

CHAPTER 1305
FINANCING OF STATE GOVERNMENT
S.F. 2330

AN ACT relating to the financing of state government by providing for a reduction in general fund appropriations through reallocation of general fund financial aid to merged area schools, by reducing or eliminating certain capital appropriations for the fiscal year beginning July 1, 1983 and appropriating funds for capital projects for the fiscal year beginning July 1, 1984, by updating references to the Internal Revenue Code for individual and corporate income tax, franchise tax, and inheritance tax purposes with coordinating amendments, by restructuring the fee for operator's and chauffeur's licenses, increasing certificate of title fees, duplicate title fees, trailer and motorized bicycle fees, including allocation of those fees to the road use tax fund and county treasurers, providing for spot inspections and odometer law enforcement, funding from the road use tax fund the driver's license program of the state department of transportation and the division of the highway safety and uniformed force of the department of public safety, by providing for the creation of an Iowa economic emergency fund including its funding, by providing for the payment of one-half of the additional personal property tax credit in the fiscal year beginning July 1, 1984, by imposing the sales, service and use tax on licensed executive search agencies, beverages, electronic repair and installation and the rental of tangible personal property, and making certain provisions of the Act retroactive.

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

DIVISION I

Section 1. 1983 Iowa Acts, chapter 197, section 8, subsection 12, paragraph a, is amended to read as follows:

a. For general state financial aid to merged areas as defined in section 280A.2 \$ 56,455,501
42,341,626

It is the intent of the general assembly that funds appropriated in this paragraph shall be used only for allocation to merged area schools for general aid purposes. Funds appropriated in this paragraph shall not be allocated to the merged area schools pursuant to chapter 286A, but shall be allocated by a formula approved by the state board of public instruction. The formula shall provide each merged area school with the same amount of state financial aids as the merged area school received during the fiscal year beginning July 1, 1982 and ending June 30, 1983 and a proportionate amount of the remaining funds appropriated in this paragraph. The remaining funds shall be allocated to each merged area school based upon the proportion that the student contact hours of enrollment eligible to receive general state financial aid for the merged area school for the fiscal year beginning July 1, 1982 and ending June 30, 1983 bears to the total number of student contact hours of enrollment for all merged area schools for the fiscal year beginning July 1, 1982 and ending June 30, 1983.

General state aid paid to area schools under this paragraph for expenditures incurred during the fiscal year beginning July 1, 1983 and ending June 30, 1984, shall be paid by the state comptroller in installments due on or about November 15, February 15, and May 15 of the

fiscal year. The payment received on August 15 is an account receivable for the previous fiscal year. The installments shall be as nearly equal as possible as determined by the state comptroller, taking into consideration the relative budget and cash position of the state resources.

There is appropriated from the general fund of the state to the department of public instruction for the fiscal year beginning July 1, 1984 and ending June 30, 1985, for general state aid to merged areas, as defined in section 280A.2, the amount of thirteen million seven hundred eighteen thousand six hundred eighty-seven (13,718,687) dollars to be accrued as income and used for expenditures incurred by the area schools during the fiscal year beginning July 1, 1983 and ending June 30, 1984. Funds appropriated by this paragraph shall be allocated pursuant to this paragraph and paid on or about August 15, 1984.

Sec. 2. 1982 Iowa Acts, chapter 1264, section 1, is amended to read as follows:

SECTION 1. There is appropriated from the general fund of the state to the state conservation commission for the fiscal period beginning July 1, 1982 and ending June 30, 1985 the amount of seven hundred ~~forty-four~~ four thousand ~~(744,000)~~ (704,000) dollars, or as much as is necessary* to be expended by the commission for projects highest on the priority list submitted to the joint appropriations subcommittee and approved by the commission for construction, replacement, development, and alterations to state parks and preserves, state forest facilities and state waters, engineering and planning services, or to supplement any prior appropriation for such purposes or for the open spaces land acquisition program. Any unencumbered or unobligated funds appropriated by this section remaining on June 30, 1985 shall revert to the general fund on September 30, 1985.

Sec. 3. 1983 Iowa Acts, chapter 191, section 11, is amended to read as follows:

SEC. 11. There is appropriated from the general fund of the state to the department of social services, for the fiscal year beginning July 1, 1983, and ending June 30, 1984, for capital improvements at the state hospital-schools, the following amount, or so much thereof as is necessary:

	1983-1984
	<u>Fiscal Year</u>
\$	3,000,000
	<u>2,721,550</u>

Unobligated or unencumbered funds appropriated by this section for the fiscal year beginning July 1, 1983, and ending June 30, 1984, remaining on June 30, 1987, shall revert to the general fund of the state on September 30, 1987. However, if the projects for which these funds are appropriated are completed prior to June 30, 1987, the remaining unobligated or unencumbered funds shall revert to the general fund of the state on September 30 following the end of the fiscal year in which the projects are completed.

Sec. 4. 1983 Iowa Acts, chapter 195, section 2, is amended to read as follows:

SEC. 2. There is appropriated from the federal oil overcharge funds apportioned to Iowa under Pub. L. No. 97-377, to the energy policy council, the sum of five hundred seventy-five thousand (575,000) dollars, or so much thereof as is necessary, to be used in conjunction with the funds appropriated available to the board of regents under section 1 of this Act for energy conservation projects. Unobligated or unencumbered funds remaining on June 30, 1986, from funds appropriated by this section shall revert to the general fund of the state on September 30, 1986.

Sec. 5. 1983 Iowa Acts, chapter 195, section 3, is amended to read as follows:

*According to enrolled Act

SEC. 3. There is appropriated from the general fund of the state for the fiscal year beginning July 1, 1983 and ending June 30, 1984, to the state board of regents, the sum of ~~eight~~ four million ~~nine~~ six hundred ~~five~~ sixty-six thousand (~~8,905,000~~) (4,666,000) dollars, or so much thereof as necessary, for allocation by the state board of regents to the state university of Iowa, the Iowa state university of science and technology, the university of northern Iowa, and the Iowa braille and sight-saving school to undertake the following capital projects:

1. State university of Iowa:
 - a. Fire safety deficiency corrections.
 - b. Communications facility and field house/athletic office building equipment.
 - c. Chemistry/botany remodeling.
2. Iowa state university of science and technology:
 - a. Fire safety deficiency corrections.
 - b. Mechanical engineering equipment.
 - c. Planning for phase 2 of the college of education building.
3. University of northern Iowa:
 - a. Fire safety deficiency corrections.
 - b. Gilchrist hall renovations.
4. Iowa braille and sight-saving school:

Utility system master plan and other campus improvements.

Sec. 6. 1983 Iowa Acts, chapter 195, section 6, subsection 1, paragraph b, is amended by striking the paragraph.

