vote of each house of the general assembly in order
23 to pass a bill that amends the state individual income tax by
24 raising the rate or rates of the individual income tax or of
25 an amendment to the Constitution of the State of Iowa
26 requiring a statewide referendum in order to approve a bill
27 that amends the state individual income tax by raising the
28 rate or rates of the individual income tax.

29 2. If this division of this Act takes effect as provided
30 in subsection 1, this division of this Act, except as provided
31 in subsection 3, applies to tax years beginning on or after
32 January 1, ~~2007~~ 2008.

33 3. The section of this division of this Act repealing
34 section 422.11B applies to tax years beginning on or after
35 January 1, ~~2010~~ 2011.

1 Sec. 6. CONTINGENT EFFECTIVENESS.

2 1. This Act takes effect only if the Iowa supreme court
3 rules in the case of Rants and Iverson v. Vilsack, No. 03-
4 1948, that the governor's line item vetoes of sections 44
5 through 72 of House File 692 (2003 Iowa Acts, First
6 Extraordinary Session, chapter 1) were unconstitutional.

7 2. If this Act takes effect as provided in subsection 1,
8 this Act applies retroactively to June 19, 2003, for the
9 purpose of repealing the amendment of income tax rates for tax
10 years beginning in calendar year 2004.

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

Shull
McKibben
Bolcom

Succeeded ~~SSB#~~ 3173
HF 2304
Ways & Means

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON MCKIBBEN)

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

A BILL FOR

1 An Act relating to the delay in the reduction in the individual
2 income tax rate schedule and providing for contingent
3 effectiveness.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

1 Section 1. Section 422.5, subsection 1, paragraphs a
 2 through i, Code 2003, as amended by 2003 Iowa Acts, First
 3 Extraordinary Session, chapter 1, section 44, are amended to
 4 read as follows:

	For tax years beginning		
	in the calendar year:		
	2004	2005	2006
	<u>2005</u>	<u>2006</u>	<u>2007</u>
5			
6			
7			
8			
9 a. On all taxable income from			
10 zero through one thousand dollars: ....	.35%	.34%	.32%
11 b. On all taxable income exceeding			
12 one thousand dollars but not			
13 exceeding two thousand dollars: .....	.70%	.68%	.65%
14 c. On all taxable income exceeding			
15 two thousand dollars but not			
16 exceeding four thousand dollars:	2.36%	2.30%	2.19%
17 d. On all taxable income exceeding			
18 four thousand dollars but not			
19 exceeding nine thousand dollars:	4.37%	4.27%	4.05%
20 e. On all taxable income exceeding			
21 nine thousand dollars but not			
22 exceeding fifteen thousand			
23 dollars:	5.94%	5.80%	5.51%
24 f. On all taxable income exceeding			
25 fifteen thousand dollars but not			
26 exceeding twenty thousand			
27 dollars:	6.29%	6.14%	5.84%
28 g. On all taxable income exceeding			
29 twenty thousand dollars but not			
30 exceeding thirty thousand			
31 dollars:	6.60%	6.45%	6.13%
32 h. On all taxable income exceeding			
33 thirty thousand dollars but not			
34 exceeding forty-five thousand			
35 dollars:	7.68%	7.51%	7.14%

1 i. On all taxable income exceeding
2 forty-five thousand dollars: 8.71% 8.51% 8.09%

3 Sec. 2. 2003 Iowa Acts, First Extraordinary Session,
4 chapter 1, section 45, is amended to read as follows:

5 SEC. 45. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

6 This division of this Act takes effect January 1, ~~2004~~ 2005,
7 for tax years beginning on or after January 1, ~~2004~~ 2005, but
8 before January 1, ~~2007~~ 2008.

