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JOURNAL OF THE SENATE

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OCTOBER EXTRAORDINARY SESSION SEVENTY-SECOND GENERAL ASSEMBLY

**Convened October 27, 1987
Adjourned October 27, 1987**

**JO ANN ZIMMERMAN, President of the Senate
DONALD D. AVENSON, Speaker of the House**

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FIRST CALENDAR DAY
FIRST SESSION DAY

Senate Chamber
Des Moines, Iowa, Tuesday, October 27, 1987

Pursuant to proclamation of the Governor, the Honorable Terry E. Branstad, the Seventy-second General Assembly of Iowa convened in Extraordinary Session at 10:08 a.m., and the Senate was called to order by Lieutenant Governor Jo Ann Zimmerman.

Prayer was offered by the Honorable William W. Dieleman, member of the Senate from Marion County, Pella, Iowa.

LEAVE OF ABSENCE

Leave of absence was granted as follows:

Senator Taylor for the session on request of Senator Hultman.

QUORUM CALL

Senator Hutchins requested a non record roll call to determine that a quorum was present.

The vote revealed 46 present, 4 absent and a quorum present.

COMMUNICATION FROM THE GOVERNOR

The following communication from the Governor was presented:

October 23, 1987

The Honorable Jo Ann Zimmerman
Lieutenant Governor
President of the Senate
State Capitol Building
L O C A L

Dear Madam President:

I am enclosing herewith a copy of the proclamation calling the legislature back into extraordinary session on October 27, 1987, at 10:00 a.m. The purpose of this special session is to take action to adopt a compromise individual income tax proposal.

Senate File 523 conformed Iowa's definitions of taxable income with those of the federal government only in the areas of corporate and selected business taxes. That bill left taxpayers with a preparation nightmare by failing to couple with federal definitions of individual taxable income. Moreover, the bill left Iowa with an individual income tax top rate of 13 percent -- the highest in the nation. Such a system is unfair, excessively complicated and is costing Iowa jobs.

I met with all legislators in extraordinary caucuses and had countless meetings and telephone conferences with legislative leaders. I commend legislative leaders for working hard, together on this compromise. The result is not perfect but this plan is the best that we can do at this time. We all compromised -- I would like lower rates and an even simpler system for Iowans than this compromise provides. However, I will accept and urge your adoption of this compromise plan in an extraordinary session to get Iowa's tax system back on track.

Iowa's economy cannot afford to have the highest top individual income tax rate in the country. Iowans should not be forced to face enormous complications when filling out their tax returns. Therefore, I urge the legislature to resolve this problem by adopting this compromise tax program during this special legislative session.

I encourage your prompt action on this matter.

Sincerely,
TERRY E. BRANSTAD
Governor

STATE OF IOWA
Executive Department

PROCLAMATION

WHEREAS, the first Extraordinary Session of the Seventy-Second General Assembly enacted Senate File 523, which conforms only state corporate and selected business definitions of taxable income with those of the federal government; and

WHEREAS, the General Assembly did not enact legislation to conform state definitions of individual income taxes with those of the federal government and no accompanying income tax rate reduction measure was adopted; and

WHEREAS, the failure to conform and to reduce tax rates would leave Iowans with a confusing, excessively complicated and uncompetitive income tax structure; and

WHEREAS, the leaders of the General Assembly have reported to me that a bipartisan majority of both houses of the General Assembly have agreed on the significant details of a compromise tax proposal to establish a fairer, simpler and more competitive income tax system and to engage the General Assembly into a Special Session to consider its adoption; and

WHEREAS, the General Assembly must convene in Special Session in accordance with Article IV, Section XI of the Constitution of the State of Iowa in order to adopt this compromise income tax proposal.

NOW, THEREFORE, I, Terry E. Branstad, Governor of the State of Iowa, in accordance with Article IV, Section XI of the Constitution of the State of Iowa, do hereby proclaim that the Seventy-Second General Assembly shall convene in its Second Extraordinary Session at the State Capitol in the City of Des Moines, Iowa, at 10:00 a.m., on the twenty-seventh day of October, 1987, and to that end I do call up and direct the members of the House of Representatives and of the Senate of the Seventy-Second General Assembly to convene in their respective chambers in the State Capitol at 10:00 a.m. on October 27, 1987, for the purpose which the Assembly is convened, namely the matter of individual income tax reform and to take legislative action in keeping therewith.