Sec. 7. 1983 Iowa Acts, chapter 195, section 8, subsection 1, unnumbered paragraph 1, is amended to read as follows:

There is appropriated from the general fund of the state to the department of ~~human services, division of adult corrections,~~ for the fiscal year beginning July 1, 1983, and ending June 30, 1984, the sum of ~~eight~~ five hundred ~~fifty-two~~ ninety-seven thousand (~~852,000~~) (597,000) dollars, or so much thereof as necessary for capital improvements at the Iowa state penitentiary to bring the penitentiary into compliance with the federal court order which requires such improvements, for construction at the Luster Heights work camp, for construction of an Iowa state industries' laundry facility at the medium security correctional facility at Mt. Pleasant and to renovate a bathroom for use of the handicapped at the Iowa correctional institution for women; ~~however, it is a condition of this appropriation that if funds for each project are not allocated the total sum appropriated shall revert to the general fund of the state.~~

Sec. 8. 1983 Iowa Acts, chapter 195, section 9, subsection 1, unnumbered paragraph 1, is amended to read as follows:

There is appropriated from the general fund of the state to the department of human services for the fiscal year beginning July 1, 1983, and ending June 30, 1984 for capital improvements, including major maintenance projects, at the institutions under the control of the department of human services, the following amount, or so much thereof as is necessary:

	1983-1984
	Fiscal Year
\$	<u>978,000</u>
	<u>41,000</u>

Sec. 9. 1983 Iowa Acts, chapter 195, section 12, subsection 1, paragraphs b and d, are amended to read as follows:

b. For emergency major repairs or replacements of equipment, roofs or windows \$ 45,000
20,000

d. For repair of the roof of the vehicle dispatcher building and the repair of the roof of the micrographics building \$ 94,500
4,500

Sec. 10. 1983 Iowa Acts, chapter 195, section 12, subsection 1, paragraphs e, f, and g, are amended by striking the paragraphs.

Sec. 11. 1983 Iowa Acts, chapter 195, section 12, subsection 2, paragraph b, is amended to read as follows:

b. For repair of the roof and dome of the state historical building \$ 100,000
20,000

Sec. 12. 1983 Iowa Acts, chapter 195, section 12, subsection 2, paragraphs c, d, and e, are amended by striking the paragraphs.

Sec. 13. 1983 Iowa Acts, chapter 195, section 15, subsection 3, paragraphs b and c, are amended to read as follows:

b. For Swan lake restoration \$ 110,000
15,000

c. For construction, replacement, development and alterations to state parks and preserves, state forest facilities and state waters including artificial lake development; shoreline erosion and siltation control; river, stream and lake access; and engineering and planning services or to supplement any prior appropriation for such purposes \$ 906,500
325,000

Sec. 14. 1983 Iowa Acts, chapter 195, section 18, is amended to read as follows:

SEC. 18. There is appropriated from the general fund of the state for the fiscal year beginning July 1, 1983 and ending June 30, 1984 to the treasurer of state the sum of ~~one hundred thirty-nine thousand (139,000)~~ (39,000) dollars, or so much thereof as necessary, to be used for the purchase of an investment machine and system.

Sec. 15. 1983 Iowa Acts, chapter 197, section 9, subsection 1, paragraph c, is amended to read as follows:

c. For allocation by the state board of regents to the state university of Iowa, the Iowa state university of science and technology, and the university of northern Iowa in amounts as may be necessary to reimburse the institutions for deficiencies in their operating funds resulting from the pledging of tuitions, student fees and charges and institutional income to finance the cost of providing academic and administrative buildings and facilities and utility services at the institutions \$ 13,270,000
12,417,696

Any unexpended funds appropriated in this section shall revert to the general fund on June 30, 1985. Such unexpended funds may be used for tuition replacement needs in the fiscal year beginning July 1, 1984.

Sec. 16. 1983 Iowa Acts, chapter 195, section 1, is repealed on the effective date of this Act.

Sec. 17. Section 8.33, 1983 Code Supplement, unnumbered paragraph 2, is amended to read as follows:

No payment of an obligation for goods and services shall be charged to an appropriation subsequent to the last day of the fiscal term for which the appropriation is made unless such goods or services are received on or before ~~the last day of the fiscal term~~ September 15 of the following fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal term are excluded from this provision.

Sec. 18. There is appropriated from the road use tax fund to the general fund of the state for the fiscal year beginning July 1, 1983 and ending June 30, 1984, the sum of three million six hundred forty-eight thousand eight hundred fifty-two (3,648,852) dollars to fund the operation and administration of the driver's license program within the state department of transportation.

Sec. 19. There is appropriated from the road use tax fund to the general fund of the state for the fiscal year beginning July 1, 1984 and ending June 30, 1985, the sum of three million seven hundred thousand (3,700,000) dollars to fund the operation and administration of the driver's license program within the state department of transportation.

Sec. 20. There is appropriated from the general fund of the state for the administration and supervision of the public highways to the department of public safety for the fiscal year beginning July 1, 1984 and ending June 30, 1985, the following amount, or so much thereof as is necessary, to be used for funding the following functions and programs for the purposes designated:

For salaries, support, maintenance, and miscellaneous purposes of the division of highway safety and uniformed force for the administration and supervision of the public highways, including the state's contribution to the peace officers' retirement, accident, and disability system provided in chapter 97A in the amount of sixteen percent of the salaries for which the funds are appropriated \$ 16,232,000

However, the unfunded liability of the peace officers retirement accident and disability system, as of July 1, 1984, shall in no way be considered a liability of the road use tax fund.

DIVISION II

Sec. 21. Chapter 8, Code 1983, is amended by adding the following new section:

NEW SECTION. IOWA ECONOMIC EMERGENCY FUND.

1. The Iowa economic emergency fund is created. The fund shall be separate from the general fund of the state and the balance in the fund shall not be considered part of the balance of the general fund of the state, except for purposes of determining the annual inflation factor under section 422.4, subsection 18, the balance in the fund shall be considered part of the general fund of the state. The moneys in the fund shall not revert to the general fund, notwithstanding section 8.33, unless and to the extent the fund exceeds the maximum balance.

2. The maximum balance of the Iowa economic emergency fund is the amount equal to ten percent of the funds appropriated from the general fund of the state during the preceding fiscal year. There is appropriated from any surplus existing in the general fund of the state at the conclusion of the fiscal year to the Iowa economic emergency fund an amount equal to the smaller of the amount of the surplus or the amount necessary to achieve the maximum balance.

3. The moneys in the Iowa economic emergency fund may be appropriated by the general assembly only in the fiscal year for which the appropriation is made and only for a purpose for which the general assembly previously appropriated funds for that fiscal year. However, the balance in the Iowa economic emergency fund may be used in determining the cash position of the general fund of the state for the payment of state obligations.

DIVISION III

Sec. 22. Section 99B.7, subsection 1, paragraph m, Code Supplement 1983, is amended to read as follows:

m. The person or organization conducting the game can show to the satisfaction of the department that the person or organization is eligible for exemption from federal income taxation under either section 501(c)(3), 501(c)(5), 501(c)(6), 501(c)(10) or 501(c)(19) of the Internal Revenue Code of 1954, as defined in section 422.4 422.3. However, this paragraph does not apply to a political party as defined in section 43.2, to a nonparty political organization that has qualified to place a candidate as its nominee for statewide office pursuant to chapter 44, or to a candidate committee as defined in section 56.2.

