

**Senate Study Bill 3200 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
REVENUE BILL)

**A BILL FOR**

1 An Act relating to the policy administration of the tax  
2 and related laws by the department of revenue, including  
3 administration of income taxes, sales and use taxes, motor  
4 fuel taxes, property taxes, and inheritance taxes, providing  
5 for taxpayer information exchanges with the department  
6 of workforce development, making penalties applicable,  
7 and including effective date and retroactive and other  
8 applicability provisions.  
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

WITHHOLDING TAX CREDITS

1  
2  
3 Section 1. Section 15A.7, unnumbered paragraph 1, Code  
4 Supplement 2009, is amended to read as follows:

5 In order to promote the creation of additional high-quality  
6 new jobs within the state, an agreement under section 260E.3  
7 may include a provision for a supplemental new jobs credit from  
8 withholding from jobs created under the agreement. As used in  
9 this section, "new jobs credit from withholding" means the same  
10 as defined in section 260E.2. A provision in an agreement for  
11 which a supplemental credit from withholding is included shall  
12 provide for the following:

13 Sec. 2. Section 15A.9, subsection 3, paragraph a,  
14 unnumbered paragraph 1, Code Supplement 2009, is amended to  
15 read as follows:

16 At the request of the primary business or a supporting  
17 business, an agreement authorizing a supplemental new  
18 jobs credit from withholding from jobs within the zone  
19 may be entered into between the department of revenue, a  
20 community college, and the primary business or a supporting  
21 business. As used in this subsection, "new jobs credit from  
22 withholding" means the same as defined in section 260E.2. The  
23 agreement shall be for program services for an additional job  
24 training project, as defined in chapter 260E. The agreement  
25 shall provide for the following:

26 Sec. 3. Section 15E.197, subsection 4, Code Supplement  
27 2009, is amended to read as follows:

28 4. For purposes of this section, "*eligible business*" means  
29 a business which has been approved to receive incentives and  
30 assistance by the department of economic development pursuant  
31 to application as provided in section 15E.195, and "new jobs  
32 credit from withholding" means the same as defined in section  
33 260E.2.

34 Sec. 4. Section 260E.2, subsection 11, Code 2009, is amended  
35 to read as follows:

1 11. *"New jobs credit from withholding"* means the  
2 credit procedure for crediting to employers the amount of  
3 withholding tax payments made by the department of revenue to  
4 community colleges as provided in section 260E.5.

5 Sec. 5. Section 260E.5, subsections 2, 4, 5, and 6, Code  
6 2009, are amended to read as follows:

7 2. *a.* The employer shall remit the total amount of  
8 withholding payments due pursuant to section 422.16 to the  
9 department of revenue. An amount equal to one and one-half  
10 percent of the gross wages paid by the employer to each  
11 employee participating in a project shall be credited from the  
12 ~~payment made by an employer pursuant to section 422.16.~~ If  
13 ~~the amount of the withholding by the employer is less than one~~  
14 ~~and one-half percent of the gross wages paid to the employees~~  
15 ~~covered by the agreement, then the employer shall receive a~~  
16 ~~credit against other withholding taxes due by the employer.~~  
17 ~~The employer shall remit the amount of the credit quarterly~~  
18 ~~in the same manner as withholding payments are reported to~~  
19 ~~the department of revenue,~~ withholding tax payments to be  
20 made by the department of revenue on a quarterly basis to the  
21 account of each community college to be allocated to and when  
22 collected paid into a special fund of the community college to  
23 pay the principal of and interest on certificates issued by the  
24 community college to finance or refinance, in whole or in part,  
25 the project.

26 *b.* When the principal and interest on the certificates have  
27 been paid, the ~~employer credits~~ department of revenue shall  
28 ~~cease and any money to credit withholding tax moneys to the~~  
29 account of the community college. All moneys received after  
30 the certificates have been paid shall be remitted to the  
31 treasurer of state to be deposited in the general fund of the  
32 state.

33 4. The employer shall certify to the department of revenue  
34 that the new jobs credit ~~is~~ from withholding is in accordance  
35 with an agreement and shall provide any other information the

1 department may require.

2 5. ~~A~~ In order to receive the moneys credited to a community  
3 college's account, the community college shall certify to  
4 the department of revenue the amount of new jobs credit  
5 from withholding an employer has remitted to be allocated  
6 and paid to the special fund and shall provide any other  
7 information the department may require. Upon reviewing the  
8 required information and verifying that the certified amount  
9 is correct, the department of revenue shall pay the certified  
10 amount into the special fund of the community college.

11 6. An employee participating in a project ~~will~~ must receive  
12 full credit for the amount withheld as provided in section  
13 422.16.

14 Sec. 6. Section 260G.2, subsection 13, Code 2009, is amended  
15 to read as follows:

16 13. "*Program job credit*" means the credit procedure for  
17 crediting to employers the amount of withholding tax payments  
18 made by the department of revenue to community colleges as  
19 provided in section 260G.4A.

20 Sec. 7. Section 260G.4A, subsections 2 through 5, Code 2009,  
21 are amended to read as follows:

22 2. a. Eligibility for program job credits shall be  
23 based on certification of program job positions and program  
24 job wages by the employer at the time established in the  
25 agreement. An employer shall remit the total amount of  
26 withholding payments due pursuant to section 422.16 to the  
27 department of revenue. An amount up to ten percent of the  
28 gross program job wage as certified by the employer in the  
29 agreement shall be credited from the ~~total payment made by~~  
30 ~~an employer pursuant to section 422.16.~~ ~~The employer shall~~  
31 ~~receive a credit against all withholding taxes due by the~~  
32 ~~employer regardless of whether or not the withholding from the~~  
33 ~~employer of current program job wages is less than ten percent.~~  
34 ~~The employer shall remit the amount of the credit quarterly in~~  
35 ~~the same manner as withholding payments are reported to the~~

1 ~~department of revenue,~~ withholding tax payments to be made by  
2 the department of revenue on a quarterly basis to the account  
3 of each community college to be allocated to and when collected  
4 paid into a special fund of the community college to pay, in  
5 part, the program costs.

6 b. When the program costs have been paid, the ~~employer~~  
7 ~~credits~~ department of revenue shall cease and any to credit  
8 withholding tax moneys to the account of the community college.  
9 All moneys received after the program costs have been paid  
10 shall be remitted to the treasurer of state to be deposited in  
11 the general fund of the state.

12 3. The employer shall certify to the department of revenue  
13 that the program job credit is in accordance with the agreement  
14 and shall provide any other information the department may  
15 require.

16 4. A In order to receive the moneys credited to a community  
17 college's account, the community college shall certify to  
18 the department of revenue that the amount of the program job  
19 credit to be allocated and paid to the special fund is correct  
20 and in accordance with an agreement and shall provide any other  
21 information the department may require. Upon reviewing the  
22 required information and verifying that the certified amount  
23 is correct, the department of revenue shall pay the certified  
24 amount into the special fund of the community college.

25 5. Employees ~~from~~ of an employer participating in an  
26 agreement ~~shall~~ must receive full credit for the amount  
27 withheld as provided in section 422.16.

28 Sec. 8. Section 403.19A, subsection 1, Code Supplement  
29 2009, is amended by adding the following new paragraph:

30 NEW PARAGRAPH. Og. "Targeted jobs withholding credit"  
31 means the procedure for crediting to employers the amount of  
32 withholding tax payments made by the department of revenue to a  
33 pilot project city as provided in subsection 3.

