

the lien shall be extended to the property in such county for ten years, unless sooner released or otherwise discharged, with no limit on the number of extensions. Liens having attached prior to January 1, 1969, will expire on January 1, 1979, unless extended by the director of the department of revenue. The director shall charge off any account whose lien is allowed to lapse and may charge off any account and release the corresponding lien before the lien has lapsed if the director determines under uniform rules prescribed by the director that the account is uncollectable or collection costs involved would not warrant collection of the amount due.

Sec. 2. This Act is effective January 1, 1978.

Approved May 12, 1977

CHAPTER 122

CORPORATE AND FINANCIAL INSTITUTION TAX

S. F. 140

AN ACT relating to the taxation of corporations and financial institutions to provide for the allocation of certain corporate income to this state for corporate income tax purposes, to require the filing of declarations of estimated tax and quarterly payments by corporations and financial institutions, creating a special reserve fund into which a portion of such payments are to be deposited, providing penalties, and making certain provisions of the Act retroactive.

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

Section 1. Section four hundred twenty-two point thirty-three (422.33), subsection one (1), unnumbered paragraph one (1), Code 1977, is amended to read as follows:

If the trade or business of the corporation is carried on entirely within the state or if the trade or business consists of the operation of a farm and the property is located entirely within the state, the tax shall be imposed on the entire net income, but if such trade or business is carried on partly within and partly without the state or if the trade or business consists of the operation of a farm and the property is located partly within and partly without the state, the tax shall be imposed only on the portion of the net income reasonably attributable to the trade or business

within the state, said net income attributable to the state to be determined as follows:

Sec. 2. Sections three (3) through ten (10) of this Act shall be codified as a new division under chapter four hundred twenty-two (422) of the Code.

Sec. 3. NEW SECTION. DECLARATION AND PAYMENT OF ESTIMATED TAX. Every taxpayer subject to the tax imposed by sections four hundred twenty-two point thirty-three (422.33) and four hundred twenty-two point sixty (422.60) of the Code shall file a declaration of estimated tax for the taxable year if the amount of tax payable, less credits, can reasonably be expected to be more than one thousand dollars for the taxable year. For purposes of this division, "estimated tax" means the amount which the taxpayer estimates to be the tax due and payable under divisions three (III) or five (V) of chapter four hundred twenty-two (422) of the Code for the taxable year. If during the first quarter of the taxable year it is determined that the taxpayer's tax liability for the taxable year will exceed one thousand dollars, the declaration of estimated tax shall be filed on or before the last day of the fourth month of the taxable year. If after the last day of the third month and before the first day of the sixth month of the taxable year it is determined that the taxpayer's tax liability for the taxable year will exceed one thousand dollars, the declaration of estimated tax shall be filed on or before the last day of the sixth month of the taxable year. If after the last day of the fifth month and before the first day of the ninth month of the taxable year it is determined that the taxpayer's tax liability for the taxable year will exceed one thousand dollars, the declaration of estimated tax shall be filed on or before the last day of the ninth month of the taxable year. If after the last day of the eighth month and before the first day of the twelfth month of the taxable year it is determined that the taxpayer's tax liability for the taxable year will exceed one thousand dollars, the declaration of estimated tax shall be filed on or before the last day of the taxable year.

Sec. 4. NEW SECTION. PAYMENT OF ESTIMATED TAX. A taxpayer required to file a declaration of estimated tax under section three (3) of this Act shall pay the estimated tax in accordance with the following schedule:

1. If the declaration of estimated tax is filed on or before the last day of the fourth month of the taxable year,

the estimated tax shall be paid in four equal installments. The first installment shall be paid at the time of the filing of the declaration. The second and third installments shall be paid not later than the last day of the sixth and ninth months of the taxable year, and the final installment shall be paid on or before the last day of the taxable year.

2. If the declaration of estimated tax is timely filed after the last day of the fourth month but not later than the last day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments. The first installment shall be paid at the time of the filing of the declaration. The second installment shall be paid on or before the last day of the ninth month of the taxable year and the third installment shall be paid on or before the last day of the taxable year.