Sec. 23. Section 175.2, subsection 7, Code Supplement 1983, is amended to read as follows:

7. "Depreciable agricultural property" means personal property suitable for use in farming for which an income tax deduction for depreciation is allowable in computing federal income tax under the Internal Revenue Code of 1954 as defined in section 422.4 422.3.

Sec. 24. Section 220.45, unnumbered paragraph 1, Code 1983, is amended to read as follows:

For purposes of this section, "Internal Revenue Code of 1954" means the same as defined in section 422.4 422.3, "state ceiling" means the same as defined in section 103A(g)(4) of the Internal Revenue Code of 1954, and "qualified mortgage bonds" means the same as defined in section 103A(c) of the Internal Revenue Code of 1954.

Sec. 25. Section 422.3, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 5. "Internal Revenue Code of 1954" means the Internal Revenue Code of 1954, as amended to and including January 1, 1984.

Sec. 26. Section 422.4, subsection 17, Code Supplement 1983, is amended by striking the subsection.

Sec. 27. Section 422.4, subsection 19, Code Supplement 1983, is amended to read as follows:

19. For purposes of section 422.4 422.3, subsection 17 5, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 28. Section 422.6, unnumbered paragraph 1, Code Supplement 1983, is amended to read as follows:

The tax imposed by section 422.5 and ~~credit for increasing research activities granted less the credits allowed~~ under section 422.10, ~~shall~~ section 422.11, and the ~~personal exemption credit allowed~~ under section 422.12 apply to and ~~become~~ are a charge against estates and trusts with respect to their taxable income, and the rates ~~shall be~~ are the same as those applicable to individuals. The fiduciary shall be responsible for ~~making~~ make the return of income for the estate or trust for which the fiduciary acts, whether the income is taxable to the estate or trust or to the beneficiaries ~~thereon~~.

Sec. 29. Section 422.7, subsection 6, Code Supplement 1983, is amended to read as follows:

6. 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 disability income exclusion and shall compute the amount of sick-pay the disability income exclusion subject to the limitations for joint federal income tax return filers provided by section 105(d) of the Internal Revenue Code of 1954. The disability income exclusion provided in section 105(d) of the Internal Revenue Code of 1954, as amended up to and including December 31, 1982, continues to apply for state income tax purposes for tax years beginning on or after January 1, 1984.

Sec. 30. Section 422.7, Code Supplement 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 19. Married taxpayers, who file a joint federal income tax return and who elect to file separate returns or who elect separate filing on a combined return for state income tax purposes, shall include in net income any social security benefits or tier 1 railroad retirement benefits received to the same extent as those benefits are taxable on the taxpayer's joint federal return for that year under section 86 of the Internal Revenue Code of 1954. The benefits included in net income must be allocated between the spouses in the ratio of the social security benefits or tier 1 railroad retirement benefits received by each spouse to the total of these benefits received by both spouses.

Sec. 31. Section 422.9, subsection 1, Code Supplement 1983, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. A taxpayer who claims the optional standard deduction under this subsection may, after claiming the optional standard deduction, claim the direct charitable contribution as allowed and subject to the same limitations provided under section 170(i) of the Internal Revenue Code of 1954 for tax years ending on or before December 31, 1986. However, the deduction shall be computed as provided under section 170(i) of the Internal Revenue Code of 1954 as applied to tax year 1984. Married taxpayers who have filed a joint federal return and who elect to file separate returns or separately on a combined state return must allocate their allowable charitable deduction to each spouse in the proportion that 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 in the amount as is fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 32. Section 422.12, subsection 1, paragraph a, Code Supplement 1983, is amended to read as follows:

a. For an estate or trust, a single individual, or a married person filing a separate return, fifteen dollars.

Sec. 33. Section 422.32, subsection 12, Code Supplement 1983, is amended to read as follows:

12. For purposes of section ~~422.32~~ 422.3, subsection 4 5, the Internal Revenue Code of 1954 shall be interpreted to include the provisions of Pub. L. No. 98-4.

Sec. 34. Section 422.32, subsection 4, Code Supplement 1983, is amended by striking the subsection.

Sec. 35. Section 425.23, subsection 3, paragraph b, Code Supplement 1983, is amended to read as follows:

b. For purposes of this subsection, a totally disabled person in computing household income shall deduct all medical and necessary care expenses paid during the twelve-month income tax accounting periods used in computing household income which are attributable to the person's total disability. "Medical and necessary care expenses" are those used in computing the federal income tax deduction under section 213 of the Internal Revenue Code of 1954 as defined in section ~~422.4~~ 422.3.

Sec. 36. Section 442.15, unnumbered paragraph 2, Code 1983, is amended to read as follows:

The school district income surtax shall be imposed on the state individual income tax for the calendar year during which the school's budget year begins, or for a taxpayer's fiscal year ending during the second half of that calendar year or the first half of the succeeding calendar year, and shall be imposed on all individuals residing in the school district on the last day of the applicable tax year. As used in this section, "state individual income tax" means the tax computed under section 422.5, less the deductions allowed in ~~section~~ sections 422.10, 422.11 and 422.12.

Sec. 37. Section 450.37, subsection 1, paragraph b, Code Supplement 1983, is amended to read as follows:

b. The alternate value of the property, if the personal representative so elects, that has been established for federal estate tax purposes under section 2032 of the Internal Revenue Code of 1954 as defined in section ~~422.4~~ 422.3. The election shall be exercised on the return by the personal representative or other person signing the return, within the time prescribed by law for filing the return or before the expiration of any extension of time granted for filing the return.

Sec. 38. Section 450A.1, subsection 2, Code 1983, is amended to read as follows:

2. "Internal Revenue Code of 1954" means the ~~Internal Revenue Code of 1954~~ same as defined in section ~~422.4~~ 422.3.

Sec. 39. Section 450B.1, subsection 1, Code Supplement 1983, is amended to read as follows:

1. "Internal Revenue Code of 1954" means the same as defined in section ~~422.4~~ 422.3.

Sec. 40. Section 451.1, subsection 8, Code 1983, is amended to read as follows:

8. The term "Internal Revenue Code of 1954" shall have means the same meaning as ascribed to it defined in section ~~422.4~~ 422.3.

Sec. 41. Section 634.5, Code 1983, is amended to read as follows:

634.5 INTERNAL REVENUE CODE DEFINED. All references to sections of the Internal Revenue Code of 1954 ~~shall mean the Code as amended to and including January 1, 1971~~ mean the Internal Revenue Code of 1954 as defined in section 422.3.

Sec. 42. It is the intent of the general assembly that the department of revenue shall conduct a study during the 1984 interim to determine a feasible method of disallowing certain interest expense deductions on tangible personal property which is manufactured or substantially assembled outside of the United States and which is purchased by a taxpayer. The department shall submit its report to the Seventy-first General Assembly not later than February 1, 1985.

Sec. 43. This Division, except sections 29, 30, and 31, is retroactive to January 1, 1983 for tax years beginning on or after January 1, 1983.