34 Sec. 9. Section 403.19A, subsection 3, paragraphs a, b,  
35 e, f, g, and h, Code Supplement 2009, are amended to read as

1 follows:

2     ~~a. A pilot project city may provide by ordinance for~~  
3 ~~the deposit into a designated account in the special fund~~  
4 ~~described in section 403.19, subsection 2, of the targeted~~  
5 ~~jobs withholding credit described in this section and an~~  
6 employer may enter into a withholding agreement pursuant to  
7 this subsection. Such an agreement may include a provision  
8 for a targeted jobs withholding credit. The targeted jobs  
9 withholding credit shall be based upon the wages paid to  
10 employees pursuant to a withholding agreement.

11     ~~b. The employer shall remit the total amount of withholding~~  
12 payments due pursuant to section 422.16 to the department  
13 of revenue. An amount equal to three percent of the gross  
14 wages paid by an employer to each employee under a withholding  
15 agreement shall be credited from the ~~payment made by the~~  
16 ~~employer pursuant to section 422.16.~~ If the amount of the  
17 ~~withholding by the employer is less than three percent of the~~  
18 ~~gross wages paid to the employees covered by the withholding~~  
19 ~~agreement, the employer shall receive a credit against other~~  
20 ~~withholding taxes due by the employer or may carry the credit~~  
21 ~~forward for up to ten years or until depleted, whichever is the~~  
22 ~~earlier. The employer shall remit the amount of the credit~~  
23 ~~quarterly, in the same manner as withholding payments are~~  
24 ~~reported to the department of revenue, withholding tax payments~~  
25 to be made by the department of revenue on a quarterly basis to  
26 the account of each pilot project city to be allocated to and  
27 when collected paid into a designated account in the special  
28 fund for the urban renewal area in which the targeted jobs are  
29 located. All amounts so deposited shall be used or pledged by  
30 the pilot project city for an urban renewal project related to  
31 the employer pursuant to the withholding agreement.

32     ~~e. (1) The employer shall certify to the department~~  
33 ~~of revenue that the targeted jobs withholding credit is in~~  
34 ~~accordance with the withholding agreement and shall provide~~  
35 any other information the department may require. Notice of

1 any withholding agreement shall be provided promptly to the  
2 department of revenue following execution of the agreement by  
3 the pilot project city and the employer.

4 (2) Following termination of the withholding agreement,  
5 the ~~employer credits~~ department of revenue shall cease ~~and any~~  
6 ~~money~~ to credit withholding tax moneys to the account of the  
7 pilot project city. All moneys received ~~by the pilot project~~  
8 ~~city~~ after termination shall be remitted to the treasurer of  
9 state to be deposited into the general fund of the state.  
10 Notice shall be provided promptly to the department of revenue  
11 following termination.

12 *f.* If the employer ceases to meet the requirements of the  
13 withholding agreement, the agreement shall be terminated and  
14 any targeted jobs withholding tax ~~credits for the benefit~~  
15 ~~of payments credited to the employer~~ employer's obligations  
16 under the agreement shall cease. However, in regard to the  
17 number of new jobs that are to be created, if the employer  
18 has met the number of new jobs to be created pursuant to  
19 the withholding agreement and subsequently the number of new  
20 jobs falls below the required level, the employer shall not  
21 be considered as not meeting the new job requirement until  
22 eighteen months after the date of the decrease in the number of  
23 new jobs created.

24 *g.* A In order to receive the moneys credited to a pilot  
25 project city's account, the pilot project city shall certify  
26 to the department of revenue the amount of the targeted jobs  
27 withholding credit an employer has remitted to the city to  
28 be allocated and paid to the special fund as provided for  
29 under the agreement and shall provide any other information  
30 the department may require. Upon reviewing the required  
31 information and verifying that the certified amount is correct,  
32 the department of revenue shall pay the certified amount into  
33 the designated account of the special fund of the urban renewal  
34 area in which the targeted jobs are located.

35 *h.* An employee whose wages are subject to a withholding

1 agreement ~~shall~~ must receive full credit for the amount  
2 withheld as provided in section 422.16.

3 Sec. 10. Section 403.19A, subsection 3, paragraph j,  
4 subparagraph (1), Code Supplement 2009, is amended to read as  
5 follows:

6 (1) A pilot project city entering into a withholding  
7 agreement shall arrange for matching local financial support  
8 for the project. The local match required under this paragraph  
9 "j" shall be in an amount equal to one dollar for every dollar  
10 of targeted jobs withholding credit tax payments received by  
11 the pilot project city from the department of revenue.

12 Sec. 11. Section 422.16A, Code 2009, is amended to read as  
13 follows:

14 **422.16A Job training withholding — certification and**  
15 **transfer.**

16 Upon the completion ~~by a business of its repayment~~  
17 obligation of the payment of program costs for a training  
18 project funded under chapter 260E, including a job training  
19 project funded under section 15A.8 or repaid in whole or in  
20 part by the supplemental new jobs credit from withholding  
21 under section 15A.7 or section 15E.197, the sponsoring  
22 community college shall report to the department of economic  
23 development the amount of withholding ~~paid by the business tax~~  
24 payments credited by the department of revenue to the account  
25 of the community college during the final twelve months of  
26 withholding payments. The department of economic development  
27 shall notify the department of revenue of ~~that~~ the amount  
28 reported by the community college. The department of  
29 revenue shall credit to the workforce development fund account  
30 established in section 15.342A twenty-five percent of that  
31 amount each quarter for a period of ten years. If the amount  
32 of withholding ~~from the business or employer~~ credited by  
33 the department of revenue is insufficient, the department  
34 of revenue shall prorate the quarterly amount credited to  
35 the workforce development fund account. The maximum amount



1 ~~from all employers~~ of withholding tax credit which shall be  
2 transferred to the workforce development fund account in any  
3 year is four million dollars.

4 Sec. 12. RETROACTIVE APPLICABILITY.

5 1. This division of this Act applies to all agreements  
6 concerning withholding tax credit payments entered into  
7 pursuant to the provisions of chapters 260E and 260G and  
8 section 403.19A.

9 2. An agreement entered into prior to the effective date of  
10 this division of this Act shall be re-executed and its terms  
11 renegotiated in compliance with the provisions of this division  
12 of this Act.

13 DIVISION II

14 PROPERTY TAXES

15 Sec. 13. Section 421.17, subsection 17, Code 2009, is  
16 amended to read as follows:

17 17. To prepare and issue a state appraisal manual which each  
18 county and city assessor shall use in assessing and valuing all  
19 classes of property in the state. The appraisal manual shall  
20 be continuously revised and the manual and revisions shall be  
21 issued to the county and city assessors in such form and manner  
22 as prescribed by the director. The director may approve an  
23 alternate appraisal manual for use by a city or county assessor  
24 if the director determines that the manual is uniform and  
25 consistent with the state appraisal manual.

