

Senate File 86 - Introduced

SENATE FILE 86

BY BERTRAND, FEENSTRA,
ANDERSON, ERNST, WHITVER,
BOETTGER, GUTH, SMITH,
JOHNSON, KAPUCIAN,
ROZENBOOM, SEGEBART,
HOUSER, BEHN, SINCLAIR,
ZUMBACH, SCHNEIDER,
BREITBACH, DIX, and
SORENSEN

(COMPANION TO HF 1 BY SANDS)

A BILL FOR

1 An Act relating to the taxpayers trust fund by modifying the
2 transfer of moneys from the Iowa economic emergency fund
3 to the taxpayers trust fund, allowing transfers from the
4 taxpayers trust fund, creating an Iowa taxpayers trust fund
5 tax credit and fund and providing for the transfer of moneys
6 from the taxpayers trust fund for purposes of the credit,
7 and including effective date and retroactive applicability
8 provisions.

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

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DIVISION I

TAXPAYERS TRUST FUND

Section 1. Section 8.54, subsection 5, Code 2013, is amended by striking the subsection.

Sec. 2. Section 8.55, subsection 2, Code 2013, is amended to read as follows:

2. The maximum balance of the fund is the amount equal to two and one-half percent of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa economic emergency fund is equal to the maximum balance, moneys in excess of this amount shall be ~~distributed as follows:~~

~~a. The first sixty million dollars of the difference between the actual net revenue for the general fund of the state for the fiscal year and the adjusted revenue estimate for the fiscal year shall be transferred to the taxpayers trust fund.~~

~~b. The remainder of the excess, if any, shall be transferred to the general fund of the state.~~

Sec. 3. Section 8.57E, subsection 2, Code 2013, is amended to read as follows:

2. Moneys in the taxpayers trust fund shall only be used pursuant to appropriations or transfers made by the general assembly for tax relief.

Sec. 4. Section 8.58, Code 2013, is amended to read as follows:

8.58 Exemption from automatic application.

1. ~~To the extent that moneys appropriated under section 8.57 do not result in moneys being credited to the general fund under section 8.55, subsection 2, moneys~~ Moneys appropriated ~~under~~ in section 8.57 and moneys contained in the cash reserve fund, rebuild Iowa infrastructure fund, environment first fund, Iowa economic emergency fund, and taxpayers trust fund shall not be considered in the application of any formula, index, or other statutory triggering mechanism which would affect appropriations, payments, or taxation rates, contrary provisions of the Code notwithstanding.

1 most recent figures available for the district's valuation of
2 taxable property, individual state income tax paid, and budget
3 enrollment in the district, and shall certify to the district's
4 county auditor the amount of instructional support property
5 tax, and to the director of revenue the amount of instructional
6 support income surtax to be imposed if an instructional support
7 income surtax is to be imposed.

8 2. The instructional support income surtax shall be imposed
9 on the state individual income tax for the calendar year during
10 which the school's budget year begins, or for a taxpayer's
11 fiscal year ending during the second half of that calendar year
12 and after the date the board adopts a resolution to participate
13 in the program or the first half of the succeeding calendar
14 year, and shall be imposed on all individuals residing in the
15 school district on the last day of the applicable tax year.
16 As used in this section, "*state individual income tax*" means
17 the taxes computed under section 422.5, less the amounts of
18 nonrefundable credits allowed under chapter 422, division II,
19 except for the Iowa taxpayers trust fund tax credit allowed
20 under section 422.11E.

21 **Sec. 9. NEW SECTION. 422.11E Iowa taxpayers trust fund tax**
22 **credit.**

23 1. For purposes of this section, "*eligible individual*" means,
24 with respect to a tax year, an individual who makes and files
25 an individual income tax return pursuant to section 422.13.
26 "*Eligible individual*" does not include an estate or trust, or
27 an individual for whom an individual income tax return was not
28 timely filed, including extensions.

29 2. The taxes imposed under this division, less the credits
30 allowed under this division except the credits for withheld
31 tax and estimated tax paid in section 422.16, shall be reduced
32 by an Iowa taxpayers trust fund tax credit to an eligible
33 individual for the tax year beginning January 1 immediately
34 preceding July 1 of any fiscal year during which a transfer, if
35 any, is made from the taxpayers trust fund in section 8.57E to

1 the Iowa taxpayers trust fund tax credit fund created in this
2 section.