Sec. 44. Sections 29, 30, and 31 are retroactive to January 1, 1984 for tax years beginning on or after January 1, 1984.

DIVISION IV

Sec. 45. Chapter 307, Code 1983, is amended by adding the following new section:

NEW SECTION. 307.36 ODOMETER LAW ENFORCEMENT. The department shall investigate and prosecute violators of the state and federal odometer law. The department shall refer available evidence concerning a possible violation of section 321.71 or the federal

odometer law or a rule or order issued under section 321.71 or the federal odometer law to the attorney general. The attorney general, with or without the referral, may institute appropriate criminal proceedings or may direct the case to the appropriate county attorney to institute appropriate criminal proceedings. The attorney general may use those funds available to the department for this purpose and law enforcement agencies may be reimbursed for expenses incurred in the enforcement of the state and federal odometer laws with the approval of the attorney general and concurrence by the department.

Sec. 46. Section 312.2, Code Supplement 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 16. The treasurer of state, before making the allotments provided for in this section, shall credit annually to the state department of transportation from the road use tax fund an amount equal to twenty-five cents on each title issuance for state and federal odometer law enforcement purposes. This subsection is effective for the fiscal period beginning July 1, 1984 and ending June 30, 1989.

Sec. 47. Section 321.20, unnumbered paragraph 1, Code 1983, is amended to read as follows:

Except as provided in this chapter, every owner of a vehicle subject to registration shall make application to the county treasurer, of the county of the owner's residence, or if a nonresident, to the county treasurer of the county where the primary users of the vehicle are located, for the registration and issuance of a certificate of title for the vehicle upon the appropriate form furnished by the department, accompanied by a fee of ~~two~~ ten dollars, and every application shall bear the signature of the owner written with pen and ink. However, a nonresident owner of two or more vehicles subject to registration may make application for registration and issuance of a certificate of title for all vehicles subject to registration to the county treasurer of the county where the primary user of any of the vehicles is located. The owner of a mobile home shall make application for a certificate of title under this section. The application shall contain:

Sec. 48. Section 321.23, subsections 1 and 4, Code Supplement 1983, are amended to read as follows:

1. If the vehicle to be registered is a specially constructed, reconstructed, remanufactured or foreign vehicle, such fact shall be stated in the application. A fee of ~~two~~ ten dollars shall be paid by the person making the application upon issuance of a certificate of title by the county treasurer. With reference to every specially constructed or reconstructed motor vehicle subject to registration the application shall be accompanied by a statement from the department authorizing the motor vehicle to be titled and registered in this state. The department shall cause a physical inspection to be made of all specially constructed or reconstructed motor vehicles, upon application for a certificate of title by the owner, to determine whether the motor vehicle is in a safe operating condition and that the integral component parts are properly identified and that the rightful ownership is established before issuing the owner the authority to have the motor vehicle registered and titled. With reference to every foreign vehicle which has been registered outside of this state the owner shall surrender to the treasurer all registration plates, registration cards, and certificates of title, or, if vehicle to be registered is from a nontitle state, the evidence of foreign registration and ownership as may be prescribed by the department except as provided in subsection 2.

4. Any vehicle which does not meet the equipment requirements of this chapter due to the particular use for which it is designed or intended, may be registered by the department upon payment of appropriate fees and after inspection and certification by the department that the vehicle is not in an unsafe condition and will not endanger any person. A person is not

required to have a certificate of title to register a vehicle under this subsection. If the owner elects to have a certificate of title issued for the vehicle, a fee of ~~two ten~~ ten dollars shall be paid by the person making the application upon issuance of a certificate of title. If the department's inspection reveals that that vehicle may be safely operated only under certain conditions or on certain types of roadways, the department may restrict the registration to limit operation of the vehicle to the appropriate conditions or roadways. This subsection shall not apply to snowmobiles as defined in section 321G.1. Section 321.382 does not apply to a vehicle registered under this subsection which is operated exclusively by a handicapped person who has obtained a special identification device as provided in section 601E.6, providing the special identification device is carried in the vehicle and shown to any peace officer on request.

Sec. 49. Section 321.34, subsection 5, paragraph a, Code Supplement 1983, is amended to read as follows:

a. Upon application and the payment of a fee of twenty-five dollars, the director may issue to the owner of a motor vehicle registered in this state or a trailer with a gross weight of one thousand pounds or less, personalized registration plates marked with the initials, letters, or a combination of numerals and letters requested by the owner. Upon receipt of the personalized registration plates, the applicant shall surrender the regular registration plates to the county treasurer. The fee for issuance of the personalized registration plates shall be in addition to the regular annual registration fee.

Sec. 50. Section 321.37, Code 1983, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. It is unlawful for the owner of a vehicle to place any frame around or over the registration plate which does not permit full view of all numerals and letters printed on the registration plate.

Sec. 51. Section 321.42, unnumbered paragraph 2, Code 1983, is amended to read as follows:

If a certificate of title is lost or destroyed, the owner or lienholder shall apply for a certified copy of the original certificate of title. The application shall be made to the department or county treasurer who issued the original certificate of title. The application shall be signed by the owner or lienholder and accompanied by a fee of ~~five ten~~ ten dollars. After five days, the department or county treasurer shall issue a certified copy to the applicant at the applicant's most recent address. The certified copy shall be clearly marked "duplicate" and shall be identical to the original, including notation of liens or encumbrances. When a certified copy has been issued, the previous certificate is void. A new purchaser or transferee is entitled to receive an original title upon presenting the assigned duplicate copy to the treasurer of the county where ~~he or she~~ the new purchaser or transferee resides. At the time of purchase, a purchaser may require the seller to indemnify the purchaser and all future purchasers of the vehicle against any loss which may be suffered due to claims on the original certificate. A person recovering an original certificate of title for which a duplicate has been issued shall surrender the original certificate to the county treasurer or the department.

Sec. 52. Section 321.46, subsection 2, Code Supplement 1983, is amended to read as follows:

2. Upon filing the application for a new registration and a new title, the applicant shall pay a title fee of ~~two ten~~ ten dollars and a registration fee prorated for the remaining unexpired months of the registration year. The county treasurer, if satisfied of the genuineness and regularity of the application, and in the case of a mobile home, that taxes are not owing under chapter 135D, and that applicant has complied with all the requirements of this chapter, shall issue a new certificate of title and, except for a mobile home, a registration card to the purchaser or transferee, shall cancel the prior registration for the vehicle, and shall forward the necessary copies to the department on the date of issuance, as prescribed in section 321.24.