26 Sec. 14. Section 421.30, subsection 7, Code 2009, is amended  
27 to read as follows:

28 7. Any reassessment of property ordered by the director,  
29 whether or not undertaken with funds provided in this section,  
30 shall be conducted by the assessor in accordance with the Iowa  
31 real property appraisal manual ~~issued under authority of or an~~  
32 approved alternate appraisal manual as described in section  
33 421.17, subsection 17, the assessment laws of this state, and  
34 any reassessment order issued by the director under authority  
35 of this chapter. The conference board may employ appraisers

1 or other expert help to assist the assessor in completing  
2 the reassessment, except that no conference board receiving  
3 funds under this section shall enter into a contract for  
4 the reassessment of property until the board's proposal for  
5 completing the reassessment is approved. The director shall  
6 supervise the conduct of all reassessments of property and  
7 issue to the assessor or conference board such instructions,  
8 directives, or orders as are necessary to ensure compliance  
9 with the provisions of this section and the assessment laws of  
10 this state.

11 Sec. 15. Section 427B.4, Code 2009, is amended to read as  
12 follows:

13 **427B.4 Application for exemption by property owner.**

14 1. a. An application shall be filed for each project  
15 resulting in actual value added for which an exemption is  
16 claimed. The first application for exemption shall be filed  
17 by the owner of the property with the local assessor governing  
18 body of the city or county in which the property is located by  
19 February 1 of the assessment year in which the value added is  
20 first assessed for taxation for which the exemption is first  
21 claimed, but not later than the year in which all improvements  
22 included in the project are first assessed for taxation, or the  
23 following two assessment years.

24 b. Applications for exemption shall be made on forms  
25 prescribed by the director of revenue and shall contain  
26 information pertaining to the nature of the improvement, its  
27 cost, the estimated or actual date of completion, whether  
28 the exemption schedule described in section 427B.3 or an  
29 alternate schedule adopted pursuant to section 427B.1 will be  
30 elected, and any other information deemed necessary by the  
31 director of revenue.

32 2. a. A person may submit a proposal to the city council  
33 of the city or the board of supervisors of a county to receive  
34 prior approval for eligibility for a tax exemption on new  
35 construction. The city council or the board of supervisors, by

1 ordinance, may give its prior approval of a tax exemption for  
2 new construction if the new construction is in conformance with  
3 the zoning plans for the city or county. The prior approval  
4 shall also be subject to the hearing requirements of section  
5 427B.1.

6 b. Prior approval received under this subsection does not  
7 entitle the owner to exemption from taxation until the new  
8 construction has been completed and found to be qualified real  
9 estate. However, if the tax exemption for new construction is  
10 not approved, the person may submit an amended proposal to the  
11 city council or board of supervisors to approve or reject.

12 Sec. 16. Section 441.21, subsection 1, paragraphs h and i,  
13 Code Supplement 2009, are amended to read as follows:

14 h. The assessor shall determine the value of real property  
15 in accordance with rules adopted by the department of revenue  
16 and in accordance with either the forms and guidelines  
17 contained in the real property appraisal manual prepared by the  
18 department as updated from time to time or with an alternate  
19 appraisal manual approved for use pursuant to section 421.17,  
20 subsection 17. Such rules, forms, and guidelines shall not  
21 be inconsistent with or change the means, as provided in this  
22 section, of determining the actual, market, taxable, and  
23 assessed values.

24 i. (1) If the department finds that a city or county  
25 assessor is not in compliance with the rules of the department  
26 relating to valuation of property or has disregarded either the  
27 forms and guidelines contained in the real property appraisal  
28 manual or an alternate appraisal manual approved for use  
29 pursuant to section 421.17, subsection 17, the department shall  
30 notify the assessor and each member of the conference board for  
31 the appropriate assessing jurisdiction. The notice shall be  
32 mailed by restricted certified mail. The notice shall specify  
33 the areas of noncompliance and the steps necessary to achieve  
34 compliance. The notice shall also inform the assessor and  
35 conference board that if compliance is not achieved, a penalty

1 may be imposed.

2     (2) The conference board shall respond to the department  
3 within thirty days of receipt of the notice of noncompliance.  
4 The conference board may respond to the notice by asserting  
5 that the assessor is in compliance with the rules, guidelines,  
6 and forms of the department or by informing the department that  
7 the conference board intends to submit a plan of action to  
8 achieve compliance. If the conference board responds to the  
9 notification by asserting that the assessor is in compliance, a  
10 hearing before the director of revenue shall be scheduled on  
11 the matter.

12     (3) A plan of action shall be submitted within sixty days of  
13 receipt of the notice of noncompliance. The plan shall contain  
14 a time frame under which compliance shall be achieved which  
15 shall be no later than January 1 of the following assessment  
16 year. The plan of action shall contain the signature of the  
17 assessor and of the chairperson of the conference board. The  
18 department shall review the plan to determine whether the plan  
19 is sufficient to achieve compliance. Within thirty days of  
20 receipt of the plan, the department shall notify the assessor  
21 and the chairperson of the conference board that it has  
22 accepted the plan or that it is necessary to submit an amended  
23 plan of action.

24     (4) By January 1 of the assessment year following  
25 the calendar year in which the plan was submitted to the  
26 department, the conference board shall submit a report to the  
27 department indicating that the plan of action was followed and  
28 compliance has been achieved. The department may conduct a  
29 field inspection to ensure that the assessor is in compliance.  
30 By January 31, the department shall notify the assessor and the  
31 conference board, by restricted certified mail, either that  
32 compliance has been achieved or that the assessor remains in  
33 noncompliance. If the department determines that the assessor  
34 remains in noncompliance, the department shall take steps  
35 to withhold up to five percent of the reimbursement payment

1 authorized in section 425.1 until the director of revenue  
2 determines that the assessor is in compliance.

3 (5) If the conference board disputes the determination of  
4 the department, the chairperson of the conference board may  
5 appeal the determination to the state board of tax review.

6 (6) The department shall adopt rules relating to the  
7 administration of this paragraph "i".

8 Sec. 17. Section 441.21, subsection 2, Code Supplement  
9 2009, is amended to read as follows:

10 2. a. In the event market value of the property being  
11 assessed cannot be readily established in the foregoing manner,  
12 then the assessor may determine the value of the property using  
13 the other uniform and recognized appraisal methods including  
14 its productive and earning capacity, if any, industrial  
15 conditions, its cost, physical and functional depreciation  
16 and obsolescence and replacement cost, and all other factors  
17 which would assist in determining the fair and reasonable  
18 market value of the property but the actual value shall not be  
19 determined by use of only one such factor.

20 b. The following shall not be taken into consideration:  
21 Special value or use value of the property to its present  
22 owner, and the goodwill or value of a business which uses the  
23 property as distinguished from the value of the property as  
24 property. However, in assessing property that is rented or  
25 leased to low-income individuals and families as authorized by  
26 section 42 of the Internal Revenue Code, as amended, and which  
27 section limits the amount that the individual or family pays  
28 for the rental or lease of units in the property, the assessor  
29 shall use the productive and earning capacity from the actual  
30 rents received as a method of appraisal and shall take into  
31 account the extent to which that use and limitation reduces the  
32 market value of the property.

33 c. The assessor shall not consider any tax credit equity or  
34 other subsidized financing as income provided to the property  
35 in determining the assessed value. The property owner shall

1 notify the assessor when property is withdrawn from section  
2 42 eligibility under the Internal Revenue Code. The property  
3 shall not be subject to section 42 assessment procedures  
4 for the assessment year for which section 42 eligibility is  
5 withdrawn. This notification must be provided to the assessor  
6 no later than March 1 of the assessment year or the owner  
7 will be subject to a penalty of five hundred dollars for that  
8 assessment year. The penalty shall be collected at the same  
9 time and in the same manner as regular property taxes.

