

violations of the laws of the state of Iowa are permitted. ~~Every~~ A claimant of an exemption shall, under oath, declare that no ~~such~~ violations of law will be knowingly permitted or have been permitted on or after January 1 of the year ~~for~~ in which a tax exemption is requested. Claims for ~~such~~ exemption shall be verified under oath by the president or other responsible ~~heads~~ head of the organization. A society or organization which ceases to use the property for the purposes stated in the claim shall provide written notice to the assessor of the change in use.

Approved June 6, 1983

CHAPTER 179
FEDERAL TAX CODE COORDINATION
S.F. 386

AN ACT relating to taxation by updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax and inheritance tax, providing for an increase in the minimum tax, increasing the individual income tax credit for child and dependent care expenses, providing an income tax credit for an increase in qualified research expenditures in this state, providing a temporary provision on unemployment compensation, and making the Act retroactive.

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

Section 1. Section 422.4, subsection 17, Code 1983, 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, ~~1982~~ 14, 1983.

Sec. 2. Section 422.4, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 19. For purposes of section 422.4, subsection 17, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 3. Section 422.5, unnumbered paragraph 10, Code 1983, is amended to read as follows:

In addition to all taxes imposed under this division, there is imposed upon every resident and nonresident, including resident and nonresident estates and trusts, of this state a state minimum tax for tax preference items equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is one hundred percent in the case of a resident and in the case of a nonresident a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preference items attributable to Iowa which shall be based as much as equitably possible on the allocation provisions of section 422.8, subsections 2 and 3. For purposes of this paragraph, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 to 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 4. Section 422.6, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The tax imposed by section 422.5 and credit for increasing research activities granted under section 422.10 shall apply to and become a charge against estates and trusts with respect to their taxable income, and the rates shall be the same as those applicable to individuals. The fiduciary shall be responsible for making the return of income for the estate or trust for which he the fiduciary acts, whether such the income be is taxable to the estate or trust or to the beneficiaries thereon.

Sec. 5. Section 422.7, subsection 16, Code 1983, is amended to read as follows:

16. Add the amounts deducted and subtract the amounts included as income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the provisions of the Internal Revenue Code of 1954. Entitlement to depreciation on any property included in a sale-leaseback agreement shall be determined under the Internal Revenue Code of 1954, excluding section 168(f)(8) in making the determination.

Sec. 6. Section 422.7, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 17. Subtract the amount of unemployment compensation to be included in Iowa net income for any tax year. Add back the amount of unemployment compensation computed under section 85 of the Internal Revenue Code of 1954, as amended up to and including December 31, 1981. This subsection is effective only for the tax year beginning on or after January 1, 1982 and before December 31, 1982.

Sec. 7. Section 422.9, subsection 2, paragraph c, Code 1983, is amended by striking the paragraph.

Sec. 8. Chapter 422, Code 1983, is amended by inserting after section 422.9 the following new section:

NEW SECTION. 422.10 RESEARCH ACTIVITIES CREDIT. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state. For individuals, the credit shall equal six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. For purposes of this section, an individual may claim a research credit for qualifying research expenditures incurred by a partnership, subchapter S corporation, and estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities computed under section 44F of the Internal Revenue Code of 1954, as amended to and including January 1, 1983.

Any credit in excess of the tax liability less personal exemption and child care credits provided in section 422.12 for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

Sec. 9. Section 422.12, subsection 2, Code 1983, is amended to read as follows:

2. A child and dependent care credit equal to five ten percent of the qualifying employment-related expenses and subject to the same limitations provided by section 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 each spouse's respective net income bears to the total combined net income. Taxpayers affected by the allocation provisions of section 422.8 shall be permitted a deduction for the credit only in ~~such~~ the amount as is fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 10. Section 422.12, Code 1983, is amended by inserting after subsection 2 the following new subsection and renumbering the remaining subsection:

NEW SUBSECTION. 3. A political contributions credit equal to five percent of the first one hundred dollars donated as a political contribution as defined in section 41(c) of the Internal Revenue Code of 1954. In the case of a married couple filing a joint return, a political contributions credit equal to five percent of the first two hundred dollars donated shall be allowed.

Sec. 11. Section 422.16, subsection 1, Code 1983, is amended to read as follows:

1. Every withholding agent as defined herein and every employer as defined herein and further defined in the Internal Revenue Code of 1954, as amended, with respect to income tax collected at source, making payment of wages as defined herein to either a resident employee or employees, or a nonresident employee or employees, working in Iowa, shall deduct and withhold from such wages an amount which will approximate the employee's annual tax liability on a calendar year basis, calculated on the basis of tables to be prepared by the department and schedules or percentage rates, based on such wages, to be prescribed by the department. Every employee or other person shall declare to such employer or withholding agent the number of his personal exemptions and dependency exemptions or credits to be used in applying such tables and schedules or percentage rates, provided that no more such personal or dependency exemptions or credits may be declared by such employee or other person than the number to which he is entitled except as allowed under section 3204(m)(1) of the Internal Revenue Code of 1954. Such claiming of such exemptions or credits in excess of entitlement shall constitute a misdemeanor.