3 3. The credit shall be equal to the quotient of the amount
4 transferred to the Iowa taxpayers trust fund tax credit fund in
5 the applicable fiscal year, divided by the number of eligible
6 individuals for the tax year immediately preceding the tax year
7 for which the credit in this section is allowed, as determined
8 by the director of revenue in accordance with this section,
9 rounded down to the nearest whole dollar. The department of
10 revenue shall draft the income tax form for any tax year in
11 which a credit will be allowed under this section to provide
12 the information and space necessary for eligible individuals to
13 claim the credit.

14 4. Any credit in excess of the taxpayer's liability for the
15 tax year is not refundable and shall not be credited to the tax
16 liability for any following year or carried back to a tax year
17 prior to the tax year in which the taxpayer claims the credit.

18 5. *a.* There is established within the state treasury under
19 the control of the department an Iowa taxpayers trust fund tax
20 credit fund consisting of any moneys transferred by the general
21 assembly from the taxpayers trust fund created in section 8.57E
22 for purposes of the credit provided in this section. No later
23 than December 31 in the year following each tax year in which
24 a credit is allowed pursuant to this section, the department
25 shall transfer from the Iowa taxpayers trust fund tax credit
26 fund to the general fund of the state, the lesser of the
27 balance of the Iowa taxpayers trust fund tax credit fund or
28 an amount of money equal to the Iowa taxpayers trust fund tax
29 credits claimed under this section for the applicable tax year.
30 Any moneys remaining in the fund on December 31 after the
31 transfer provided in the previous sentence shall immediately
32 revert to the taxpayers trust fund created in section 8.57E.

33 *b.* The moneys transferred to the general fund of the state
34 in accordance with this subsection shall not be considered new
35 revenues for purposes of the state general fund expenditure

1 limitation under section 8.54 but instead as replacement of
2 a like amount included in the expenditure limitation for the
3 fiscal year in which the transfer is made.

4 Sec. 10. Section 422D.2, Code 2013, is amended to read as
5 follows:

6 **422D.2 Local income surtax.**

7 A county may impose by ordinance a local income surtax as
8 provided in section 422D.1 at the rate set by the board of
9 supervisors, of up to one percent, on the state individual
10 income tax of each individual residing in the county at the
11 end of the individual's applicable tax year. However, the
12 cumulative total of the percents of income surtax imposed on
13 any taxpayer in the county shall not exceed twenty percent.
14 The reason for imposing the surtax and the amount needed
15 shall be set out in the ordinance. The surtax rate shall be
16 set to raise only the amount needed. For purposes of this
17 section, "*state individual income tax*" means the tax computed
18 under section 422.5, less the amounts of nonrefundable credits
19 allowed under chapter 422, division II, except for the Iowa
20 taxpayers trust fund tax credit allowed under section 422.11E.

21 Sec. 11. EFFECTIVE UPON ENACTMENT. This division of this
22 Act, being deemed of immediate importance, takes effect upon
23 enactment.

24 Sec. 12. RETROACTIVE APPLICABILITY. This division of this
25 Act applies retroactively to January 1, 2013, for tax years
26 beginning on or after that date.

27 EXPLANATION

28 This bill relates to the taxpayers trust fund by modifying
29 the transfer of moneys from the Iowa economic emergency fund to
30 the taxpayers trust fund, allowing transfers from the taxpayers
31 trust fund, creating an Iowa taxpayers trust fund tax credit
32 and fund, and providing for the transfer of moneys from the
33 taxpayers trust fund for purposes of the credit.

34 Division I of the bill relates to the transfer of moneys from
35 the Iowa economic emergency fund to the taxpayers trust fund.

1 Under current law in Code section 8.55, when the balance of
2 the Iowa economic emergency fund is equal to the fund's maximum
3 balance, the excess is first distributed to the taxpayers trust
4 fund up to a formula amount and the remainder is transferred to
5 the general fund of the state. The division provides that the
6 entire excess is transferred to the taxpayers trust fund and
7 moneys would no longer be transferred to the general fund of
8 the state.