10 d. Upon adoption of uniform rules by the department of  
11 revenue or succeeding authority covering assessments and  
12 valuations of such properties, the valuation on such properties  
13 shall be determined in accordance with such rules and in  
14 accordance with either the forms and guidelines contained in  
15 the real property appraisal manual prepared by the department  
16 as updated from time to time for assessment purposes to  
17 assure uniformity, but or with an alternate appraisal manual  
18 approved for use pursuant to section 421.17, subsection  
19 17. However, such rules, forms, and guidelines shall not be  
20 inconsistent with or change the foregoing means of determining  
21 the actual, market, taxable and assessed values.

22 DIVISION III

23 FINANCIAL ACCOUNT MATCHING AND DEBT COLLECTION

24 Sec. 18. Section 421.17, Code 2009, is amended by adding the  
25 following new subsection:

26 NEW SUBSECTION. 27A. a. To establish a data match system.

27 b. The director may require financial institutions doing  
28 business in Iowa to enter into agreements to provide the  
29 information described in paragraph "c" regarding individuals  
30 with accounts at financial institutions who may be subject to  
31 a levy issued by the facility.

32 c. A financial institution, or its agent, shall provide on  
33 a quarterly basis the following information for each individual  
34 identified pursuant to paragraph "b":

35 (1) Name.

1 (2) Address.

2 (3) Account numbers.

3 (4) Social security or tax identification number, as  
4 applicable.

5 *d.* An agreement shall provide that the information described  
6 in paragraph "c" be provided by doing one of the following:

7 (1) Using a data match system to identify individuals  
8 by means of a social security or tax identification number  
9 provided by the facility.

10 (2) Submitting reports containing the information described  
11 in paragraph "c" on individuals identified in paragraph "b" to  
12 the department. Information in such reports shall be used by  
13 the department solely for purposes of collecting obligor debts.

14 *e.* If, based on the information provided in paragraph  
15 "d" pursuant to the agreement, the facility determines that  
16 an account belongs to an individual who is an obligor, the  
17 facility may initiate an administrative action under section  
18 421.17A to levy against the obligor's account.

19 *f.* The facility shall reimburse a financial institution,  
20 or its agent, for the actual and reasonable costs incurred in  
21 providing the information described in paragraph "c". For  
22 purposes of this paragraph "f", "*actual and reasonable costs*"  
23 means either the cost of developing a data match system to  
24 provide information pursuant to paragraph "d", subparagraph  
25 (1), or the cost of providing reports pursuant to paragraph "d",  
26 subparagraph (2).

27 *g.* Notwithstanding any other provision of law to the  
28 contrary, an agreement with a financial institution pursuant  
29 to this subsection shall specify a date by which the financial  
30 institution shall submit a claim for reimbursement pursuant to  
31 paragraph "f".

32 *h.* This subsection shall not be construed to preclude a  
33 financial institution from doing either of the following:

34 (1) Recouping a deposit made to an individual's account, if  
35 the financial institution is lawfully entitled to do so.

1 (2) Collecting standard or contractual account activity  
2 fees to the extent such fees are necessary to maintain the  
3 account during any period in which access to the account is  
4 blocked or encumbered.

5 *i.* The information provided by a financial institution,  
6 or its agent, under this subsection shall be confidential and  
7 shall be available only to the department and the facility for  
8 use in levy collection activities.

9 *j.* A financial institution, or its agent, providing the  
10 information described in this subsection shall not be held  
11 liable for either of the following:

12 (1) Blocking access to or surrendering an individual's  
13 assets in response to a levy action under this subsection.

14 (2) Any other action taken in good faith to comply with the  
15 requirements of this subsection.

16 *k.* This subsection shall not be construed to preclude  
17 the department from encumbering an obligor's account with a  
18 financial institution by another available means or provision  
19 of law.

20 *l.* The director shall adopt rules for the administration  
21 of this subsection. The rules shall specify an implementation  
22 plan for the data match system. The plan, to the extent  
23 practicable, shall reflect the practices and capabilities of  
24 similar systems utilized by private entities or government  
25 agencies.

26 *m.* As used in this subsection, unless the context otherwise  
27 requires:

28 (1) "*Data match system*" means an automated process for  
29 matching and comparing obligor information from the centralized  
30 debt collection data bank described in subsection 27 with  
31 account information from financial institutions.

32 (2) The terms "*account*", "*bank*", "*credit union*", "*facility*",  
33 "*financial institution*", "*obligor*", and "*savings and loan*  
34 *association*" have the same meaning as defined in section  
35 421.17A, subsection 1.



DIVISION IV

IDENTIFICATION OF WORKER MISCLASSIFICATION

1  
2  
3 Sec. 19. Section 421.17, Code 2009, is amended by adding the  
4 following new subsection:

5 NEW SUBSECTION. 31. To assist the department of workforce  
6 development in identifying taxpayers who have failed to  
7 file a return or to pay the taxes, penalties, or interest  
8 required pursuant to any of the tax provisions administered  
9 by the department of workforce development. In assisting the  
10 department of workforce development, and notwithstanding any  
11 provisions to the contrary in sections 422.20 and 422.72, the  
12 director is authorized to provide the following information for  
13 purposes of identifying such taxpayers:

14 a. Withholding tax and payroll information.

15 b. The identity, including the date of birth and social  
16 security number, of any taxpayer who has previously been or is  
17 currently being audited or investigated by the department.

18 c. The result or most recent status of the audit or  
19 investigation.

20 Sec. 20. Section 422.20, subsection 3, paragraph a, Code  
21 2009, is amended to read as follows:

22 a. Unless otherwise expressly permitted by section 8A.504,  
23 section 96.11, subsection 6, section 421.17, subsections 22,  
24 23, and 26, and 31, sections 252B.9, 321.120, 421.19, 421.28,  
25 422.72, and 452A.63, and this section, a tax return, return  
26 information, or investigative or audit information shall not  
27 be divulged to any person or entity, other than the taxpayer,  
28 the department, or internal revenue service for use in a matter  
29 unrelated to tax administration.

30 Sec. 21. Section 422.72, subsection 3, paragraph a, Code  
31 2009, is amended to read as follows:

32 a. Unless otherwise expressly permitted by section 8A.504,  
33 section 96.11, subsection 6, section 421.17, subsections 22,  
34 23, and 26, and 31, sections 252B.9, 321.120, 421.19, 421.28,  
35 422.20, and 452A.63, and this section, a tax return, return

1 information, or investigative or audit information shall not  
2 be divulged to any person or entity, other than the taxpayer,  
3 the department, or internal revenue service for use in a matter  
4 unrelated to tax administration.

5 Sec. 22. EFFECTIVE UPON ENACTMENT. This division of this  
6 Act, being deemed of immediate importance, takes effect upon  
7 enactment.

8 DIVISION V

9 FALSE CLAIMS FOR CREDIT

10 Sec. 23. Section 421.27, subsection 6, Code 2009, is amended  
11 to read as follows:

12 6. *Improper receipt of refund or credit.* A person who makes  
13 an erroneous application for refund or credit shall be liable  
14 for any overpayment received or tax liability reduced plus  
15 interest at the rate in effect under section 421.7. In  
16 addition, a person who willfully makes a false or frivolous  
17 application for refund or credit with intent to evade tax  
18 or with intent to receive a refund or credit to which the  
19 person is not entitled is guilty of a fraudulent practice  
20 and is liable for a penalty equal to seventy-five percent of  
21 the refund or credit being claimed. ~~Repayments~~ Payments,  
22 penalties, and interest due under this subsection may be  
23 collected and enforced in the same manner as the tax imposed.