Sec. 53. Section 321.47, unnumbered paragraph 1, Code 1983, is amended to read as follows:

In the event of the transfer of ownership of any vehicle by operation of law as upon inheritance, devise or bequest, order in bankruptcy, insolvency, replevin, foreclosure or execution sale, or whenever the engine of a motor vehicle is replaced by another engine, or whenever a vehicle is sold to satisfy an artisan's lien as provided in chapter 577, or is sold to satisfy a landlord's lien as provided in chapter 570, or a storage lien as provided in chapter 579, or repossession is had upon default in performance of the terms of a security agreement, the treasurer of the county in which the last certificate of title to any such vehicle was issued, upon the surrender of the prior certificate of title or the manufacturer's or importer's certificate, or when that is not possible, upon presentation of satisfactory proof to the county treasurer of ownership and right of possession to such vehicle and upon payment of a fee of ~~two~~ ten dollars and the presentation of an application for registration and certificate of title, may issue to the applicant a registration card for such vehicle and a certificate of title thereto. The person or persons entitled under the laws of descent and distribution of an intestate's property to the possession and ownership of a vehicle owned in whole or in part by a decedent, upon filing an affidavit stating the name and date of death of the decedent, the right to possession and ownership of the persons filing said affidavit, and that there has been no administration of the said decedent's estate, which instrument shall also contain an agreement to indemnify any creditors of the decedent who would be entitled to levy execution upon said motor vehicle to the extent of the value of said motor vehicle, shall be entitled upon fulfilling the other requirements of this chapter, to the issuance of a registration card for the interest of the decedent in such vehicle and a certificate of title thereto. No requirement of either chapter 450 or 451 shall be considered satisfied by the filing of the affidavit provided for in this section. If, from the records in the office of the county treasurer, there appear to be any lien or liens on such vehicle, such certificate of title shall contain a statement of such liens unless the application is accompanied by proper evidence of their satisfaction or extinction. Evidence of extinction may consist of, but is not limited to, an affidavit of the applicant stating that a security interest was foreclosed as provided in Uniform Commercial Code, chapter 554, Article 9, Part 5.

Sec. 54. Section 321.48, subsection 2, Code Supplement 1983, is amended to read as follows:

2. Any foreign registered vehicle purchased or otherwise acquired by a dealer for the purpose of resale shall be issued a certificate of title ~~thereto~~ for the vehicle by the county treasurer of the dealer's residence upon proper application ~~therefor~~ as provided in this chapter and upon payment of a fee of ~~two~~ five dollars and ~~such~~ the dealer shall be exempt from the payment of any and all registration fees for ~~such~~ the vehicle. ~~Such~~ The application for certificate of title shall be made within forty-eight hours after ~~said~~ the vehicle comes within the border of the state.

Sec. 55. Section 321.50, subsection 1, Code Supplement 1983, is amended to read as follows:

1. A security interest in a vehicle subject to registration under the laws of this state or a mobile home, except trailers whose empty weight is two thousand pounds or less, and except new or used vehicles held by a dealer or manufacturer as inventory for sale, is perfected by the delivery to the county treasurer of the county where the certificate of title was issued or, in the case of a new certificate, to the county treasurer where the certificate will be issued of an application for certificate of title which lists the security interest, or an application for notation of security interest signed by the owner, or by one owner of a vehicle owned jointly by

more than one person, or a certificate of title from another jurisdiction which shows the security interest, and a fee of ~~two~~ five dollars for each security interest shown. If the owner or secured party is in possession of the certificate of title, it must also be delivered at this time in order to perfect the security interest. If a vehicle is subject to a security interest when brought into this state, the validity of the security interest and the date of perfection is determined by section 554.9103. Delivery as provided in this subsection is an indication of a security interest on a certificate of title for purposes of chapter 554.

Sec. 56. Section 321.52, subsection 4, unnumbered paragraph 1, Code 1983, is amended to read as follows:

A vehicle rebuilder or a motor vehicle dealer licensed under chapter 322, upon acquisition of a wrecked or salvage vehicle, shall surrender the certificate of title and registration receipt or manufacturer's or importer's statement of origin properly assigned, together with an application for a salvage certificate of title to the county treasurer of the county of residence of the purchaser or transferee within fourteen days after the date of assignment of the certificate of title for the wrecked or salvage motor vehicle. This subsection applies only to vehicles with a fair market value of five hundred dollars or more, based on the value before the vehicle became wrecked or salvage. Upon payment of a fee of two dollars, the county treasurer shall issue a salvage certificate of title which shall bear the word "SALVAGE" stamped on the face of the title in bold letters and coded in a manner prescribed by the department. A salvage certificate of title may be assigned to any person. Notwithstanding any other provisions in this section a vehicle on which ownership has transferred to an insurer of the vehicle, as a result of a settlement with the owner of the vehicle arising out of damage to, or unrecovered theft of the vehicle, shall be deemed to be a wrecked or salvage vehicle and the insurer shall comply with this subsection to obtain a salvage certificate of title within fourteen days after the date of assignment of the certificate of title of the vehicle. ~~Any owner, except an insurer of vehicles, who transfers a wrecked or salvage vehicle with a fair market value less than five hundred dollars, based on the value before it became wrecked or salvage, shall comply with section 321.51.~~

Sec. 57. Section 321.60, Code 1983, is amended to read as follows:

321.60 ISSUANCE OF SPECIAL PLATES. The department shall also issue special plates as applied for, which shall ~~have displayed~~ display the general distinguishing number assigned to the applicant. Each plate so issued shall also contain a number or symbol identifying the same plate and distinguishing it from every other plate bearing the same general distinguishing number. The fee for each special plate shall be ~~ten~~ twenty dollars.

Special plates may be validated in the same manner as regular registration plates under this chapter at an annual fee of ~~ten~~ twenty dollars.

Sec. 58. Section 321.71, subsection 11, Code 1983, is amended to read as follows:

11. Any person who violates the ~~provisions of this section shall be punished by a fine of not less than four hundred dollars and not more than one thousand dollars or by imprisonment in the county jail for a period not to exceed ninety days, or punished by both such fine and imprisonment commits a fraudulent practice.~~

Sec. 59. Section 321.89, subsection 4, Code 1983, is amended to read as follows:

4. AUCTION OF ABANDONED VEHICLES. If an abandoned vehicle has not been reclaimed as provided for in subsection 3, the police authority shall make a determination as to whether or not the vehicle shall be sold for use upon the highways. ~~If it is to be sold as a vehicle for use upon the highways, it shall first be inspected as required by section 321.238 and have a valid certificate of inspection affixed. If the vehicle is not sold for use upon the highways, it shall be sold for junk, or demolished and sold as scrap or sold as provided in section 321.61 with a restricted certificate of title and not for use upon the highways.~~ The police authority shall sell the vehicle at public auction. Notwithstanding any other provision of this section, any police authority, which has taken into possession any abandoned vehicle which

lacks an engine or two or more wheels or ~~other~~ another part which renders the vehicle totally inoperable may dispose of the vehicle to a demolisher for junk after complying with the notification procedures enumerated in subsection 3 and without public auction. The purchaser of the vehicle ~~shall take~~ takes title free and clear of all liens and claims of ownership, shall receive a sales receipt from the police authority, and ~~shall be~~ is entitled to register the vehicle and receive a certificate of title if sold for use upon the highways or ~~a restricted certificate of title~~. However, if the vehicle is sold or disposed of to a demolisher for junk, the sales receipt by itself ~~shall be~~ is sufficient title only for purposes of transferring the vehicle to the demolisher for demolition, wrecking, or dismantling and, when so transferred, no further titling of the vehicle ~~shall be~~ is permitted. From the proceeds of the sale of an abandoned vehicle the police authority shall reimburse itself for the expenses of the auction, the costs of towing, preserving, and storing which resulted from placing the abandoned vehicle in custody, all notice and publication costs incurred pursuant to subsection 3, the cost of inspection, and any other costs incurred except costs of bookkeeping and other administrative costs. Any remainder from the proceeds of a sale shall be held for the owner of the vehicle or entitled lienholder for ninety days, and shall then be deposited in the road use tax fund. The costs to police authorities of auction, towing, preserving, storage, and all notice and publication costs, ~~inspection costs~~ and all other costs which result from placing abandoned vehicles in custody, whenever the proceeds from a sale of the abandoned vehicles are insufficient to meet these expenses and costs, shall be paid from the road use tax fund.

