

Falls, Iowa, and in the Telegraph Herald, a newspaper published in Dubuque, Iowa.

Approved February 28, 1979

I hereby certify that the foregoing Act, House File 139, was published in The Record, Cedar Falls, Iowa on March 13, 1979, and in the Telegraph Herald, Dubuque, Iowa on March 7, 1979.

MELVIN D. SYNHORST, *Secretary of State*

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CHAPTER 93  
STATE INCOME TAXES

S. F. 494

AN ACT relating to the state individual income tax by increasing the minimum filing requirements, increasing the standard deduction and the personal exemption credits, indexing the tax brackets and increasing and indexing certain exclusions from income, providing for an interim study of income tax indexation, 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 four (422.4), Code 1979, is amended by adding the following new subsection:

NEW SUBSECTION.

a. "Annual inflation factor" means an index, expressed as a percentage, determined by the department each year to reflect the purchasing power of the dollar as a result of inflation or deflation during the preceding calendar year. In determining the annual inflation factor, the department shall use the annual percent change in the consumer price index produced by the bureau of labor statistics of the United States department of labor and shall add one-fourth for the 1979 calendar year and two-fourths for the 1980 calendar year of that percent change to one hundred percent, except that the amount of the percent change added to the one hundred percent shall not exceed the greater of zero or the difference between the percent change and three percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent.

b. "Cumulative inflation factor" means the product of the annual inflation factor for the 1978 calendar year and all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor shall apply to all tax years beginning on or after January first of the calendar year in which the latest annual inflation factor has been determined.

c. The annual inflation factor for the 1978 calendar year is one hundred percent.

d. The annual inflation factor and the cumulative inflation factor shall only be computed for the 1979 and 1980 calendar years.

e. Notwithstanding the computation of the annual inflation factor under paragraph a of this subsection, the annual inflation factor is one hundred percent for any calendar year in which the unobligated state general fund balance on June thirtieth as certified by the state comptroller by September tenth of the fiscal year beginning in that calendar year is less than sixty million dollars.

Sec. 2. Section four hundred twenty-two point five (422.5), unnumbered paragraph two (2), Code 1979, is amended to read as follows:

However, no tax shall be imposed on any resident or nonresident whose net income, as defined in section 422.7, is ~~four~~ five thousand dollars or less; but in the event that the payment of tax under this division would reduce the net income to less than ~~four~~ five thousand dollars, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of ~~four~~ five thousand dollars. The preceding sentence does not apply to estates or trusts. For the purpose of this paragraph, the entire net income, including any part thereof not allocated to Iowa, shall be taken into account. If the combined net income of a husband and wife exceeds ~~four~~ five thousand dollars, neither of them shall receive the benefit of this paragraph, and it is immaterial whether they file a joint return or separate returns. ~~An unmarried child under twenty-one years of age who is a dependent of his parent or parents as defined in section 422.12, shall not receive the benefit of this paragraph if such parent's net income exceeds four thousand dollars or if the combined net income of such parents exceeds four thousand dollars.~~ A person who is claimed as a dependent by another person as defined in section four hundred twenty-two point twelve (422.12) of the Code shall not receive the benefit of this paragraph if the person claiming the dependent has net income exceeding five thousand dollars or the person claiming the dependent and the person's spouse have combined net income exceeding five thousand dollars.

Sec. 3. Section four hundred twenty-two point five (422.5), unnumbered paragraph six (6), Code 1979, is amended to read as follows:

A person who is disabled or is sixty-two years of age or older and receives an annuity or annuities from the United States civil service retirement and disability trust fund, and whose net income, as defined in section 422.7, is sufficient to require that the tax be imposed upon it under this section, may determine final taxable income for purposes of imposition of the tax by excluding the amount of an annuity or annuities received from the United States civil service retirement and disability trust fund, which are not already excluded in determining net income, as defined in section 422.7, up to a maximum each tax year of ~~four~~ five thousand ~~two hundred fifty~~ five hundred dollars for a person who files a separate state income tax return and ~~six~~ eight thousand ~~five hundred~~ dollars total for a husband and wife who file a joint state income tax return. The amount of the exemption shall be reduced by the amount of any social security benefits received. For the purpose of this section, the amount of an annuity or annuities received from the United States civil service retirement and disability trust fund

taxable under the Internal Revenue Code of 1954 shall be included in net income for purposes of determining eligibility under the four thousand dollar or less exclusion.

