

in interest-bearing bonds of, notes, certificates, or other evidences of indebtedness which are obligations of or guaranteed by the United States, or in interest-bearing bonds of the state of Iowa, of any county, township, or municipal corporation of the state of Iowa. All such securities shall be deposited with the treasurer of the boards of trustees for safekeeping.

Sec. 2. Section four hundred eleven point seven (411.7), subsection two (2), Code 1977, is amended to read as follows:

2. The city treasurer may invest at the direction of the respective boards of trustees such portion of the several funds created by this chapter as in the judgment of the respective boards are not needed for current payment of benefits under this chapter in interest-bearing securities, notes, certificates, bonds, or other evidences of indebtedness issued by the United States, or interest-bearing bonds issued by the state of Iowa, or make deposits of such funds in banks as provided in chapter 453, or in bonds issued by counties, school districts, or general obligation or limited levy bonds issued by municipal corporations in this state as authorized for investment by insurance companies under section 511.8 and subject to all limitations contained in said section. In the event of loss on the redemption or sale of securities, where invested as prescribed by law, neither the treasurer nor the trustees shall be personally liable, but such loss shall be charged against the retirement funds. The city treasurer may sell any securities in such funds and reinvest the proceeds in accordance with the direction of the respective boards of trustees when such action may be deemed advisable by the trustees for the protection of said funds or the preservation of the value of the investment.

Sec. 3. This Act is effective January 1, 1978.

Approved July 9, 1977

CHAPTER 119
FEDERAL TAX CONFORMATION

S. F. 32

AN ACT to conform the provisions of the individual and corporate income tax, the franchise tax, and the inheritance tax to the 1976 federal Tax Reform Act, providing penalties, and making the Act retroactive.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section four hundred twenty-two point four (422.4), subsection seventeen (17), Code 1977, is amended to read as follows:

17. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1976~~ 1977.

Sec. 2. Section four hundred twenty-two point seven (422.7), Code 1977, is amended by adding the following new subsection:

NEW SUBSECTION. Individual taxpayers and married taxpayers who file a joint federal income tax return and who elect to file a joint return, separate returns or separate filing on a combined return for Iowa income tax purposes, may avail themselves of the sick-pay exclusion and shall compute the amount of sick-pay exclusion subject to the limitations for joint federal income tax return filers provided by section one hundred five d (105(d)) of the Internal Revenue Code of 1954.

Sec. 3. Section four hundred twenty-two point seven (422.7), Code 1977, is amended by adding the following new subsection:

NEW SUBSECTION. Add to the taxable income of trusts, that portion of trust income excluded from federal taxable income under section six hundred forty-one c (641(c)) of the Internal Revenue Code of 1954.

Sec. 4. Section four hundred twenty-two point nine (422.9), subsection two (2), Code 1977, is amended to read as follows:

2. The total of contributions, interest, taxes, medical expense, ~~child-care-expense~~, losses and miscellaneous expenses deductible for federal income tax purposes under the Internal Revenue Code of 1954, with the following adjustments:

Sec. 5. Section four hundred twenty-two point nine (422.9), subsection two (2), Code 1977, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. Add the amount of qualifying child and dependent care expenses subject to the same limitations provided by section forty-four A (44A) of the Internal Revenue Code of 1954. Married taxpayers need not file joint returns to qualify for this deduction.

