

**CHAPTER 1166****INTERNAL REVENUE CODE REFERENCES AND INCOME TAX PROVISIONS****S.F. 2168**

**AN ACT** updating the Iowa Code references to the Internal Revenue Code and providing a retroactive applicability date and an effective date.

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

Section 1. Section 15A.9, subsection 8, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, ~~1995~~ 1996. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5.

Sec. 2. Section 422.3, subsection 4, Code Supplement 1995, is amended to read as follows:

4. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including ~~April 15, 1995~~ March 20, 1996, whichever is applicable.

Sec. 3. Section 422.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 12. If a taxpayer repays in the current tax year certain amounts of income that were subject to tax under this division in a prior year and a tax benefit would be allowed under similar circumstances under section 1341 of the Internal Revenue Code, a tax benefit shall be allowed on the Iowa return. The tax benefit shall be the reduced tax for the current tax year due to the deduction for the repaid income or the reduction in tax for the prior year or years due to exclusion of the repaid income. The reduction in tax shall qualify as a refundable tax credit on the return for the current year pursuant to rules prescribed by the director.

Sec. 4. **RETROACTIVE APPLICABILITY.** Section 3 of this Act, amending section 422.5, applies retroactively to January 1, 1992, for tax years beginning on or after that date. The remainder of this Act applies retroactively to January 1, 1995, for tax years beginning on or after that date.

Sec. 5. **EFFECTIVE DATE.** This Act, being deemed of immediate importance, takes effect upon enactment.

Approved April 24, 1996