(SEAL)

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused the Great Seal of the State of Iowa to be affixed. Done at Des Moines this 23rd day of October in the year of our Lord one thousand nine hundred and eighty-seven.

TERRY E. BRANSTAD
Governor

ATTEST:

ELAINE BAXTER
Secretary of State

ORGANIZATION OF THE SENATE

Senator Hutchins moved that the selection of seats, determination of mileage of Senators, assignment of press seats, and all other organizational or administrative matters not specifically provided for in Senate Rule 4 be the same for this Extraordinary Session as for the 1987 Regular Session of the Seventy-second General Assembly.

SECRETARY TO NOTIFY THE GOVERNOR AND THE HOUSE

Senator Hutchins moved that the Secretary of the Senate be directed to send a written message to the Governor and the House of Representatives informing them that the Senate was organized and ready to transact business and receive any messages that they may transmit.

The motion prevailed by a voice vote.

HOUSE MESSAGE RECEIVED

The following message was received from the Chief Clerk of the House:

MADAM PRESIDENT: I am directed to inform your honorable body that the House has, pursuant to the October 23, 1987, proclamation of the Governor, duly organized for the Second Extraordinary session of the 1987 session of the Seventy-second General Assembly and is ready to receive communications from the Senate.

COMMITTEE REPORT**WAYS AND MEANS**

Final Bill Action: SENATE FILE 524 (LSB 4511 72), a bill for an act relating to the state's individual income tax for income tax years beginning in the 1987 calendar year and making it retroactive.

Recommendation: APPROVED COMMITTEE BILL.

Final Vote: Ayes, 14: Bruner, Husak, Holden, Boswell, Dieleman, Drake, Gronstal, Hester, Holt, Murphy, Palmer, Readinger, Riordan and Soorholtz. Nays, none. Absent or not voting, 1: Mann.

Fiscal Note: REQUIRED UNDER JOINT RULE 17.

INTRODUCTION OF BILL

Senate File 524, by Committee on Ways and Means, a bill for an act relating to the state's individual income tax for income tax years beginning in the 1987 calendar year and making it retroactive.

Read first time and placed on **Ways and Means Calendar**.

The Senate stood at ease until the fall of the gavel for the purpose of party caucuses.

The Senate resumed session at 11:45 a.m., President Zimmerman presiding.

QUORUM CALL

Senator Hutchins requested a non record roll call to determine that a quorum was present.

The vote revealed 37 present, 13 absent and a quorum present.

CONSIDERATION OF BILL
(Ways and Means Calendar)

Senator Hutchins asked and received unanimous consent to take up for consideration Senate File 524.

Senate File 524

On motion of Senator Bruner, Senate File 524, a bill for an act relating to the state's individual income tax for income tax years beginning in the 1987 calendar year and making it retroactive, was taken up for consideration.

Senator Kinley offered amendment S—4137 filed by Senators Kinley, et al., from the floor to strike everything after the enacting clause and to the title page of the bill and moved its adoption.

A record roll call was requested.

On the question "Shall amendment S—4137 be adopted?" (S.F. 524) the vote was:

Ayes, 12:

Fuhrman	Holden	Kinley	Lind
Miller, C.P.	Priebe	Readinger	Rife
Schwengels	Scott	Soorholtz	Tieden

Nays, 36:

Boswell	Bruner	Carr	Coleman
Corning	Deluhery	Dieleman	Doyle
Drake	Fraise	Gentleman	Gettings
Goodwin	Gronstal	Hall	Hannon
Hester	Holt	Horn	Hultman
Husak	Hutchins	Jensen	Lloyd-Jones
Mann	Miller, A.V.	Murphy	Palmer
Peterson	Rensink	Riordan	Sturgeon
Vande Hoef	Varn	Wells	Welsh

Absent or not voting, 2:

Nystrom	Taylor
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Amendment S—4137 lost.