24 DIVISION VI

25 REFUND INTEREST ACCRUAL

26 Sec. 24. Section 421.60, subsection 2, paragraph e, Code  
27 2009, is amended to read as follows:

28 e. Unless otherwise provided by law, all Iowa taxes which  
29 are administered by the department and which result in a refund  
30 shall accrue interest at the rate in effect under section 421.7  
31 from the first day of the ~~second~~ third calendar month following  
32 the date of payment or the date the return was due to be filed  
33 or was filed, whichever is the latest.

34 Sec. 25. Section 422.16, subsection 9, Code 2009, is amended  
35 to read as follows:

1 9. a. The amount of any overpayment of the individual  
2 income tax liability of the employee taxpayer, nonresident,  
3 or other person which may result from the withholding and  
4 payment of withheld tax by the employer or withholding agent  
5 to the department under subsections 1 and 12, as compared to  
6 the individual income tax liability of the employee taxpayer,  
7 nonresident, or other person properly and correctly determined  
8 under the provisions of section 422.4, to and including section  
9 422.25, may be credited against any income tax or installment  
10 thereof then due the state of Iowa and any balance of one  
11 dollar or more shall be refunded to the employee taxpayer,  
12 nonresident or other person with interest at the rate in  
13 effect under section 421.7 for each month or fraction of a  
14 month, the interest to begin to accrue on the first day of the  
15 ~~second~~ third calendar month following the date the return was  
16 due to be filed or was filed, whichever is the later date.

17 b. Amounts of less than one dollar shall be refunded to  
18 the taxpayer, nonresident, or other person only upon written  
19 application, in accordance with section 422.73, and only if  
20 the application is filed within twelve months after the due  
21 date of the return. Refunds in the amount of one dollar  
22 or more provided for by this subsection shall be paid by  
23 the treasurer of state by warrants drawn by the director of  
24 the department of administrative services, or an authorized  
25 employee of the department, and the taxpayer's return of  
26 income shall constitute a claim for refund for this purpose,  
27 except in respect to amounts of less than one dollar. There  
28 is appropriated, out of any funds in the state treasury not  
29 otherwise appropriated, a sum sufficient to carry out the  
30 provisions of this subsection.

31 Sec. 26. Section 422.25, subsection 3, Code 2009, is amended  
32 to read as follows:

33 3. If the amount of the tax as determined by the department  
34 is less than the amount paid, the excess shall be refunded with  
35 interest, the interest to begin to accrue on the first day of

1 the ~~second~~ third calendar month following the date of payment  
2 or the date the return was due to be filed, or the extended due  
3 date by which the return was due to be filed if ninety percent  
4 of the tax was paid by the original due date, or was filed,  
5 whichever is the latest, at the rate in effect under section  
6 421.7 counting each fraction of a month as an entire month  
7 under the rules prescribed by the director. If an overpayment  
8 of tax results from a net operating loss or net capital loss  
9 which is carried back to a prior year, the overpayment, for  
10 purposes of computing interest on refunds, shall be considered  
11 as having been made on the date a claim for refund or amended  
12 return carrying back the net operating loss or net capital  
13 loss is filed with the department or on the first day of the  
14 ~~second~~ third calendar month following the date of the actual  
15 payment of the tax, whichever is later. However, when the net  
16 operating loss or net capital loss carryback to a prior year  
17 eliminates or reduces an underpayment of tax due for an earlier  
18 year, the full amount of the underpayment of tax shall bear  
19 interest at the rate in effect under section 421.7 for each  
20 month counting each fraction of a month as an entire month from  
21 the due date of the tax for the earlier year to the last day of  
22 the taxable year in which the net operating loss or net capital  
23 loss occurred.

24 Sec. 27. Section 422.28, Code 2009, is amended to read as  
25 follows:

26 **422.28 Revision of tax.**

27 A taxpayer may appeal to the director for revision of  
28 the tax, interest, or penalties assessed at any time within  
29 sixty days from the date of the notice of the assessment of  
30 tax, additional tax, interest, or penalties. The director  
31 shall grant a hearing and if, upon the hearing, the director  
32 determines that the tax, interest, or penalties are excessive  
33 or incorrect, the director shall revise them according to  
34 the law and the facts and adjust the computation of the tax,  
35 interest, or penalties accordingly. The director shall notify

1 the taxpayer by mail of the result of the hearing and shall  
2 refund to the taxpayer the amount, if any, paid in excess  
3 of the tax, interest, or penalties found by the director to  
4 be due, with interest ~~after sixty days~~ accruing from the  
5 ~~date~~ first day of the third calendar month following the  
6 date of payment by the taxpayer at the rate in effect under  
7 section 421.7 for each month or a fraction of a month.

8 Sec. 28. Section 422.91, Code 2009, is amended to read as  
9 follows:

10 **422.91 Credit for estimated tax — accrual of interest.**

11 1. a. Any amount of estimated tax paid is a credit against  
12 the amount of tax due on a final, completed return, and any  
13 overpayment of five dollars or more shall be refunded to the  
14 taxpayer with interest, the interest to begin to accrue on the  
15 first day of the ~~second~~ third calendar month following the date  
16 of payment or the date the return was due to be filed or was  
17 filed, whichever is the latest, at the rate established under  
18 section 421.7, and the return constitutes a claim for refund  
19 for this purpose.

20 b. Amounts of less than five dollars shall be refunded to  
21 the taxpayer only upon written application in accordance with  
22 section 422.73, and only if the application is filed within  
23 twelve months after the due date for the return.

24 2. In lieu of claiming a refund, the taxpayer may elect  
25 to have the overpayment shown on its final, completed return  
26 for the taxable year credited to the tax liability for the  
27 following taxable year.

28 Sec. 29. Section 423.3, subsection 47A, paragraph c, Code  
29 Supplement 2009, is amended to read as follows:

30 c. For sales or rentals occurring on or after July 1, 2006,  
31 through June 30, 2012, a refund of the tax paid as provided in  
32 paragraph "b", subparagraph (1), (2), (3), (4), (5), or (6),  
33 must be applied for, not later than six months after the month  
34 in which the sale or rental occurred, in the manner and on the  
35 forms provided by the department. Refunds shall only be of the

1 state tax collected. Refunds authorized shall accrue interest  
2 at the rate in effect under section 421.7 from the first day of  
3 the ~~second~~ third calendar month following the date the refund  
4 claim is received by the department.

5 Sec. 30. Section 423.4, subsection 1, paragraph c, Code  
6 Supplement 2009, is amended to read as follows:

7 c. Refunds authorized under this subsection shall accrue  
8 interest at the rate in effect under section 421.7 from the  
9 first day of the ~~second~~ third calendar month following the date  
10 the refund claim is received by the department.

11 Sec. 31. Section 423.4, subsection 6, paragraph c, Code  
12 Supplement 2009, is amended to read as follows:

13 c. (1) The owner of the collaborative educational facility  
14 shall, not more than one year after the final settlement has  
15 been made, make application to the department for any refund of  
16 the amount of the sales or use tax which shall have been paid  
17 upon any goods, wares, or merchandise, or services furnished,  
18 the application to be made in the manner and upon forms  
19 ~~to be~~ provided by the department, and the department shall  
20 ~~forthwith~~ promptly audit the claim and, if approved, issue a  
21 warrant to the owner of the collaborative educational facility  
22 in the amount of the sales or use tax which has been paid to the  
23 state of Iowa under the contract.

