

APR 13 2005
WAYS & MEANS CALENDAR

HOUSE FILE 852
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 795)

(SUCCESSOR TO HF 297)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to an inheritance tax credit for transferring a
2 portion of an inheritance to an entity for capital investment,
3 programming, including education, performance, and access, in
4 arts and culture and providing a penalty.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 852

1 subsection 3, paragraph "e", to the extent those entities have
2 identified themselves as such.

3 6. An entity violating any provision of this section shall
4 be required to pay the inheritance tax equal to the amount of
5 the tax credit certificates issued as a result of the bequest
6 to the entity plus penalty and interest.

7 7. For purposes of this section, "taxpayer" means the
8 person to whom property or an interest in property passes from
9 the decedent and who is liable for the tax imposed in this
10 chapter as provided in section 450.5.

11 EXPLANATION

12 This bill provides for an inheritance tax credit equal to
13 the amount of property or interest in property passing to a
14 qualified entity not to exceed 10 percent of the inheritance
15 tax imposed on the taxpayer. The tax credit is provided in
16 the form of a tax credit certificate issued to the decedent or
17 decedent's estate which can be transferred like other property
18 to heirs and used by an heir to reduce the heir's tax
19 liability. The tax credit certificate can only be used by the
20 heir receiving the certificate and cannot be transferred by
21 the heir to any other person. The bequest received by the
22 qualified entity upon which the credit is based is to be used
23 by the entity for capital investment, programming, including
24 education, performance, and access, in arts and culture in the
25 state.

26 To be eligible for the tax credit certificate, the decedent
27 or estate must enter into an agreement, with a qualified
28 entity specifying the amount of the bequest, at least one year
29 prior to the death of the decedent. A decedent may receive
30 more than one tax credit certificate.

31 A qualified entity includes a nonprofit organization exempt
32 from federal income tax whose major activity is capital
33 investment, programming, including education, performance, and
34 access, in arts and culture, the department of cultural
35 affairs, the Iowa cultural trust, the vision Iowa fund, and

1 the community attraction and tourism fund.

2 The bill also specifies that the value of an inheritance
3 tax certificate transferred by an estate is exempt from the
4 state inheritance tax.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 852 - Local Arts and Culture Funding Act (LSB 1182 HZ)

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Fiscal Note Version - New

Requested by Representative Willard Jenkins

Description

House File 852 relates to the donation of a portion of an estate to a qualified entity. The Bill would allow a credit against any inheritance tax due, up to a total of 10.0% of inheritance tax owed. Qualified entities include:

- The Department of Cultural Affairs
- The Iowa Cultural Trust
- The Vision Iowa Fund
- The Community Attraction and Tourism Fund
- An organization exempt from federal taxes under federal Internal Revenue Code Section 501(c). The exempt organization's major activity must be capital investment, programming, including education, performance, and access, in arts and culture.

The donation must be used within the State. The Bill is effective July 1, 2005.

Assumptions

1. Iowa receives approximately \$62.0 million in inheritance tax proceeds each year.
2. When fully mature, the Inheritance Tax Donation Program will divert 5.0% of inheritance tax proceeds from the General Fund.
3. The revenue reduction will first impact FY 2006 and will reach maturity by FY 2012.

Fiscal Impact

The inheritance tax credit in House File 852 will reduce net General Fund revenue by the following estimated amounts:

- FY 2006: \$ 93,000
- FY 2007: \$ 620,000
- FY 2008: \$1,240,000
- FY 2009: \$1,705,000
- FY 2010: \$2,170,000
- FY 2011: \$2,635,000
- FY 2012: \$3,100,000

Sources

Department of Revenue
Legislative Services Agency Analysis

/s/ Holly M. Lyons

April 14, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