Sec. 60. Section 321.109, subsection 1, Code 1983, is amended to read as follows:

1. The annual fee for all motor vehicles including vehicles designated by manufacturers as station wagons, except motor trucks, motor homes, multipurpose vehicles, ambulances, hearses, motorcycles, and motor bicycles, shall be equal to one percent of the value as fixed by the department plus forty cents for each one hundred pounds or fraction thereof of weight of vehicle, as fixed by the department. The weight of a motor vehicle, fixed by the department for registration purposes, shall include the weight of a battery, heater, bumpers, spare tire, and wheel. Provided, however, that for any new vehicle purchased in this state by a nonresident for removal to the nonresident's state of residence the purchaser may make application to the county treasurer in the county of purchase for a transit plate for which a fee of ~~five~~ ten dollars shall be paid. And provided, however, that for any used vehicle held by a registered dealer and not currently registered in this state, or for any vehicle held by an individual and currently registered in this state, when purchased in this state by a nonresident for removal to the nonresident's state of residence, the purchaser may make application to the county treasurer in the county of purchase for a transit plate for which a fee of three dollars shall be paid. The county treasurer shall issue a nontransferable certificate of registration for which no refund shall be allowed; and the transit plates shall be void thirty days after issuance. Such purchaser may apply for a certificate of title by surrendering the manufacturer's or importer's certificate or certificate of title, duly assigned as provided in this chapter. In this event, the treasurer in the county of purchase shall, when satisfied with the genuineness and regularity of the application, and upon payment of a fee of ~~two~~ ten dollars, issue a certificate of title in the name and address of ~~such~~ the nonresident purchaser delivering the same to the person entitled ~~thereto~~ to the title as provided in this chapter.

Sec. 61. Section 321.117, Code Supplement 1983, is amended to read as follows:

321.117 MOTORCYCLE, AMBULANCE, AND HEARSE FEES. For all motorcycles the annual fee shall be ~~ten~~ twenty dollars. For all motorized bicycles the annual fee shall be ~~five~~ seven dollars. When the motorcycle is more than five model years old, the annual registration fee shall be ~~five~~ ten dollars. The annual registration fee for ambulances and hearses shall be fifty dollars. Passenger car plates shall be issued for ambulances and hearses.

Sec. 62. Section 321.119, Code 1983, is amended to read as follows:

321.119 CHURCH BUSES. For motor vehicles designed to carry nine passengers or more which are owned and used exclusively by a church or religious organization to transport passengers to and from activities of or sponsored by the church or religious organization and not operated for rent or hire for purposes unrelated to the activities of the church or religious organization, the annual fee shall be twenty-five dollars. ~~At the initial registration and at every other annual registration thereafter, the county treasurer shall not register a motor vehicle under this section unless there is affixed to the motor vehicle a valid certificate of inspection issued for the motor vehicle within the last sixty days.~~

Sec. 63. Section 321.123, unnumbered paragraph 1, Code Supplement 1983, is amended to read as follows:

All trailers except farm trailers and mobile homes, unless otherwise provided in this section, are subject to a registration fee of ~~four~~ six dollars for trailers with a gross weight of one thousand pounds or less and ten dollars for other trailers. Trailers for which the empty weight is two thousand pounds or less are exempt from the certificate of title and lien provisions of this chapter. Fees collected under this section shall not be reduced or prorated under chapter 326.

Sec. 64. Section 321.152, Code Supplement 1983, is amended by striking the section and inserting in lieu thereof the following:

321.152 FEE FOR COUNTY. A county treasurer may retain for deposit in the county general fund the following:

1. Two point six percent of the total collection for each annual or semiannual vehicle registration and each duplicate registration card or plate issued.
2. Twenty percent of all fees collected for certificates of title.
3. Forty percent of all fees collected for certified copies of certificates of title.
4. Sixty percent of all fees collected for notation of security interests.

The moneys retained shall be deducted, and reported to the department when the county treasurer transfers the money collected under this chapter. However, a deduction is not lawful unless the county treasurer has complied with sections 321.24 and 321.153.

Sec. 65. Section 321.190, subsection 1, unnumbered paragraph 3, Code 1983, is amended to read as follows:

The fee for a nonoperator's identification card shall be ~~one dollar~~ five dollars and the card shall be valid for the purpose of identification for a period of four years from the date of issuance. A fee of ~~one dollar~~ five dollars shall be charged for the voluntary replacement of an identification card.

Sec. 66. Section 321.191, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The fee for an operator's license shall be five seven dollars if issued for a period of two years, and ~~ten~~ twenty dollars if issued for a period of ~~four~~ six years. The fee for a chauffeur's license shall be ~~ten~~ fourteen dollars if issued for a period of two years, and ~~twenty~~ forty dollars if issued for a period of ~~four~~ six years. The fee for an instruction permit shall be ~~three~~ six dollars, for a chauffeur's instruction permit, ~~six~~ twelve dollars, for a temporary driver's permit, five ten dollars and for a motorized bicycle license, five ten dollars.

Sec. 67. Section 321.192, Code Supplement 1983, is amended to read as follows:

321.192 DISPOSAL OF FEES. The license fees shall be forwarded by the department to the treasurer of state who shall place them in credit the fees to the general road use tax fund of the state. However, for each operator's and motorized bicycle license issued by a county sheriff for which a license fee is paid, the sheriff issuing it may retain the sum of fifteen cents and for each chauffeur's license, the sum of fifty cents.

Sec. 68. Section 321.197, Code 1983, is amended to read as follows:

321.197 EXPIRATION OF CHAUFFEUR'S LICENSE. Every chauffeur's license shall expire every ~~two or four~~ six years at the option of the applicant on the licensee's birthday anniversary. A chauffeur's license may be renewed within thirty days after the applicant's license expiration date without written examination or penalty. A person shall not be considered to be driving with an invalid license during a period of thirty days following the license expiration date. However, if the licensee is seventy years of age or older on the date of issuance of the license, the license shall be issued to be valid for two years. For the purposes of this section the birthday anniversary of a person born on February 29 shall be deemed to occur on March 1. The department in its discretion may waive the examination of any applicant previously licensed as a chauffeur under this chapter, provided that the person satisfactorily passes a vision test as prescribed by the department. An application for the renewal of a chauffeur's license shall be made under the direct supervision of a uniformed member of the department and shall be approved by the uniformed member.