24 (2) Refunds authorized under this subsection shall accrue  
25 interest at the rate in effect under section 421.7 from the  
26 first day of the ~~second~~ third calendar month following the date  
27 the refund claim is received by the department.

28 Sec. 32. Section 450.94, subsection 3, Code 2009, is amended  
29 to read as follows:

30 3. If the amount paid is greater than the correct tax,  
31 penalty, and interest due, the department shall refund the  
32 excess with interest. Interest shall be computed at the rate  
33 in effect under section 421.7, under the rules prescribed by  
34 the director counting each fraction of a month as an entire  
35 month and the interest shall begin to accrue on the first

1 day of the ~~second~~ third calendar month following the date  
2 of payment or on the date the return was due to be filed or  
3 was filed, whichever is the latest. However, the director  
4 shall not allow a claim for refund or credit that has not been  
5 filed with the department within three years after the tax  
6 payment upon which a refund or credit is claimed became due,  
7 or one year after the tax payment was made, whichever time is  
8 later. A determination by the department of the amount of  
9 tax, penalty, and interest due, or the amount of refund for  
10 excess tax paid, is final unless the person aggrieved by the  
11 determination appeals to the director for a revision of the  
12 determination within sixty days from the date of the notice  
13 of determination of tax, penalty, and interest due or refund  
14 owing or unless the taxpayer contests the determination by  
15 paying the tax, interest, and penalty and timely filing a claim  
16 for refund. The director shall grant a hearing, and upon the  
17 hearing the director shall determine the correct tax, penalty,  
18 and interest or refund due, and notify the appellant of the  
19 decision by mail. The decision of the director is final unless  
20 the appellant seeks judicial review of the director's decision  
21 under section 450.59 within sixty days after the date of the  
22 notice of the director's decision.

23 Sec. 33. Section 452A.65, Code 2009, is amended to read as  
24 follows:

25 **452A.65 Failure to promptly pay fuel taxes — refunds —**  
26 **interest and penalties — successor liability.**

27 1. In addition to the tax or additional tax, the taxpayer  
28 shall pay a penalty as provided in section 421.27. The  
29 taxpayer shall also pay interest on the tax or additional  
30 tax at the rate in effect under section 421.7 counting each  
31 fraction of a month as an entire month, computed from the  
32 date the return was required to be filed. If the amount of  
33 the tax as determined by the appropriate state agency is  
34 less than the amount paid, the excess shall be refunded with  
35 interest, the interest to begin to accrue on the first day of

1 the ~~second~~ third calendar month following the date of payment  
2 or the date the return was due to be filed or was filed,  
3 whichever is the latest, at the rate in effect under section  
4 421.7 counting each fraction of a month as an entire month  
5 under the rules prescribed by the appropriate state agency.  
6 Claims for refund filed under sections 452A.17 and 452A.21  
7 shall accrue interest beginning with the first day of the  
8 ~~second~~ third calendar month following the date the refund claim  
9 is received by the department.

10 2. A report required of licensees or persons operating under  
11 division III, upon which no tax is due, is subject to a penalty  
12 of ten dollars if the report is not timely filed with the state  
13 department of transportation.

14 3. If a licensee or other person sells the licensee's  
15 or other person's business or stock of goods or quits the  
16 business, the licensee or other person shall prepare a final  
17 return and pay all tax due within the time required by law.  
18 The immediate successor to the licensee or other person, if  
19 any, shall withhold sufficient of the purchase price, in money  
20 or money's worth, to pay the amount of any delinquent tax,  
21 interest or penalty due and unpaid. If the immediate successor  
22 of the business or stock of goods intentionally fails to  
23 withhold any amount due from the purchase price as provided in  
24 this paragraph, the immediate successor is personally liable  
25 for the payment of the taxes, interest and penalty accrued  
26 and unpaid on account of the operation of the business by the  
27 immediate former licensee or other person, except when the  
28 purchase is made in good faith as provided in section 421.28.  
29 However, a person foreclosing on a valid security interest or  
30 retaking possession of premises under a valid lease is not  
31 an "*immediate successor*" for purposes of this paragraph. The  
32 department may waive the liability of the immediate successor  
33 under this paragraph if the immediate successor exercised good  
34 faith in establishing the amount of the previous liability.

35 Sec. 34. EFFECTIVE UPON ENACTMENT AND APPLICABILITY. This



1 division of this Act, being deemed of immediate importance,  
2 takes effect upon enactment and applies to tax returns due on  
3 or after April 30, 2010.

4 DIVISION VII

5 TAX CODE REFERENCES TO MARRIED PERSONS

6 Sec. 35. Section 68A.601, Code 2009, is amended to read as  
7 follows:

8 **68A.601 Checkoff — income tax.**

9 1. a. A person whose state income tax liability for any  
10 taxable year is one dollar and fifty cents or more may direct  
11 that one dollar and fifty cents of that liability be paid over  
12 to the Iowa election campaign fund when submitting the person's  
13 state income tax return to the department of revenue.

14 b. In the case of a joint return of ~~husband and wife~~ married  
15 persons having a state income tax liability of three dollars or  
16 more, each spouse may direct that one dollar and fifty cents be  
17 paid to the fund.

18 2. a. The director of revenue shall draft the income tax  
19 form to provide spaces on the tax return which the taxpayer may  
20 use to designate that contributions made under this section be  
21 credited to a specified political party as defined by section  
22 43.2, or to the Iowa election campaign fund as a contribution  
23 to be shared by all such political parties in the manner  
24 prescribed by section 68A.602.

25 b. The form shall inform the taxpayer of the consequences of  
26 the choices provided under this section, but this information  
27 may be contained in a footnote or other suitable form if the  
28 director of revenue finds it is not feasible to place the  
29 information immediately above the signature line.

30 3. The action taken by a person for the checkoff is  
31 irrevocable.

32 Sec. 36. NEW SECTION. **422.4A Determination of marital**  
33 **status.**

34 For purposes of this division, marital status shall be  
35 determined in accordance with the laws of this state.

1     Sec. 37. Section 422.5, subsection 3, Code Supplement 2009,  
2 is amended to read as follows:

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

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

6 *b.* In lieu of the computation in subsection 1, 2, or 3, if  
7 the married persons', filing jointly or filing separately on  
8 a combined return, head of household's, or surviving spouse's  
9 net income exceeds thirteen thousand five hundred dollars, the  
10 regular tax imposed under this division shall be the lesser  
11 of the maximum state individual income tax rate times the  
12 portion of the net income in excess of thirteen thousand five  
13 hundred dollars or the regular tax liability computed without  
14 regard to this sentence. ~~Taxpayers~~ Married persons electing  
15 to file separately shall compute the alternate tax described  
16 in this paragraph using the total net income of ~~the husband~~  
17 ~~and wife~~ both spouses. The alternate tax described in this  
18 paragraph does not apply if one spouse elects to carry back or  
19 carry forward the loss as provided in section 422.9, subsection  
20 3.