Sec. 6. Section four hundred twenty-two point twelve (422.12), Code 1977, is amended by striking the section and inserting in lieu thereof the following:

422.12 DEDUCTIONS FROM COMPUTED TAX. There shall be deducted from but not to exceed the tax, after the same shall have been computed as provided in this division, the following:

1. A personal exemption credit in the following amounts:
 - a. For a single individual, or a married person filing a separate return, fifteen dollars.
 - b. For a head of household, or a husband and wife filing a joint return, thirty dollars.
 - c. For each dependent, an additional ten dollars. As used in this section, the term "dependent" shall have the same meaning as provided by the Internal Revenue Code of 1954.
 - d. For a single individual, husband, wife or head of household, an additional exemption of fifteen dollars for each of said individuals who has attained the age of sixty-five years before the close of the tax year or on the first day following the end of the tax year.
 - e. For a single individual, husband, wife or head of household, an additional exemption of fifteen dollars for each of said individuals who is blind at the close of the tax year. For the purposes of this paragraph, an individual is blind only if the individual's central visual acuity does not exceed twenty-two hundredths in the better eye with correcting lenses, or if the individual's visual acuity is greater than twenty-two hundredths but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty degrees.

For the purpose of this section, the determination of whether an individual is married shall be made as of the close of the individual's tax year unless the individual's spouse dies during the individual's tax year, in which case such determination shall be made as of the date of such death. An individual legally separated from his or her spouse under a decree of divorce or of separate maintenance shall not be considered as married.

2. A child and dependent care credit equal to five percent of the qualifying employment-related expenses and subject to the same limitations provided by section forty-four A (44A) of the Internal Revenue Code of 1954.

Married taxpayers electing to file separate returns or filing separately on a combined return must allocate the child and dependent care credit to each spouse in the proportion that his or her respective net income bears to the total

combined net income. Taxpayers affected by the allocation provisions of section four hundred twenty-two point eight (422.8) of the Code shall be permitted a deduction for the credit only in such amount as is fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 7. Section four hundred twenty-two point sixteen (422.16), subsection thirteen (13), Code 1977, is amended by striking the subsection and inserting in lieu thereof the following:

13. The director shall enter into an agreement with the secretary of the treasury of the United States with respect to withholding of income tax as provided by this chapter, pursuant to an Act of Congress, section one thousand two hundred seven (1207) of the Tax Reform Act of 1976, Public Law ninety-four dash four hundred fifty-five (94-455), amending title five (5), section five thousand five hundred seventeen (5517) of the United States Code.

Sec. 8. Section four hundred twenty-two point twenty (422.20), Code 1977, is amended by striking the section and inserting in lieu thereof the following:

422.20 INFORMATION CONFIDENTIAL--PENALTY.

1. It shall be unlawful for any officer or employee of the state to divulge or to make known in any manner whatever not provided by law to any person the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any person committing an offense against the foregoing provision shall be guilty of a serious misdemeanor. If the offender is an officer or employee of the state, such person shall also be dismissed from office or discharged from employment. Nothing herein shall prohibit turning over to duly authorized officers of the United States information and income returns pursuant to agreement between the director and the secretary of the treasury of the United States or the secretary's delegate.

2. It shall be unlawful for any officer, employee, or agent, or former officer, employee, or agent of the state

to disclose to any person, except as authorized in subsection one (1) of this section, any federal tax return or return information as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code of 1954. It shall further be unlawful for any person to whom any federal tax return or return information, as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code of 1954, is disclosed in a manner unauthorized by subsection one (1) of this section to thereafter print or publish in any manner not provided by law any such return or return information. Any person committing an offense against the foregoing provision shall be guilty of a serious misdemeanor.

Sec. 9. Section four hundred twenty-two point thirty-two (422.32), subsection four (4), Code 1977, is amended to read as follows:

4. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, ~~1976~~ 1977.

Sec. 10. Section four hundred twenty-two point sixty-one (422.61), subsection four (4), Code 1977, is amended to read as follows:

4. "Net income" means the net income of the financial institution computed in accordance with section 422.35, with the exception that interest and dividends from federal securities shall not be subtracted and interest and dividends from evidences of indebtedness and securities of this state and its political subdivisions, exempt from federal income tax under the Internal Revenue Code of 1954 as amended to and including January 1, ~~1976~~ 1977, shall not be added.