(Senate File 524 pending on recess).

RECESS

On motion of Senator Hutchins, the Senate recessed at 12:37 p.m., until 1:30 p.m.

APPENDIX

CERTIFICATE OF RECOGNITION

The Secretary of the Senate issued a certificate of recognition as follows:

New London, Iowa — Celebrating their Sesquicentennial, 1837-1987. Senator C. Miller (September 12, 1987).

REPORT OF COMMITTEE MEETING

WAYS AND MEANS

Convened: October 26, 1987, 4:10 p.m.

Members Present: Bruner, Chair; Husak, Vice Chair; Holden, Ranking Member; Boswell, Dieleman, Drake, Gronstal, Hester, Holt, Mann, Murphy, Palmer, Readinger, Riordan and Soorholtz.

Members Absent: none.

Committee Business: Approved LSB 4511 72 as a committee bill.

Adjourned: 5:50 p.m.

AMENDMENTS FILED

S—4136	S. F.	524	Edgar Holden
S—4137	S. F.	524	George R. Kinley
			Jack Rife
			David M. Readinger
			John Soorholtz
S—4138	S. F.	524	William W. Dieleman
			Emil J. Husak
S—4139	S. F.	524	Tom Mann, Jr.
			David M. Readinger
S—4140	S. F.	524	Charles Bruner
			Bill Hutchins
			Calvin O. Hultman
S—4141	S. F.	524	Joe J. Welsh
			Larry Murphy
S—4142	S. F.	524	Edgar H. Holden

AFTERNOON SESSION

The Senate reconvened at 1:37 p.m., President Zimmerman presiding.

QUORUM CALL

Senator Hutchins requested a non record roll call to determine that a quorum was present.

The vote revealed 43 present, 7 absent and a quorum present.

BUSINESS PENDING

Senate File 524

The Senate resumed consideration of Senate File 524, pending on recess.

Senator Bruner asked and received unanimous consent that action on amendment S—4140 filed by Senators Bruner, Hutchins and Hultman from the floor to pages 1, 5, 6, 7, 10, 11, 12 and the title page of the bill be deferred.

Senator Welsh offered amendment S—4141 filed by Senators Welsh and Murphy from the floor to pages 1, 5, 6, 7, 10, 11, 12 and the title page of the bill.

Senator Holden called for a division of amendment S—4141: Page 1, lines 33 through 36 as division S—4141A; page 1, lines 2 through 32 and lines 37 through 50 and page 2 as division S—4141B.

Senator Holden asked and received unanimous consent that action on division S—4141A be deferred.

Senator Welsh moved the adoption of division S—4141B and requested a non record roll call.

The ayes were 13, nays 32.

Division S—4141B lost.

Senator Bruner offered amendment S—4143 filed by Senators Bruner, et al., from the floor to pages 2, 6 through 12 and the title page of the bill and called for a division: Page 1, lines 2 through 48 as division S—4143A; page 1, lines 49 and 50, pages 2 and 3 as division S—4143B.

Senator Holden asked and received unanimous consent that action on division S—4143A be deferred.

Senator Bruner asked and received unanimous consent that action on division S—4143B be deferred.

Senator Holden offered amendment S—4142 filed by him from the floor to pages 6 and 12 of the bill and moved its adoption.

A record roll call was requested.

On the question "Shall amendment S—4142 be adopted?" (S.F. 524) the vote was:

Ayes, 19:

Corning	Drake	Fuhrman	Gentleman
Goodwin	Hannon	Hester	Holden
Holt	Kinley	Lind	Peterson
Priebe	Readinger	Rensink	Rife
Schwengels	Soorholtz	Tieden	

Nays, 26:

Boswell	Bruner	Carr	Coleman
Deluhery	Dieleman	Doyle	Fraise
Gettings	Gronstal	Horn	Hutchins
Jensen	Lloyd-Jones	Mann	Miller, A.V.
Murphy	Nystrom	Palmer	Riordan
Scott	Sturgeon	Vande Hoef	Varn
Wells	Welsh		

Absent or not voting, 5:

Hall	Hultman	Husak	Miller, C.P.
Taylor			

Amendment S—4142 lost.