Sec. 69. Section 321.492, Code 1983, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. All peace officers as defined in section 801.4, subsection 7, paragraphs "a", "b", "c", and "h" may, having reasonable grounds that equipment violations exist, conduct spot inspections.

NEW UNNUMBERED PARAGRAPH. The state department of transportation may designate employees of the transportation regulation and safety division of the department to conduct spot inspections.

Sec. 70. Notwithstanding section 321.145, there is transferred from the road use tax fund to the general fund of the state the sum of sixteen million two hundred thirty-two thousand (16,232,000) dollars for the fiscal year beginning July 1, 1984 and ending June 30, 1985 which funds shall be appropriated to the department of public safety for the highway patrol and uniformed force for the administration and supervision of the public highways.

Sec. 71. Any inspection station which has a valid inspection state permit may apply for a refund of the unexpired portion of the permit fee. However, a refund shall not be allowed on a claim of any amount which is less than two dollars and fifty cents. All applications for refund must be filed no more than ninety days following the repeal of section 321.238.

Sec. 72. Section 331.557, Code 1983, is amended by striking subsection 3.

Sec. 73. Section 321.238, Code 1983, and section 321.51, Code Supplement 1983, are repealed.

Sec. 74. This division takes effect July 1 following enactment.

DIVISION V

*Sec. 75. Section 422.5, Code Supplement 1983, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. There is imposed for the first tax year beginning after December 31, 1983, an additional tax equal to two percent of taxable income in excess of twenty-five thousand dollars for a single person and forty thousand dollars for married taxpayers. Married taxpayers electing to file separate returns or filing separately on a combined return must combine their respective taxable incomes for purposes of the additional tax. If the combined income of the married taxpayers electing to file separate returns or filing separately on a combined return exceeds forty thousand dollars, that portion of the combined income in excess of forty thousand dollars shall be subject to the additional tax. The liability of each spouse shall be in the proportion that each spouse's taxable income bears to the total combined taxable income. Subsection 14 of this section is applicable to the additional tax

imposed by this unnumbered paragraph. This unnumbered paragraph is applicable for the tax year beginning after December 31, 1983 only if the governor finds that the estimated budget resources during the fiscal year beginning July 1, 1984 and ending June 30, 1985 are insufficient to pay all appropriations in full and the governor's findings are concurred in by the executive council. The governor shall make the determination not later than October 1, 1984 and the governor shall not make any reductions in allotments as allowed under section 8.31.*

DIVISION VI

Sec. 76. Section 422.43, subsection 2, Code Supplement 1983, is amended to read as follows:

2. There is imposed a tax of four percent upon the gross receipts derived from the operation of all forms of amusement devices and games of skill, games of chance, raffles and bingo games as defined in chapter 99B, and ~~commercial amusement enterprises~~ operated or conducted within the state of Iowa, the tax to be collected from the operator in the same manner as is provided for the collection of taxes upon the gross receipts of tickets or admission as provided in this section.

Sec. 77. Section 422.43, subsection 9, Code Supplement 1983, is amended to read as follows:

9. The following enumerated services are subject to the tax imposed on gross taxable services: Alteration and garment repair; armored car; automobile repair; battery, tire and allied; investment counseling (excluding investment services of trust departments); bank service charges; barber and beauty; boat repair; car wash and wax; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; engraving, photography, and retouching; ~~equipment rental of tangible personal property~~; excavating and grading; farm implement repair of all kinds; flying service, except agricultural aerial application services and aerial commercial and charter transportation services; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed executive search agencies; private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; printing and binding; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans; termite, bug, roach, and pest eradicators; tin and sheet metal repair; turkish baths, massage, and reducing salons; vulcanizing, recapping, and retreading; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl and vegetables; wrecking service; wrecker and towing. For purposes of this subsection, gross taxable services from rental includes rents, royalties, and copyright and license fees.

*Sec. 78. Section 422.45, subsection 12, Code Supplement 1983, is amended to read as follows:

12. Gross receipts from the sale of all foods for human consumption which are eligible for purchase with food coupons issued by the United States department of agriculture pursuant to

*Item veto; see message at end of this Act

regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is participating in the food stamp program. However, as used in this subsection, "foods" does not include meals prepared for immediate consumption on or off the premises of the retailer, ~~and does not include~~ foods sold through vending machines, or beverages as defined in section 455C.1, subsection 1.*

Sec. 79. Sections 77 and 78 are effective July 1 following enactment.

DIVISION VII

Sec. 80. Notwithstanding section 427A.12, subsection 7, in the fiscal year beginning July 1, 1984 and ending June 30, 1985, the state comptroller shall pay from the personal property tax replacement fund to the respective county treasurers on May 15, 1985 an amount equal to one-half of the amount due and payable for the fiscal year beginning July 1, 1984 and ending June 30, 1985. The remaining one-half of the funds payable from the personal property tax replacement fund for the fiscal year beginning July 1, 1984 and ending June 30, 1985 shall be paid by the state comptroller to the respective county treasurers not later than July 1, 1985. The payment received on July 1, 1985 is an account receivable for the previous fiscal year.

Sec. 81. This Act, being deemed of immediate importance, takes effect from and after its publication in the Audubon News-Advocate, a newspaper published in Audubon, Iowa, and in The Winterset Madisonian, a newspaper published in Winterset, Iowa.

Approved May 19, 1984, except the four items which I hereby disapprove and which are designated as section 42, which is herein bracketed in ink and initialed by me; section 75, which is herein bracketed in ink and initialed by me; section 78, which is herein bracketed in ink and initialed by me; and section 80, which is herein bracketed in ink and initialed by me. These are all delineated with my reasons for vetoing in the item veto message pertaining to this Act to the Secretary of State this same date, a copy of which is attached hereto.



TERRY E. BRANSTAD
Governor

I hereby certify that the foregoing Act, Senate File 2930 was published in The Audubon News-Advocate, Audubon, Iowa on May 30, 1984 and in The Winterset Madisonian, Winterset, Iowa on May 30, 1984.

MARY JANE ODELL, *Secretary of State*

*Item veto; see message at end of this Act

The Honorable Mary Jane Odell
Secretary of State
State Capitol Building
L O C A L

Dear Madam Secretary:

I hereby transmit Senate File 2330, an act relating to the financing of state government by providing for a reduction in general fund appropriations through reallocation of general fund financial aid to merged area schools, by reducing or eliminating certain capital appropriations for the fiscal year beginning July 1, 1983 and appropriating funds for capital projects for the fiscal year beginning July 1, 1984, by updating references to the internal revenue code for individual and corporate income tax, franchise tax, and inheritance tax purposes with coordinating amendments, by restructuring the fee for operator's and chauffeur's licenses, increasing certificate of title fees, duplicate title fees, trailer and motorized bicycle fees, including allocation of those fees to the road use tax fund and county treasurers, providing for spot inspections and odometer law enforcement, funding from the road use tax fund the driver's license program of the state department of transportation and the division of the highway safety and uniformed force of the department of public safety, by providing for the creation of an Iowa economic emergency fund including its funding, by providing for the payment of one-half of the additional personal property tax credit in the fiscal year beginning July 1, 1984, by imposing the sales, service and use tax on licensed executive search agencies, beverages, electronic repair and installation and the rental of tangible personal property, and making certain provisions of the act retroactive.