Sec. 12. Section 422.32, subsection 4, Code 1983, 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, ~~1982~~ 14, 1983.

Sec. 13. Section 422.32, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 12. For purposes of section 422.32, subsection 4, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 14. Section 422.33, subsection 4, Code 1983, is amended to read as follows:

4. In addition to all taxes imposed under this division, there is imposed upon each corporation doing business within the state a state minimum tax for tax preference equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of subsections 2 and 3. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed under sections 55 to 58 of the Internal Revenue Code of 1954 for the tax year.

Sec. 15. Section 422.33, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 5. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to six and one-half percent of the

state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures. For purposes of this subsection, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities computed under section 44F of the Internal Revenue Code of 1954, as amended to and including January 1, 1983.

Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following taxable year.

Sec. 16. Section 422.35, subsection 8, Code 1983, is amended to read as follows:

8. Add the amounts deducted and subtract the amounts included in income as a result of the treatment provided sale-leaseback agreements under section 168(f)(8) of the Internal Revenue Code of 1954 to the extent that the amounts deducted and the amounts included in income are not otherwise deductible or included in income under the other provisions of the Internal Revenue Code of 1954. Entitlement to depreciation on any property involved in a sale-leaseback agreement shall be determined under the Internal Revenue Code of 1954, excluding section 168(f)(8) in making the determination.

Sec. 17. Section 422.60, unnumbered paragraph 2, Code 1983, is amended to read as follows:

In addition to all taxes imposed under this division, there is imposed upon each financial institution doing business within the state a state minimum tax for tax preference items equal to ~~twenty-five~~ seventy percent of the state's apportioned share of the federal minimum tax. The state's apportioned share of the federal minimum tax is a percent equal to the ratio of the federal minimum tax on preferences attributable to Iowa to the federal minimum tax on all preferences. The director shall prescribe rules for the determination of the amount of the federal minimum tax on preferences attributable to Iowa which shall be based as much as equitably possible on the allocation and apportionment provisions of section 422.63. For purposes of this subsection, "federal minimum tax" means the federal minimum tax for tax preferences computed and paid or payable under sections 55 to 58 of the Internal Revenue Code of 1954, as amended to and including January 1, 1982.

Sec. 18. Section 450B.1, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 4. For purposes of section 450B.1, subsection 1, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 19. The prohibition in section 422.16, subsection 11, paragraph e, on the waiver relating to reasonable cause of the addition to tax for underpayment of the estimated tax payable shall not apply with regard to the 1982 tax year to farmers and fishermen who have elected not to pay estimated taxes during the 1982 tax year and the director shall waive the addition to tax for underpayment of the estimated tax payable for the 1982 tax year to April 30, 1983 for reasonable cause.

Sec. 20. During the 1983 legislative interim, the department of revenue shall study the tax incidence and tax impact of the existing state minimum tax, using tax information from minimum tax filings with the state and other available tax information. The department shall also estimate the tax incidence, tax impact, and tax effect of alternative methods for determining a state minimum tax, including the development of a state minimum tax paralleling the federal minimum tax but using the Iowa net income as the initial tax base, adding tax preference items from the federal minimum tax, deducting federal taxes and general and specified itemized deduction from the federal tax, and establishing a rate of eight, nine or ten

percent on the resulting income, comparing that with the Iowa regular taxable income to determine the state minimum tax. The department of revenue shall report the result of this study to the General Assembly by January 15, 1984.

Sec. 21. Sections 1, 6, and 12 are retroactive to January 1, 1982 for tax years beginning on or after January 1, 1982. These sections shall also be applicable for tax years beginning prior to January 1, 1982 where the Internal Revenue Code of 1954, as amended up to and including January 14, 1983, provides for certain inclusions or exclusions in computing federal taxable income for a tax year beginning prior to January 1, 1982.

Sec. 22. Sections 3, 7, 9, 10, 14, and 17 are retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

Sec. 23. Sections 2, 13, and 18 are retroactive to tax years ending after December 31, 1982. The sections shall be applicable for tax years ending after December 31, 1982, but only with respect to commodities received for the 1983 crop year.

Sec. 24. Sections 5 and 16 are retroactive to January 1, 1981 for the tax years beginning on or after January 1, 1981.

Sec. 25. Sections 4, 8, and 15 are effective January 1, 1985 for tax years beginning on or after January 1, 1985.

Approved June 6, 1983

CHAPTER 180

PROPERTY TAX LEVY FOR EQUIPMENT REPLACEMENT

S.F. 537

AN ACT to provide a property tax levy for equipment replacement for area schools.

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

Section 1. NEW SECTION. 280A.28 TAX FOR EQUIPMENT REPLACEMENT. Annually, the board of directors may certify for levy a tax on taxable property in the merged area at a rate not exceeding three cents per thousand dollars of assessed valuation for equipment replacement for the area school.

Sec. 2. This Act is repealed effective July 1, 1988.

Approved June 6, 1983