3. If the declaration of estimated tax is timely filed after the last day of the sixth month and not after the last day of the ninth month of the taxable year, the estimated tax shall be paid in two equal installments. The first installment shall be paid at the time of the filing of the declaration and the second installment shall be paid on or before the last day of the taxable year.

4. If the declaration of estimated tax is timely filed after the last day of the ninth month of the taxable year, the estimated tax shall be paid in full at the time of the filing of the declaration.

5. If the declaration of estimated tax is not filed as required under section three (3) of this Act, all installments of estimated tax which would have been payable on or before such time shall be paid at the time the declaration of estimated tax is filed. The remaining installments of estimated tax, if any, shall be paid at the time and in the amounts in which they would have been payable if the declaration had been timely filed.

If an amendment to a declaration is filed, the remaining installments shall be ratably adjusted to reflect the increase or decrease in the estimated tax by reason of such amendment.

Sec. 5. NEW SECTION. TRANSITIONAL PERIOD. There shall be a transitional period to permit each taxpayer subject to the tax imposed by sections four hundred twenty-two point thirty-three (422.33) and four hundred twenty-two point sixty (422.60) of the Code to adjust to the requirements of making

estimated tax payments.

1. For a taxable year beginning on or after July 1, 1977, and on or before June 30, 1978, only sixty percent of the estimated tax shall be required to be paid during the taxable year in accordance with the installment schedule in section four (4) of this Act. The remaining forty percent of the estimated tax shall be increased or decreased to reflect the actual tax due for the taxable year and shall be paid at the time of filing the final, completed return for the taxable year.

2. For a taxable year beginning on or after July 1, 1978, and on or before June 30, 1979, only eighty percent of the estimated tax shall be required to be paid during the taxable year in accordance with the installment schedule in section four (4) of this Act. The remaining twenty percent of the estimated tax shall be increased or decreased to reflect the actual tax due for the taxable year and shall be paid at the time of filing the final, completed return for the taxable year.

3. In the event the time for filing a tax return is extended for a taxable year listed in this section the remaining percentage of estimated tax due for that year shall be paid not later than the last day of the fourth month following the expiration of the taxable year.

Sec. 6. NEW SECTION. FAILURE TO PAY ESTIMATED TAX.

1. If the taxpayer submits an underpayment of the estimated tax, the taxpayer shall be subject to an underpayment penalty at the rate of three-fourths of one percent per month upon the amount of the underpayment for the period of the underpayment.

2. The amount of the underpayment shall be the excess of the amount of the installment which would be required to be paid if the estimated tax was equal to eighty percent of the tax shown on the return of the taxpayer for the taxable year over any amount of installments paid on or before the date prescribed for payment.

3. If the taxpayer did not file a return during the taxable year, the amount of the underpayment shall be equal to eighty percent of the taxpayer's tax liability for the taxable year over any amount of installments paid on or before the date prescribed for payment.

4. The period of the underpayment shall run from the date the installment was required to be paid to the last day of

the fourth month following the close of the taxable year or the date on which such portion is paid, whichever date first occurs.

5. A payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under subsection two (2) or three (3) of this section for such installment date.

Sec. 7. NEW SECTION. EXCEPTION TO PENALTY. The penalty for underpayment of any installment of estimated tax imposed under section six (6) of this Act shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax amount at least to one of the following:

1. The tax shown on the return of the taxpayer for the preceding taxable year, if a return showing a liability for tax was filed by the taxpayer for the preceding taxable year and such preceding year was a taxable year of twelve months.

2. An amount equal to the tax computed at the rates applicable to the taxable year but otherwise on the basis of the facts shown on the return of the taxpayer for, and the law applicable to, the preceding taxable year.

3. An amount equal to eighty percent of the tax for the taxable year computed by placing on an annualized basis the taxable income:

a. For the first three months of the taxable year if an installment is required to be paid in the fourth month;

b. For the first three months or for the first five months of the taxable year if an installment is required to be paid in the sixth month;

c. For the first six months or for the first eight months of the taxable year if an installment is required to be paid in the ninth month; and

d. For the first nine months or for the first eleven months of the taxable year if an installment is required to be paid in the twelfth month of the taxable year.