Senate File 2330 is approved May 19, 1984, with the following exceptions which I hereby disapprove.

I am unable to approve Section 42, which reads as follows:

Sec. 42. It is the intent of the general assembly that the department of revenue shall conduct a study during the 1984 interim to determine a feasible method of disallowing certain interest expense deductions on tangible personal property which is manufactured or substantially assembled outside of the United States and which is purchased by a taxpayer. The department shall submit its report to the Seventy-first General Assembly not later than February 1, 1985.

This section requires the Iowa Department of Revenue to conduct a study which would consider various methods for disallowing the interest on foreign made personal property purchased by Iowans. Such a study can only lead to further discussion of legislation detrimental to both Iowa's consumers and producers.

While this legislation is directed solely at making the purchase of foreign made personal property less attractive, we must consider its implications for Iowa's exporters.

If we impose punitive policies on foreign producers, then foreign countries will surely impose retaliatory measures on Iowa producers and products. Iowa is a leading exporter, and action in this area could cost Iowans' jobs and reduce foreign markets for Iowa's agricultural commodities.

This section also requires the Department of Revenue to conduct and complete the study of a complicated issue within a short time. If the study were to be of value, it should address such matters as who would be affected, the impact on taxpayers and the state treasury, the policy question of whether we should no longer conform to the Internal Revenue Code in this area, and the administrative impact on the Department of Revenue. The department has made and will continue to make a considerable commitment of resources to the Tax Study Committee. A diversion of department resources to this matter at this time would not be wise.

Two discrepancies in this bill should be corrected by the next legislative session. First, Section 66 increases operator license fees and extends the license from four to six years for persons between ages 18 and 70. The legislature neglected to conform 321.196 of the Code to this change. That section states that an operator's license shall expire four years from the licensee's birthdate.

Secondly, Section 66 provides for a two-year and a six-year chauffeur's license. The legislature, in attempting to conform Section 321.197 to this change provided only for the expiration of the six-year license. Thus there is a question as to whether they intended to eliminate the two-year license. These conflicting sections should be corrected by the next General Assembly.

I am also unable to approve Division V, Section 75, which reads as follows:

DIVISION V

Sec. 75. Section 422.5, Code Supplement 1983, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. There is imposed for the first tax year beginning after December 31, 1983, an additional tax equal to two percent of taxable income in excess of twenty-five thousand dollars for a single person and forty thousand dollars for married taxpayers. Married taxpayers electing to file separate returns or filing separately on a combined return must combine their respective taxable incomes for purposes of the additional tax. If the combined income of the married taxpayers electing to file separate returns or filing separately on a combined return exceeds forty thousand dollars, that portion of the combined income in excess of forty thousand dollars shall be subject to the additional tax. The liability of each spouse shall be in the proportion that each spouse's taxable income bears to the total combined taxable income. Subsection 14 of this section is applicable to the additional tax imposed by this unnumbered paragraph. This unnumbered paragraph is applicable for the tax year beginning after December 31, 1983 only if the governor finds that the estimated budget resources during the fiscal year beginning July 1, 1984 and ending June 30, 1985 are insufficient to pay all appropriations in full and the governor's findings are concurred in by the executive council. The governor shall make the determination not later than October 1, 1984 and the governor shall not make any reductions in allotments as allowed under section 8.31.

This section provides for an additional tax of two percent on individual's taxable income in excess of \$25,000 for a single person and \$40,000 for married taxpayers' combined taxable income for the tax year 1984. The additional tax would be imposed if I find, with concurrence of the Executive Council, that the estimated budget resources for the fiscal year ending June 30, 1985 are insufficient to pay all appropriations. The section further provides that I shall not make any reductions in allotments as allowed under section 8.31.

This new income tax would raise an estimated \$20 million. If the projection indicates that the budget resources are \$5 million short, the tax would go into effect raising the \$20 million even though only \$5 million is needed. If the shortfall were determined to be in excess of \$20 million, an income tax would be imposed and I would be prohibited from implementing any across-the-board reduction in order to balance the budget. The result could be the imposition of a state-wide property tax levy.

Two other important points should be made. First, the way Iowa's personal income tax rates compare with other states is a major factor in our economic development efforts. Iowa's individual income tax already ranks higher than the U.S. average when measured as a percent of personal income. Businesses considering whether to locate or expand here will be deterred by further increases in our personal income tax.

Second, while many Iowans have seen their income drop in our recent economic difficulties, the budget for the state has continued to grow each year. Should state revenue fall short in a given year, the problem should be addressed by reducing spending rather than raising the tax burden on our citizens.

I am also unable to approve Section 78 which reads as follows:

Sec. 78. Section 422.45, subsection 12, Code Supplement 1983, is amended to read as follows:

12. Gross receipts from the sale of all foods for human consumption which are eligible for purchase with food coupons issued by the United States department of agriculture pursuant to regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is participating in the food stamp program. However, as used in this subsection, "foods" does not include meals prepared for immediate consumption on or off the premises of the retailer, ~~and does not include~~ foods sold through vending machines, or beverages as defined in section 455C.1, subsection 1.

This section places the four percent sales tax on soft drinks sold by retailers.

This tax signals a willingness to tax consumable food items, which have been exempted from the sales tax since July 1, 1974. It represents a return to a policy rejected for good reasons. It hits hardest at low income families and their children. Further, accepting this tax could encourage attempts to tax other food items in future years. Any return to such regressive taxes is not appropriate public policy.

Finally, I am unable to approve Section 80 which reads as follows:

Sec. 80. Notwithstanding section 427A.12, subsection 7, in the fiscal year beginning July 1, 1984 and ending June 30, 1985, the state comptroller shall pay from the personal property tax replacement fund to the respective county treasurers on May 15, 1985 an amount equal to one-half of the amount due and payable for the fiscal year beginning July 1, 1984 and ending June 30, 1985. The remaining one-half of the funds payable from the personal property tax replacement fund for the fiscal year beginning July 1, 1984 and ending June 30, 1985 shall be paid by the state comptroller to the respective county treasurers not later than July 1, 1985. The payment received on July 1, 1985 is an account receivable for the previous fiscal year.

This section failed to accomplish the legislature's intent and was corrected by language included in Senate File 2365. This section is no longer necessary and should be deleted.

For the above reasons, I hereby respectfully disapprove of these items in accordance with Amendment 4 of the Amendments of 1968 to the Constitution of the State of Iowa. All other items of Senate File 2330 are hereby approved as of this date.

Very truly yours,

A handwritten signature in black ink that reads "Terry E. Branstad". The signature is written in a cursive style with a large, stylized "T" and "B".

Terry E. Branstad
Governor