Sec. 11. Section four hundred twenty-two point seventy-two (422.72), Code 1977, is amended to read as follows:

422.72 INFORMATION DEEMED CONFIDENTIAL.

1. It shall be unlawful for the director, or any person having an administrative duty under this chapter, or any officer or other employee of the state authorized by the director to examine returns, to divulge or to make known in any manner whatever, the business affairs, operations, or information obtained by an investigation under this chapter of records and equipment of any person or corporation visited or examined in the discharge of official duty, or the amount or source of income, profits, losses, expenditures or any particular thereof, set forth or disclosed in any return,

or to permit any return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; provided, however, that the director may authorize examination of such returns ~~by other state officers, or~~, if a reciprocal arrangement exists, by tax officers of another state, or the federal government. This subsection shall prevail over the provisions of any general law of this state relating to public records.

2. Federal tax returns, copies of returns, and return information as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code of 1954, which are required to be filed with the department for the enforcement of the income tax laws of this state, shall be deemed and held as confidential by the department and subject to the disclosure limitations in subsection one (1) of this section.

2 3. Any person violating the provisions of ~~subsection~~ subsections one (1) and two (2) of this section shall be guilty of a serious misdemeanor.

Sec. 12. Section four hundred fifty point sixty-eight (450.68), Code 1977, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. Federal tax returns, copies of returns, and return information as defined in section six thousand one hundred three b (6103(b)) of the Internal Revenue Code, which are required to be filed with the department for the enforcement of the inheritance and estate tax laws of this state, shall be deemed and held as confidential by the department. However, such returns or return information, may be disclosed by the director to officers or employees of other state agencies, subject to the same confidentiality restrictions imposed on the officers and employees of the department.

NEW UNNUMBERED PARAGRAPH. It shall be unlawful for any present or former officer or employee of the state to disclose, except as provided by law, any return, return information or any other information deemed and held confidential under the provisions of this section. Any person violating the provisions of this section shall be guilty of a serious misdemeanor.

Sec. 13. Sections one (1), two (2), four (4), nine (9), and ten (10) of this Act are effective to January 1, 1976

for tax years beginning on or after January 1, 1976 and to this extent the provisions of sections one (1), two (2), four (4), nine (9), and ten (10) of this Act are retroactive.

Sec. 14. Section five (5) of this Act is effective to January 1, 1976 for tax years beginning on or after January 1, 1976 but before January 1, 1977 and ending prior to December 31, 1977 and to this extent the provisions of section five (5) of this Act are retroactive.

Sec. 15. Section six (6) of this Act is effective to January 1, 1977 for tax years beginning on or after January 1, 1977 and to this extent the provisions of section six (6) of this Act are retroactive.

Sec. 16. Section three (3) of this Act is effective to May 21, 1976 for transfers in trust made after May 21, 1976 and to this extent the provisions of section three (3) of this Act are retroactive.

Sec. 17. Sections eight (8), eleven (11), and twelve (12) of this Act are effective January 1, 1978 for tax years beginning on or after January 1, 1978.

Sec. 18. This Act, being deemed of immediate importance, shall take effect and be in force from and after its publication in *The Waterloo Courier*, a newspaper published in Waterloo, Iowa, and in the *Cherokee Daily Times*, a newspaper published in Cherokee, Iowa.

Approved March 4, 1977

I hereby certify that the foregoing Act, Senate File 32, was published in *The Waterloo Courier*, Waterloo, Iowa on March 10, 1977, and in the *Cherokee Daily Times*, Cherokee, Iowa on March 9, 1977.

MELVIN D. SYNHORST, *Secretary of State*

CHAPTER 120 MILITARY INCOME TAXED

S. F. 61

AN ACT providing for the taxation of active duty military income of Iowa residents and making the Act retroactive.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section four hundred twenty-two point five (422.5), unnumbered paragraph three (3), Code 1977, is amended to read as follows:

A resident of Iowa who is on active duty in the armed forces of the United States, as defined in Title 10, United