

CHAPTER 1069

INTERNAL REVENUE CODE REFERENCES AND INCOME TAX PROVISIONS

H.F. 2116

AN ACT updating the Iowa Code references to the Internal Revenue Code, repealing an adjustment to net income for capital gains from installment sales, relating to reciprocal income tax agreements with other states, providing that refunds from the federal rebate are not taxable, correcting a reference in the innocent spouse statute, and providing retroactive applicability dates and an effective date.

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

Section 1. Section 15.335, subsection 4, Code Supplement 2001, is amended to read as follows:

4. For purposes of this section, “base amount”, “basic research payment”, and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2001~~ 2002.

Sec. 2. Section 15A.9, subsection 8, paragraph e, Code Supplement 2001, is amended to read as follows:

e. For the purposes of this subsection, “base amount”, “basic research payment”, and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state within the zone. For purposes of this subsection, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2001~~ 2002.

Sec. 3. Section 422.3, subsection 5, Code Supplement 2001, is amended to read as follows:

5. “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 January 1, ~~31, 2001~~ 2002, whichever is applicable.

Sec. 4. Section 422.7, subsection 37, Code Supplement 2001, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The adjustment to net income provided in this subsection is repealed for tax years beginning on or after January 1, 2002. However, to the extent that a taxpayer using the accrual method of accounting reported the entire capital gain from the sale or exchange of property on the Iowa return for the tax year beginning in the 2001 calendar year and the capital gain was reported on the installment method on the federal income tax return, any additional installment from the capital gain reported for federal income tax purposes is not to be included in net income in tax years beginning on or after January 1, 2002.

Sec. 5. Section 422.8, subsection 5, Code 2001, is amended to read as follows:

5. The director may, in accordance with the provisions of this subsection, and when cost-efficient, administratively feasible, and of mutual benefit to both states, enter into reciprocal agreements with tax administration agencies of other states to further tax administration and eliminate duplicate withholding by exempting from Iowa taxation income earned from personal services in Iowa by residents of another state, if the other state provides a tax exemption

for the same type of income earned from personal services by Iowa residents in the other state. For purposes of this subsection, "income earned from personal services" means wages, salaries, commissions, and tips, and earned income from other sources. This subsection does not authorize the department to withhold taxes on deferred compensation payments, pension distributions, and annuity payments when paid to a nonresident of the state of Iowa. All the terms of the agreements shall be described in the rules adopted by the department.

A reciprocal agreement entered into on or after the effective date of this Act with a tax administration agency of another state shall not take effect until such agreement has been authorized by a constitutional majority of each house of the general assembly and approved by the governor. A reciprocal agreement in effect on or after January 1, 2002, shall not be terminated by the state of Iowa unless the termination has been authorized by a constitutional majority of each house of the general assembly and approved by the governor. An amendment to an existing reciprocal agreement does not constitute a new agreement.

Sec. 6. Section 422.9, Code Supplement 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 7. In determining the amount of deduction for federal income tax under subsection 1 or subsection 2, paragraph "b", for tax years beginning in the 2002 calendar year, the amount of the deduction for the tax year shall not be adjusted by the amount of the rate reduction credit received in the tax year to the extent that the credit is attributable to the rate reduction credit provided pursuant to the federal Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 106-16,³ and the amount of such credit shall not be taxable under this division.

Sec. 7. Section 422.10, subsection 3, Code Supplement 2001, is amended to read as follows:

3. For purposes of this section, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2001~~ 2002.

Sec. 8. Section 422.21, unnumbered paragraph 7, Code 2001, is amended to read as follows:

If married taxpayers file a joint return or file separately on a combined return in accordance with rules prescribed by the director, both spouses are jointly and severally liable for the total tax due on the return, except when one spouse is considered to be an innocent spouse under criteria established pursuant to section 6013(e) ~~6015~~ of the Internal Revenue Code.

Sec. 9. Section 422.33, subsection 5, paragraph d, Code Supplement 2001, is amended to read as follows:

d. For purposes of this subsection, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2001~~ 2002.

Sec. 10. Sections 1, 2, 3, 7, and 9 apply retroactively to January 1, 2001, for tax years beginning on or after that date.

Sec. 11. Sections 4 and 8 apply retroactively to January 1, 2002, for tax years beginning on or after that date.

³ Pub. L. No. "107-16" probably intended

Sec. 12. The termination provisions of section 5 of this Act apply retroactively to the termination of reciprocal agreements in effect on or after January 1, 2002.

Sec. 13. Section 6 applies retroactively to January 1, 2002, for tax years beginning in the 2002 calendar year.

Sec. 14. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved April 4, 2002

CHAPTER 1070

REGULATION OF OUTDOOR ADVERTISING DEVICES

H.F. 2317

AN ACT relating to restrictions on advertising devices placed along interstate highways and providing a delayed effective date.

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

Section 1. Section 306B.2, subsection 4, Code 2001, is amended to read as follows:

4. Advertising devices ~~which that~~ are located in commercial or industrial zones traversed by segments of the interstate system within the boundaries of incorporated municipalities as such boundaries existed September 21, 1959, where the use of property adjacent to the interstate system is subject to municipal regulation and control, or other areas where the land on September 21, 1959, was clearly established by law for industrial or commercial purposes areas zoned and used for commercial or industrial purposes under authority of law, regulation, or ordinance of this state or a political subdivision of this state. For purposes of this subsection, "areas zoned and used for commercial or industrial purposes" means an area zoned for commercial or industrial purposes in accordance with chapter 414, in the case of city zoning, or in accordance with chapter 335, in the case of county zoning, in which one or more commercial or industrial activities, as defined under the city or county zoning ordinance, are located.

Sec. 2. EFFECTIVE DATE — RULES. Section 1 of this Act, amending Code section 306B.2, subsection 4, takes effect July 1, 2004. However, the state department of transportation shall adopt rules prior to July 1, 2004, to be effective July 1, 2004, regarding approval by the department of the erection or maintenance of advertising devices along interstate highways pursuant to Code section 306B.2, subsection 4, as amended by this Act. Such rules shall require that advertising devices erected or maintained pursuant to section 306B.2, subsection 4, as amended by this Act, be in compliance with the provisions of the federal Highway Beautification Act of 1965, 23 U.S.C. § 131.

Approved April 4, 2002