Sec. 4. Section four hundred twenty-two point five (422.5), Code 1979, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Upon determination of the latest cumulative inflation factor, the director of revenue shall multiply each dollar amount set forth in subsections one (1) through thirteen (13) of this section and each dollar amount specified in unnumbered paragraph six (6) of this section as the maximum amount of annuities received which may be excluded in determining final taxable income by this cumulative inflation factor, shall round off the resulting product to the nearest one dollar and incorporate the result into the income tax forms and instructions for each tax year. The director shall not alter the dollar amounts specified in subsections one (1) through thirteen (13) of this section for any tax year beginning on or after January 1, 1981. However, the resulting product shall not reduce the dollar amounts set forth in subsections one (1) through thirteen (13) and unnumbered paragraph six (6) of section four hundred twenty-two point five (422.5) of the Code below those specified on January 1, 1979.

Sec. 5. Section four hundred twenty-two point nine (422.9), subsection one (1), Code 1979, is amended to read as follows:

1. An optional standard deduction of ~~ten~~ fifteen percent of the net income after deduction of federal income tax, not to exceed five one thousand two hundred dollars for a married person who files separately, or one thousand two hundred dollars for a single person or a three thousand dollars for a husband and wife who file a joint return, a surviving spouse as defined in section two (2) of the Internal Revenue Code of 1954, or an unmarried head of household as defined in the Internal Revenue Code of 1954.

Sec. 6. Section four hundred twenty-two point twelve (422.12), subsection one (1), Code 1979, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. For tax years beginning on or after January 1, 1979 and for each of the next four succeeding tax years, the amount of the personal exemption credits provided in this subsection shall be increased in the amount of one dollar for each tax year, except that the personal exemption credit allowed under paragraph b of this subsection shall be increased in the amount of two dollars for each tax year. The personal exemption credits determined pursuant to this paragraph for tax years beginning on or after January 1, 1983 shall continue for succeeding tax years.

Sec. 7. Section four hundred twenty-two point thirteen (422.13), subsections one (1) and two (2), Code 1979, are amended by striking the subsections and inserting in lieu thereof the following:

1. Every resident of this state shall make and sign a return if any of the following are applicable:

a. The resident is required to file a federal income tax return under the Internal Revenue Code of 1954.

b. The resident has net income of four thousand dollars or more for the tax year from sources taxable under this division.

c. The resident is claimed as a dependent on another person's return and has net income of three thousand dollars or more for the tax year from sources taxable under this division.

2. Every nonresident shall make and sign a return if either of the following are applicable:

a. The nonresident is required to file a federal income tax return under the Internal Revenue Code of 1954 and has net income of four thousand dollars or more for the tax year from sources taxable under this division.

b. The nonresident is claimed as a dependent on another person's return and is required to file a federal income tax return under the Internal Revenue Code of 1954 and has net income of three thousand dollars or more for the tax year from sources taxable under this division.

3. For purposes of determining the requirement for filing a return under subsections one (1) and two (2) of this section, the combined net income of a husband and wife from sources taxable under this division shall be considered.

Sec. 8. Section four hundred twenty-two point twenty-one (422.21), Code 1979, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The director shall determine for the 1979 and 1980 calendar years the annual and cumulative inflation factors for those calendar years to be applied to tax years beginning on or after January first of that calendar year. The director shall compute the new dollar amounts as specified therein to be adjusted in section four hundred twenty-two point five (422.5) of the Code by the latest cumulative inflation factor and round off the result to the nearest one dollar. The director shall not compute new dollar amounts specified in subsections one (1) through thirteen (13) of section four hundred twenty-two point five (422.5) of the Code for any tax year beginning on or after January 1, 1981. The annual and cumulative inflation factors determined by the director are not rules as defined in section seventeen A point two (17A.2), subsection seven (7), of the Code.