Senator Holden offered amendment S—4136 filed by him from the floor to page 6 of the bill, moved its adoption and requested a record roll call.

On the question "Shall amendment S—4136 be adopted?" (S.F. 524) the vote was:

Ayes, 18:

Coleman	Corning	Drake	Fuhrman
Gentleman	Goodwin	Hester	Holden
Holt	Jensen	Lind	Peterson
Priebe	Readinger	Rensink	Rife
Schwengels	Scott		

Nays, 24:

Boswell	Bruner	Carr	Deluhery
Dieleman	Doyle	Fraise	Gettings
Gronstal	Hall	Horn	Hultman
Husak	Hutchins	Lloyd-Jones	Mann
Miller, A.V.	Murphy	Nystrom	Palmer
Sturgeon	Vande Hoef	Wells	Welsh

Absent or not voting, 8:

Hannon	Kinley	Miller, C.P.	Riordan
Soorholtz	Taylor	Tieden	Varn

Amendment S—4136 lost.

Senator Welsh asked and received unanimous consent to withdraw division S—4141A to page 6 of the bill, previously deferred.

The Senate resumed consideration of division S—4143A by Senators Bruner, et al., to pages 2 and 6 through 11 of the bill, previously deferred.

Senator Bruner moved the adoption of division S—4143A and requested a record roll call.

On the question "Shall division S—4143A be adopted?" (S.F. 524) the vote was:

Ayes, 17:

Bruner	Carr	Gronstal	Hannon
Kinley	Lloyd-Jones	Mann	Murphy
Palmer	Peterson	Priebe	Rife
Riordan	Scott	Soorholtz	Sturgeon
Varn			

Nays, 30:

Boswell	Coleman	Corning	Deluhery
Dieleman	Doyle	Drake	Fraise
Fuhrman	Gentleman	Gettings	Goodwin
Hall	Hester	Holt	Horn
Hultman	Husak	Hutchins	Jensen
Lind	Miller, A.V.	Nystrom	Readinger
Rensink	Schwengels	Tieden	Vande Hoef
Wells	Welsh		

Absent or not voting, 3:

Holden	Miller, C.P.	Taylor
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Division S—4143A lost.

The Senate resumed consideration of division S—4143B to page 12 and the title page of the bill, previously deferred.

Senator Hultman raised the point of order that division S—4143B was not germane to the bill.

The Chair ruled the point well taken and division S—4143B out of order.

The Senate resumed consideration of amendment S—4140 by Senators Bruner, Hultman and Hutchins to pages 1, 5, 6, 7, 10, 11, 12 and the title page of the bill, previously deferred.

Senator Bruner asked and received unanimous consent that action on amendment S—4140 be deferred.

Senator Tieden offered amendment S—4145 filed by Senators Tieden, et al., from the floor to page 12 of the bill and moved its adoption.

A record roll call was requested.

On the question "Shall amendment S—4145 be adopted?" (S.F. 524) the vote was:

Ayes, 17:

Corning	Drake	Gentleman	Goodwin
Hester	Holden	Kinley	Lind
Murphy	Palmer	Peterson	Priebe
Rensink	Rife	Scott	Soorholtz
Tieden			

Nays, 29:

Boswell	Bruner	Carr	Coleman
Deluhery	Dieleman	Doyle	Fraise
Gettings	Gronstal	Hall	Hannon
Holt	Horn	Hultman	Husak
Hutchins	Jensen	Lloyd-Jones	Mann
Miller, A.V.	Nystrom	Readinger	Riordan
Sturgeon	Vande Hoef	Varn	Wells
Welsh			

Absent or not voting, 4:

Fuhrman	Miller, C.P.	Schwengels	Taylor
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Amendment S—4145 lost.

The Senate resumed consideration of amendment S—4140 by Senators Bruner, Hultman and Hutchins to pages 1, 5, 6, 7, 10, 11, 12 and the title page of the bill, previously deferred.

Senator Bruner moved the adoption of amendment S—4140, which motion prevailed by a voice vote.