21 Sec. 38. Section 422.5, subsection 3B, paragraphs a and b,  
22 Code Supplement 2009, are amended to read as follows:

23 *a.* The tax shall not be imposed on a resident or nonresident  
24 who is at least sixty-five years old on December 31 of  
25 the tax year and whose net income, as defined in section  
26 422.7, is thirty-two thousand dollars or less in the case  
27 of married persons filing jointly or filing separately on a  
28 combined return, heads of household, and surviving spouses or  
29 twenty-four thousand dollars or less in the case of all other  
30 persons; but in the event that the payment of tax under this  
31 division would reduce the net income to less than thirty-two  
32 thousand dollars or twenty-four thousand dollars as applicable,  
33 then the tax shall be reduced to that amount which would result  
34 in allowing the taxpayer to retain a net income of thirty-two  
35 thousand dollars or twenty-four thousand dollars as applicable.

1 The preceding sentence does not apply to estates or trusts.  
2 For the purpose of this subsection, the entire net income,  
3 including any part of the net income not allocated to Iowa,  
4 shall be taken into account. For purposes of this subsection,  
5 net income includes all amounts of pensions or other retirement  
6 income received from any source which is not taxable under this  
7 division as a result of the government pension exclusions in  
8 section 422.7, or any other state law. If the combined net  
9 income of ~~a husband and wife~~ married persons exceeds thirty-two  
10 thousand dollars, neither of them shall receive the benefit  
11 of this subsection, and it is immaterial whether they file a  
12 joint return or separate returns. However, if ~~a husband and~~  
13 wife married persons file separate returns and have a combined  
14 net income of thirty-two thousand dollars or less, neither  
15 spouse shall receive the benefit of this paragraph, if one  
16 spouse has a net operating loss and elects to carry back or  
17 carry forward the loss as provided in section 422.9, subsection  
18 3. A person who is claimed as a dependent by another person as  
19 defined in section 422.12 shall not receive the benefit of this  
20 subsection if the person claiming the dependent has net income  
21 exceeding thirty-two thousand dollars or twenty-four thousand  
22 dollars as applicable or the person claiming the dependent  
23 and the person's spouse have combined net income exceeding  
24 thirty-two thousand dollars or twenty-four thousand dollars as  
25 applicable.

26 *b.* In lieu of the computation in subsection 1, 2, or 3, if  
27 the married persons', filing jointly or filing separately on  
28 a combined return, head of household's, or surviving spouse's  
29 net income exceeds thirty-two thousand dollars, the regular  
30 tax imposed under this division shall be the lesser of the  
31 maximum state individual income tax rate times the portion of  
32 the net income in excess of thirty-two thousand dollars or the  
33 regular tax liability computed without regard to this sentence.  
34 ~~Taxpayers~~ Married persons electing to file separately shall  
35 compute the alternate tax described in this paragraph using the

1 total net income of ~~the husband and wife~~ both spouses. The  
2 alternate tax described in this paragraph does not apply if  
3 one spouse elects to carry back or carry forward the loss as  
4 provided in section 422.9, subsection 3.

5 Sec. 39. Section 422.5, subsection 7, Code Supplement 2009,  
6 is amended to read as follows:

7 7. The state income tax of a taxpayer whose net income  
8 includes the gain or loss from the forfeiture of an installment  
9 real estate contract, the transfer of real or personal  
10 property securing a debt to a creditor in cancellation of that  
11 debt, or from the sale or exchange of property as a result  
12 of actual notice of foreclosure where the fair market value  
13 of the taxpayer's assets exceeds the taxpayer's liabilities  
14 immediately before such forfeiture, transfer, or sale or  
15 exchange shall not be greater than such excess, including any  
16 asset transferred within one hundred twenty days prior to such  
17 forfeiture, transfer, or sale or exchange. For purposes of  
18 this subsection, in the case of married ~~taxpayers~~ persons,  
19 except in the case of a ~~husband and wife~~ spouses who live  
20 apart at all times during the tax year, the assets and  
21 liabilities of both spouses shall be considered in determining  
22 if the fair market value of the ~~taxpayer's~~ assets exceed the  
23 ~~taxpayer's~~ liabilities.

24 Sec. 40. Section 422.7, subsection 16, paragraph c, Code  
25 Supplement 2009, is amended to read as follows:

26 c. The taxpayer's net worth at the end of the tax year  
27 is less than seventy-five thousand dollars. In determining  
28 a taxpayer's net worth at the end of the tax year a taxpayer  
29 shall include any asset transferred within one hundred twenty  
30 days prior to the end of the tax year without adequate and full  
31 consideration in money or money's worth. In determining the  
32 taxpayer's debt to asset ratio, the taxpayer shall include  
33 any asset transferred within one hundred twenty days prior  
34 to such forfeiture, transfer, or sale or exchange without  
35 adequate and full consideration in money or money's worth.

1 For purposes of this subsection, actual notice of foreclosure  
2 includes, but is not limited to, bankruptcy or written notice  
3 from a creditor of the creditor's intent to foreclose where  
4 there is a reasonable belief that the creditor can force a sale  
5 of the asset. For purposes of this subsection, in the case of  
6 ~~married taxpayers~~ persons, except in the case of a ~~husband and~~  
7 ~~wife~~ spouses who live apart at all times during the tax year,  
8 the assets and liabilities of both spouses shall be considered  
9 for purposes of determining the ~~taxpayer's~~ net worth or the  
10 ~~taxpayer's~~ debt to asset ratio.

11 Sec. 41. Section 422.7, subsection 31, Code Supplement  
12 2009, is amended to read as follows:

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

1 thousand dollars. The twelve thousand dollar exclusion for  
2 married persons shall be allocated to ~~the husband or wife~~ each  
3 spouse individually in the proportion that ~~each spouse's~~  
4 ~~respective~~ the pension and retirement pay received by that  
5 spouse bears to the total combined pension and retirement pay  
6 received by both spouses.

7 Sec. 42. Section 422.9, subsection 1, Code Supplement 2009,  
8 is amended to read as follows:

9 1. An optional standard deduction, after deduction of  
10 federal income tax, equal to one thousand two hundred thirty  
11 dollars for a married person who files separately or a  
12 single person or equal to three thousand thirty dollars for  
13 ~~a husband and wife~~ married persons who file a joint return,  
14 a surviving spouse, or a head of household. The optional  
15 standard deduction shall not exceed the amount remaining after  
16 deduction of the federal income tax. The amount of federal  
17 income tax deducted shall be computed as provided in subsection  
18 2, paragraph "b".

19 Sec. 43. Section 422.12, subsection 2, paragraph a, Code  
20 Supplement 2009, is amended to read as follows:

21 a. A personal exemption credit in the following amounts:

22 (1) For an estate or trust, a single individual, or a  
23 married person filing a separate return, forty dollars.

24 (2) For a head of household, or ~~a husband and wife~~ married  
25 persons filing a joint return, eighty dollars.

26 (3) For each dependent, an additional forty dollars.

27 (4) For a single individual, ~~husband, wife~~ married person,  
28 or head of household, an additional exemption of twenty dollars  
29 for each of said individuals who has attained the age of  
30 sixty-five years before the close of the tax year or on the  
31 first day following the end of the tax year.