Sec. 9. Section fifty-six point eighteen (56.18), Code 1979, is amended to read as follows:

56.18 CHECKOFF--INCOME TAX. Any person whose state income tax liability for any taxable year is one dollar or more may designate direct that one dollar of such liability to be paid over to the Iowa election campaign fund ~~for the account of any specified political party, as defined by section 43.2~~ when submitting his or her state income tax return to the department of revenue. In the case of a joint return of husband and wife having a state income tax liability of two dollars or more, each spouse may designate direct that one dollar be paid to any such account in the fund. The director of revenue shall revise the income tax form to ~~allow the designation of political contributions to a political party~~ provide a space on the face of the tax return and immediately above the signature lines which the taxpayer may use to designate that contributions made under this section be credited to a specified political party as defined by section forty-three point two (43.2) of the Code, or to the Iowa election campaign fund as a contribution

to be shared by all such political parties in the manner prescribed by section fifty-six point nineteen (56.19) of the Code. The form shall inform the taxpayer that when an individual chooses the latter alternative his or her one dollar contribution is shared by all eligible political parties, but this information may be contained in a footnote or other suitable form if the director of revenue finds it is not feasible to place the information immediately above the signature line.

Sec. 10. Section fifty-six point nineteen (56.19), Code 1979, is amended to read as follows:

56.19 FUND CREATED. The "Iowa election campaign fund" is created within the office of the treasurer of state. The fund shall consist of funds paid by persons having an Iowa income tax liability as provided in section 56.18. The treasurer of state shall maintain within the fund a separate account for each political party as defined in section forty-three point two (43.2) of the Code. The director of revenue shall remit funds collected as provided in section 56.18 to the treasurer of state who shall deposit such funds in the appropriate account within the Iowa election campaign fund. All contributions directed to the Iowa election campaign fund by taxpayers who do not designate any one political party to receive their contributions shall be divided by the director of revenue equally among each account currently maintained in the fund. However, at any time when more than two accounts are being maintained within the fund contributions to the fund by taxpayers who do not designate any one political party to receive their contributions shall be divided among the accounts in the same proportion as the number of qualified electors declaring affiliation with each political party for which an account is maintained bears to the total number of qualified electors who have declared an affiliation with a political party. Any interest income received by the treasurer of state from investment of moneys deposited in the fund shall be deposited in the Iowa election campaign fund. Such funds shall be subject to payment to the chairperson of the specified political party by the state comptroller in the manner provided by section 56.22.

Sec. 11. Section fifty-six point twenty-five (56.25), Code 1979, is amended to read as follows:

56.25 INCOME TAX FORM--CHECKOFF SPACE. The director of revenue shall provide space for this campaign finance income tax checkoff on the most frequently used Iowa income tax form. An explanation shall be included which clearly states that this checkoff does not constitute an additional tax liability. The form shall provide for the taxpayer to designate that the checkoff shall go either to the political party of his or her choice or be divided among all political parties as prescribed by section fifty-six point nineteen (56.19) of the Code.

Sec. 12. The legislative council is directed to create a ten-member study committee made up of five members each from the standing committees on ways and means of the senate and house of representatives representing both political parties, which committee shall conduct during the 1979 legislative interim a study on the state income tax structure. The study shall include, but not be limited to, indexing, the effects which indexing will have on state revenues and the continuation of existing state programs and other

aspects of the state income tax structure. Expenses of the study committee shall be paid from funds available under section two point twelve (2.12) of the Code.

The study committee shall transmit copies of its final report to the governor and the members of the Sixty-eighth General Assembly, 1980 Session, not later than December 1, 1979. The final report shall include the study committee's findings and recommendations.

Sec. 13. The provisions of sections one (1) through seven (7) of this Act are retroactive to January 1, 1979 for tax years beginning on or after January 1, 1979.

Approved June 9, 1979

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## CHAPTER 94

### TAXPAYERS INFORMATION REVEALED

H. F. 421

AN ACT to allow the director of revenue to provide information lawfully in his possession to tax officers of other states and the federal government and to receive information regarding taxpayers in this state from the other states and the federal government and to revise the confidentiality protections of the law.

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

Section 1. Section four hundred twenty-two point twenty (422.20), subsection one (1), Code 1979, is amended to read as follows:

1. It shall be unlawful for any present or former 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 or tax officials of other states state 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 or pursuant to a reciprocal agreement with another state.