Senator Dieleman asked and received unanimous consent that action on amendment S—4138 filed by Senators Dieleman and Husak from the floor to pages 8 and 9 of the bill be deferred.

The Senate stood at ease until the fall of the gavel.

The Senate resumed session, President Zimmerman presiding.

Senator Mann offered amendment S—4139 filed by Senators Mann and Readinger from the floor to page 10 of the bill.

Senator Jensen raised the point of order that amendment S—4139 was not germane to the bill.

The Chair ruled the point not well taken and amendment S—4139 in order.

Senator Readinger moved the adoption of amendment S—4139, which motion lost by a voice vote.

Senator Murphy withdrew amendment S—4144 filed by him from the floor to page 10 of the bill.

The Senate resumed consideration of amendment S—4138 by Senators Dieleman and Husak to pages 8 and 9 of the bill, previously deferred.

Senator Dieleman called for a division of amendment S—4138: lines 2 through 5 as division S—4138A and lines 6 through 9 as division S—4138B.

Senator Dieleman moved the adoption of division S—4138A, which motion prevailed by a voice vote.

Senator Dieleman asked and received unanimous consent to withdraw division S—4138B.

(Action on Senate File 564 as amended was temporarily deferred.)

HOUSE MESSAGE RECEIVED AND CONSIDERED

The following message was received from the Chief Clerk of the House:

MADAM PRESIDENT: I am directed to inform your honorable body that the House has on October 27, 1987, passed the following bill in which the concurrence of the Senate is asked:

House File 689, a bill for an act relating to the state's individual income tax for income tax years beginning in the 1987 calendar year and making it retroactive and providing for it to be effective upon enactment.

This bill was read first time and **passed on file**.

BUSINESS PENDING

Senate File 524

The Senate resumed consideration of Senate File 524.

Senator Hutchins asked and received unanimous consent that **House File 689** be substituted for **Senate File 524** as amended.

House File 689

On motion of Senator Bruner, House File 689, a bill for an act relating to the state's individual income tax for income tax years beginning in the 1987 calendar year and making it retroactive and providing for it to be effective upon enactment, was taken up for consideration.

Senator Welsh asked and received unanimous consent to withdraw amendment S—4146 filed by Senators Welsh and Murphy from the floor to page 11 of the bill.

Senator Coleman took the chair at 3:53 p.m.

President Zimmerman took the chair at 3:59 p.m.

Senator Mann withdrew amendment S—4147 filed by him from the floor to page 10 of the bill.

WITHDRAWN

Senator Bruner asked and received unanimous consent that **Senate File 524** be **withdrawn** from further consideration of the Senate.

BUSINESS PENDING

House File 689

The Senate resumed consideration of House File 689.

Senator Bruner moved that the bill be read the last time now and placed upon its passage, which motion prevailed by a voice vote, and the bill was read the last time.

On the question "Shall the bill pass?" (H.F. 689) the vote was:

Ayes, 38:

Boswell	Carr	Coleman	Corning
Deluhery	Dieleman	Doyle	Drake
Fraise	Fuhrman	Gentleman	Gettings
Goodwin	Gronstal	Hall	Hester

Holden	Holt	Horn	Hultman
Husak	Hutchins	Jensen	Lloyd-Jones
Miller, A.V.	Miller, C.P.	Murphy	Nystrom
Peterson	Priebe	Rensink	Riordan
Scott	Tieden	Vande Hoef	Varn
Wells	Welsh		

Nays, 10:

Bruner	Hannon	Kinley	Lind
Mann	Palmer	Readinger	Rife
Soorholtz	Sturgeon		

Absent or not voting, 2:

Schwengels	Taylor
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The bill having received a constitutional majority was declared to have passed the Senate and the title was agreed to.

Senator Hutchins asked and received unanimous consent that **House File 689** be immediately messaged to the House.

The Senate stood at ease until the fall of the gavel.

The Senate resumed session, President Zimmerman presiding.