32 (5) For a single individual, ~~husband, wife~~ married person,  
33 or head of household, an additional exemption of twenty dollars  
34 for each of said individuals who is blind at the close of  
35 the tax year. For the purposes of this subparagraph, an

1 individual is blind only if the individual's central visual  
2 acuity does not exceed twenty-two hundredths in the better eye  
3 with correcting lenses, or if the individual's visual acuity  
4 is greater than twenty-two hundredths but is accompanied by  
5 a limitation in the fields of vision such that the widest  
6 diameter of the visual field subtends an angle no greater than  
7 twenty degrees.

8 Sec. 44. Section 422.12, subsection 3, Code Supplement  
9 2009, is amended by striking the subsection.

10 Sec. 45. Section 422.13, subsection 3, Code Supplement  
11 2009, is amended to read as follows:

12 3. For purposes of determining the requirement for filing  
13 a return under subsection 1, the combined net income of a  
14 ~~husband and wife~~ married persons from sources taxable under  
15 this division shall be considered.

16 Sec. 46. Section 422.27, subsection 1, Code 2009, is amended  
17 to read as follows:

18 1. A final account of a personal representative, as defined  
19 in section 450.1, shall not be allowed by any court unless the  
20 account shows, and the judge of the court finds, that all taxes  
21 imposed by this division upon the personal representative,  
22 which have become payable, have been paid, and that all taxes  
23 which may become due are secured by bond or deposit, or are  
24 otherwise secured. The certificate of acquittances of the  
25 department of revenue is conclusive as to the payment of the  
26 tax to the extent of the acquittance. ~~This~~ In the case of  
27 married persons, this subsection does not apply if all property  
28 in the estate of a decedent is held in joint tenancy with right  
29 of survivorship by ~~husband and wife~~ the spouses alone.

30 Sec. 47. Section 428A.2, subsection 11, Code 2009, is  
31 amended to read as follows:

32 11. Deeds between ~~husband and wife~~ married persons, or  
33 parent and child, without actual consideration. A cancellation  
34 of indebtedness alone which is secured by the property being  
35 transferred and which is not greater than the fair market value



1 of the property being transferred is not actual consideration  
2 within the meaning of this subsection.

3 Sec. 48. Section 450.22, subsection 2, Code 2009, is amended  
4 to read as follows:

5 2. However, this section does not apply and a return is not  
6 required to be filed even though real estate is part of the  
7 assets subject to tax under this chapter, if all of the assets  
8 are held in joint tenancy with right of survivorship between  
9 ~~husband and wife~~ married persons alone, or if the estate  
10 exclusively consists of property held in joint tenancy with the  
11 right of survivorship solely by the decedent and individuals  
12 listed in section 450.9 as individuals that are entirely exempt  
13 from Iowa inheritance tax and the estate does not have a  
14 federal estate tax obligation.

15 Sec. 49. Section 450.22, subsection 3, paragraph a, Code  
16 2009, is amended to read as follows:

17 a. Assets held in joint tenancy with right of survivorship  
18 between ~~husband and wife~~ married persons alone.

19 Sec. 50. EFFECTIVE UPON ENACTMENT AND RETROACTIVE  
20 APPLICABILITY. This division of this Act, being deemed of  
21 immediate importance, takes effect upon enactment and applies  
22 retroactively to January 1, 2009, for tax years beginning,  
23 property transferred, and decedents dying on or after that  
24 date.

25 EXPLANATION

26 This bill relates to the policy administration of the tax and  
27 related laws by the department of revenue.

28 Division I amends certain withholding tax credit programs  
29 related to jobs training and economic development. Currently,  
30 the industrial new jobs training program, the accelerated  
31 career education program, and the targeted jobs withholding  
32 program allow a certain percentage of the withholding taxes  
33 due by businesses to be remitted directly to either community  
34 colleges or pilot project cities, as applicable. Division  
35 I amends the programs to require that businesses pay their

1 withholding taxes to the department of revenue and that  
2 community colleges and pilot project cities certify to the  
3 department the amount to be allocated to them under the  
4 programs. The department is required to verify those amounts  
5 before remitting the payments.

6 The amendments in division I of the bill, by operation  
7 of law, also apply to the supplemental new jobs credit from  
8 withholding in Code section 15A.7, the quality jobs enterprise  
9 zone program in Code section 15A.9, and the new jobs credit  
10 from withholding in Code section 15E.197 because all of these  
11 programs refer to one or more of the provisions amended in  
12 division I.

13 Division II amends Code sections 421.17, 421.30, and  
14 441.21 to allow the director to approve an alternate property  
15 appraisal manual for use by city or county assessors. An  
16 alternate manual must be uniform and consistent with the state  
17 appraisal manual.

18 Division II also amends Code section 427B.4 to extend by  
19 two years the period for claiming the industrial real estate  
20 or cattle facilities property tax exemptions. Currently, a  
21 taxpayer cannot claim one of these exemptions unless it is  
22 claimed in the first year the property is eligible for the  
23 exemption.

24 Division III provides for the establishment of a data  
25 match system by the department. A data match system means  
26 an automated process for matching and comparing obligor  
27 information from the department's centralized debt collection  
28 data bank with certain account information from financial  
29 institutions. The director of revenue is authorized to require  
30 financial institutions to enter into agreements to provide such  
31 information for individuals who may owe debts to the state. If  
32 the data match system finds such an individual, the department  
33 is authorized to initiate an administrative action to levy  
34 against the individual's account at the financial institution.

35 Financial institutions are entitled to reimbursement for

1 the actual and reasonable costs of complying with the data  
2 match system requirements. All information from the data match  
3 system is confidential and may be used only for purposes of  
4 collecting debt. The director of revenue is directed to adopt  
5 rules for the administration of the data match system and,  
6 in doing so, to make the system operate like similar systems  
7 already in use at other institutions and government agencies.

8 Division IV allows the department to share certain taxpayer  
9 information with the department of workforce development for  
10 purposes of assisting in the identification of misclassified  
11 workers. The division is effective upon enactment.

12 Division V relates to penalties for the filing of false or  
13 frivolous claims for tax credit. Code section 421.27 currently  
14 provides a penalty for the filing of false or frivolous refund  
15 claims. Division V extends this penalty to false or frivolous  
16 claims for credits as well.

17 Division VI relates to the accrual of interest on tax  
18 refunds. Currently, there are many references in the Code to  
19 the date on which interest begins to accrue on tax refunds.  
20 That date is typically the first day of the second calendar  
21 month following the date the return was due to be filed.  
22 Division VI amends all such Code sections to specify that  
23 interest begins to accrue on the first day of the third  
24 calendar month following the date the return was due to be  
25 filed. The division is effective upon enactment and applies to  
26 returns due on or after April 30, 2010.

27 Division VII relates to the use of gender neutral language  
28 regarding married persons in Code chapters 422, 428A, and 450.  
29 Currently, these chapters contain references to husband and  
30 wife. Division VII replaces such references with the term  
31 "married persons" or "spouse" as appropriate to the context.

32 Currently, Code section 422.12 contains a provision stating  
33 that whether a person is married shall be determined according  
34 to section 7703 of the federal Internal Revenue Code. Federal  
35 law currently does not recognize same-sex couples as married

1 taxpayers. Because of the Iowa Supreme Court's decision on  
2 same-sex marriage in this state in Varnum v. Brien, division  
3 VII eliminates this provision and provides instead that the  
4 determination of marital status will now be made pursuant to  
5 the laws of the State of Iowa. Division VII is effective upon  
6 enactment and applies retroactively to January 1, 2009, for tax  
7 years beginning, property transferred, and decedents dying on  
8 or after that date.