9 Sec. 3. Section 422.5, subsection 1, paragraphs a through
10 i, Code 2003, as amended by 2003 Iowa Acts, First
11 Extraordinary Session, chapter 1, section 46, are amended to
12 read as follows:

13 For tax years beginning
14 in the calendar year:
15 ~~2007~~ 2008 and subsequent
16 calendar years

17 a. On all taxable income from
18 zero through one thousand dollars:31%

19 b. On all taxable income exceeding
20 one thousand dollars but not
21 exceeding two thousand dollars:62%

22 c. On all taxable income exceeding
23 two thousand dollars but not
24 exceeding four thousand dollars: 2.09%

25 d. On all taxable income exceeding
26 four thousand dollars but not
27 exceeding nine thousand dollars: 3.87%

28 e. On all taxable income exceeding
29 nine thousand dollars but not
30 exceeding fifteen thousand
31 dollars: 5.26%

32 f. On all taxable income exceeding
33 fifteen thousand dollars but not
34 exceeding twenty thousand
35 dollars: 5.57%

1 g. On all taxable income exceeding
2 twenty thousand dollars but not
3 exceeding thirty thousand
4 dollars: 5.84%

5 h. On all taxable income exceeding
6 thirty thousand dollars but not
7 exceeding forty-five thousand
8 dollars: 6.80%

9 i. On all taxable income exceeding
10 forty-five thousand dollars: 7.71%

11 Sec. 4. Iowa Acts, First Extraordinary Session, chapter 1,
12 section 47, is amended to read as follows:

13 SEC. 47. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.
14 This division of this Act takes effect January 1, ~~2007~~ 2008,
15 for tax years beginning on or after January 1, ~~2007~~ 2008.

16 Sec. 5. 2003 Iowa Acts, First Extraordinary Session,
17 chapter 1, section 72, is amended to read as follows:

18 SEC. 72.

19 1. This division of this Act takes effect upon
20 ratification prior to January 1, ~~2007~~ 2008, of an amendment to
21 the Constitution of the State of Iowa requiring a three-fifths
22 majority vote of each house of the general assembly in order
23 to pass a bill that amends the state individual income tax by
24 raising the rate or rates of the individual income tax or of
25 an amendment to the Constitution of the State of Iowa
26 requiring a statewide referendum in order to approve a bill
27 that amends the state individual income tax by raising the
28 rate or rates of the individual income tax.

29 2. If this division of this Act takes effect as provided
30 in subsection 1, this division of this Act, except as provided
31 in subsection 3, applies to tax years beginning on or after
32 January 1, ~~2007~~ 2008.

33 3. The section of this division of this Act repealing
34 section 422.11B applies to tax years beginning on or after
35 January 1, ~~2010~~ 2011.

1 Sec. 6. CONTINGENT EFFECTIVENESS. This Act takes effect
2 only if the Iowa supreme court rules in the case of Rants and
3 Iverson v. Vilsack, No. 03-1948, that the governor's line item
4 vetoes of provisions of House File 692 (2003 Iowa Acts, First
5 Extraordinary Session, chapter 1) were unconstitutional.

6 EXPLANATION

7 During the 2003 special session, the general assembly
8 passed House File 692 (2003 Iowa Acts, First Extraordinary
9 Session, chapter 1) which contained, among its provisions,
10 reductions in the state individual income tax rates beginning
11 with the tax years beginning in the 2004 calendar year. The
12 nine-bracket rate schedule for the 2003 tax years is .36
13 percent to 8.98 percent. The nine-bracket rate schedule was
14 adjusted as follows: for the 2004 tax year, .35 percent to
15 8.71 percent; for the 2005 tax year, .34 percent to 8.51
16 percent; and for the 2006 tax year, .32 percent to 8.09
17 percent. In addition, for tax years beginning on or after
18 January 1, 2007, the rate schedule would be adjusted to .31
19 percent to 7.71 percent or, adjusted to a three-bracket rate
20 schedule of 1.85 percent, 4.75 percent, and 4.99 percent,
21 conditional upon passage of a constitutional amendment prior
22 to January 1, 2007, of a requirement for a .60 percent vote in
23 the general assembly or for a statewide referendum to increase
24 the income tax.

25 The governor exercised his line item veto authority to
26 negate these income tax reductions. However, a lawsuit has
27 challenged the constitutionality of these item vetoes.

28 This bill provides that the income tax reductions
29 originally scheduled for tax years beginning in the 2004,
30 2005, 2006, and 2007 calendar years are to be delayed one
31 year. Those reductions would only occur as a result of this
32 bill for the tax years beginning in the 2005, 2006, 2007, and
33 2008 calendar years. The bill is contingent upon the Iowa
34 supreme court ruling that the governor's line item vetoes of
35 the original tax reduction provisions were unconstitutional.