The taxable income shall be placed on an annualized basis by multiplying the taxable income as determined under this subsection by twelve and dividing the resulting amount by the number of months in the taxable year (three, five, six, eight, nine, or eleven months, as the case may be) referred

to in this subsection.

Sec. 8. NEW SECTION. PENALTY NOT SUBJECT TO WAIVER. The penalty imposed under section six (6) of this Act for underpayment of the estimated tax shall not be subject to the waiver provisions relating to reasonable cause.

Sec. 9. NEW SECTION. CREDIT FOR ESTIMATED TAX. Any amount of tax paid on a declaration of estimated tax shall be a credit against the amount of tax due on a final, completed return, and any overpayment of five dollars or more shall be refunded to the taxpayer and such return shall constitute a claim for refund for this purpose. Amounts less than five dollars shall be refunded to the taxpayer only upon written application in accordance with section four hundred twenty-two point seventy-three (422.73) of the Code, but only if such application is filed within twelve months after the due date for the return.

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

Sec. 10. NEW SECTION. ADMINISTRATION. A taxpayer having a taxable year of less than twelve months shall file a declaration of estimated tax under rules adopted by the director. The director shall adopt rules relating to the filing of amended declarations and payments of estimated tax by taxpayers having a taxable year of less than twelve months. The director shall also adopt rules to permit a taxpayer to amend a declaration of estimated tax.

Sec. 11. SPECIAL RESERVE FUND CREATED. The treasurer of state shall credit the first ten million dollars received after the effective date of this Act from the receipts resulting from the payments received upon the filing of declarations of estimated tax from corporations subject to the tax imposed under division three (III) of this chapter to the general fund of the state. After crediting the first ten million dollars received to the general fund of the state, the treasurer of state shall credit the next twenty-five million dollars received after the effective date of this Act from the receipts resulting from the payments received upon the filing of declarations of estimated tax from corporations subject to the tax imposed under division three (III) of this chapter to a special reserve fund, which is hereby created in the office of the treasurer of state.

Sec. 12. DUTY OF DIRECTOR OF REVENUE. Upon receipt of estimated tax payments from corporations and as soon as practical after the close of each calendar quarter, the director shall certify to the treasurer of state the amount collected.

Sec. 13. USE OF FUND. Moneys credited to the special reserve fund shall be used to pay claims approved by the director of revenue for refunds of income tax paid by corporations which claims are based upon the income allocation formula provided in section four hundred twenty-two point thirty-three (422.33) of the Code. Moneys credited to the special reserve fund shall be exempt from the provisions of section eight point thirty-nine (8.39) of the Code.

Sec. 14. TRANSFER OF FUNDS. When the governor determines that the need for the special reserve fund no longer exists, he shall direct the transfer of the moneys in the special reserve fund to the general fund.

Sec. 15. The provisions of section one (1) of this Act are retroactive to January 1, 1977 for tax years beginning on or after January 1, 1977 and to this extent the provisions of section one (1) of this Act are retroactive.

Sec. 16. The provisions of this Act, except the provisions of section one (1) of this Act, shall be effective for tax years beginning on or after July 1, 1977.

Sec. 17. This Act, being deemed of immediate importance, shall take effect and be in force from and after its publication in *The Marion Sentinel*, a newspaper published in Marion, Iowa, and in the *Farmer-Labor Press*, a newspaper published in Council Bluffs, Iowa.

Approved June 17, 1977

I hereby certify that the foregoing Act, Senate File 140, was published in *The Marion Sentinel*, Marion, Iowa on June 30, 1977, and in the *Farmer-Labor Press*, Council Bluffs, Iowa on June 23, 1977.

MELVIN D. SYNHORST, *Secretary of State*

CHAPTER 123

NATURAL RESOURCES COUNCIL

H. F. 277

AN ACT relating to the authority of the Iowa natural resources council.

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