9 Code section 8.54, relating to the state general fund
10 expenditure limitation, is amended to delete a subsection that
11 provides for readjustment of the expenditure limitation to
12 reflect moneys anticipated to be transferred to the general
13 fund of the state from the Iowa economic emergency fund.

14 Code section 8.58, providing an exemption from statutory
15 triggering mechanisms and consideration by an arbitrator or in
16 a collective bargaining negotiation under Code chapter 20 for
17 moneys in various funds, is amended to eliminate a reference
18 to the transfer from the Iowa economic emergency fund to the
19 general fund of the state.

20 The division amends Code section 8.57E to allow transfers
21 by the general assembly from the taxpayers trust fund for tax
22 relief in addition to appropriations which are already allowed
23 under Iowa law.

24 The division takes effect upon enactment and applies
25 retroactively to July 1, 2012, to moneys attributed to fiscal
26 years beginning on or after July 1, 2012.

27 Division II of the bill creates an Iowa taxpayers trust fund
28 tax credit and provides for a transfer from the taxpayers trust
29 fund for purposes of the credit.

30 The division provides for an Iowa taxpayers trust fund
31 tax credit for eligible individuals. "Eligible individual"
32 is defined, with respect to a tax year, as an individual who
33 timely files an Iowa individual income tax return. An eligible
34 individual does not include an estate or trust. The credit
35 is allowed to eligible individuals for the tax year beginning

1 January 1 immediately preceding July 1 of any fiscal year in
2 which a transfer is made from the taxpayers trust fund to
3 the Iowa taxpayers trust fund tax credit fund created in the
4 division. When such a transfer is made, a credit will be
5 allowed in an amount equal to the amount transferred divided by
6 the number of eligible individuals for the tax year immediately
7 preceding the tax year for which the credit is allowed, rounded
8 down to the nearest whole dollar.

9 The credit may be claimed against any individual income
10 tax liability remaining after subtracting all refundable and
11 nonrefundable credits except the credits for withheld tax and
12 estimated tax paid in Code section 422.16. The credit is
13 nonrefundable and shall not be credited to the tax liability
14 for any following year or carried back to a tax year prior to
15 the tax year in which the taxpayer claims the credit.

16 The division creates an Iowa taxpayers trust fund tax
17 credit fund within the state treasury under the control of the
18 department of revenue. The division requires that whenever
19 a transfer is made into the fund, the Iowa taxpayers trust
20 fund tax credit is allowed and the department of revenue shall
21 reimburse the general fund of the state an amount equal to the
22 lesser of the balance of the fund or an amount of money equal
23 to the Iowa taxpayers trust fund tax credits claimed for the
24 applicable tax year. The transfer from the Iowa taxpayers
25 trust fund tax credit fund to the general fund of the state
26 is required to be made no later than December 31 in the year
27 following the tax year in which an Iowa taxpayers trust fund
28 tax credit is allowed. Any moneys remaining in the fund after
29 the transfer will immediately revert back to the taxpayers
30 trust fund.

31 The division provides for a transfer from the taxpayers
32 trust fund to the Iowa taxpayers trust fund tax credit fund
33 during the fiscal year beginning July 1, 2013. The amount
34 transferred shall be the ending balance of the taxpayers trust
35 fund at the close of the fiscal year beginning July 1, 2012,

1 and ending June 30, 2013. The division provides that this
2 transfer will result in a taxpayers trust fund tax credit being
3 allowed to eligible individuals for the 2013 tax year.

4 Finally, the division excludes the Iowa taxpayers trust fund
5 tax credit from the definition of "state individual income
6 tax" for purposes of computing the emergency medical services
7 income surtax in Code chapter 422D, the instructional support
8 income surtax in Code section 257.21, and, by reference, the
9 educational improvement income surtax in Code section 257.29
10 and the physical plant and equipment income surtax in Code
11 section 298.2.

12 The division takes effect upon enactment and applies
13 retroactively to January 1, 2013, for tax years beginning on
14 or after that date.