HOUSE MESSAGE RECEIVED AND CONSIDERED

The following message was received from the Chief Clerk of the House:

MADAM PRESIDENT: I am directed to inform your honorable body that the House has on October 27, 1987, passed the following concurrent resolution in which the concurrence of the Senate is asked:

House Concurrent Resolution 57, a concurrent resolution to provide for adjournment sine die.

This resolution was read first time and referred to the committee on **Rules and Administration**.

COMMITTEE REPORT

RULES AND ADMINISTRATION

Final Bill Action: HOUSE CONCURRENT RESOLUTION 57, a resolution to provide for adjournment sine die.

Recommendation: DO PASS.

Final Vote: Ayes, 4: Hultman, Hutchins, Gronstal and Gettings. Nays, none. Absent or not voting, 2: Kinley and Jensen.

Fiscal Note: NOT REQUIRED UNDER JOINT RULE 17.

ADOPTION OF RESOLUTION

Senator Horn asked and received unanimous consent to take up for consideration House Concurrent Resolution 57.

House Concurrent Resolution 57

On motion of Senator Horn, House Concurrent Resolution 57, a concurrent resolution to provide for adjournment sine die, with report of committee recommending passage, was taken up for consideration.

Senator Horn moved the adoption of House Concurrent Resolution 57, which motion prevailed by a voice vote.

SECRETARY TO NOTIFY THE
GOVERNOR AND THE HOUSE

Senator Horn moved that the Secretary of the Senate be directed to send a written message to the Governor and to the House to inform them that the Senate was prepared to adjourn sine die pursuant to House Concurrent Resolution 57.

REPORT OF COMMITTEE MEETING

RULES AND ADMINISTRATION

Convened: October 27, 1987, 4:55 p.m.

Members Present: Hutchins, Chair; Gronstal, Vice Chair; Hultman, Ranking Member and Gettings.

Members Absent: Kinley and Jensen.

Committee Business: Recommended passage of House Concurrent Resolution 57.

Adjourned: 4:58 p.m.

AMENDMENTS FILED

S—4143	S. F.	524	Charles Bruner Beverly Hannon James Riordan Al Sturgeon Richard Varn Jean Lloyd-Jones Tom Mann, Jr.
S—4144	S. F.	524	Larry Murphy
S—4145	S. F.	524	Dale Tieden Julia Gentleman Tom Lind Edgar H. Holden
S—4146	H. F.	689	Joe J. Welsh Larry Murphy
S—4147	H. F.	689	Tom Mann, Jr.

MOTION TO ADJOURN ADOPTED

Senator Horn moved that the 1987 October Extraordinary Session of the Seventy-second General Assembly adjourn sine die in accordance with House Concurrent Resolution 57, duly adopted.

The motion prevailed by a voice vote.

FINAL ADJOURNMENT

By virtue of House Concurrent Resolution 57, duly adopted, the day of October 27, 1987, having arrived, President Zimmerman declared the 1987 October Extraordinary Session of the Seventy-second General Assembly adjourned sine die at 5:02 p.m.

AMENDMENTS FILED

**During The
Seventy-second General Assembly
1987 October Extraordinary Session**

S-4136

- 1 Amend Senate File 524 as follows:
- 2 1. Page 6, by striking lines 23 through 32.
- 3 2. By renumbering as necessary.

EDGAR HOLDEN

S-4137

- 1 Amend Senate File 524 as follows:
- 2 1. By striking everything after the enacting
- 3 clause and inserting the following:
- 4 "Section 1. Section 422.3, subsection 5, Code
- 5 1987, is amended by striking the subsection and
- 6 inserting in lieu thereof the following:
- 7 5. "Internal Revenue Code" means the Internal
- 8 Revenue Code of 1954, prior to the date of its
- 9 redesignation as the Internal Revenue Code of 1986 by
- 10 the Tax Reform Act of 1986, or means the Internal
- 11 Revenue Code of 1986 as amended to and including
- 12 January 1, 1987, whichever is applicable.
- 13 Sec. 2. Section 422.4, subsections 1, 4, 10, 11,
- 14 14, 17, and 18, Code Supplement 1987, are amended to
- 15 read as follows:
- 16 1. The words "taxable income" mean the net income
- 17 as defined in section 422.7 minus the deductions
- 18 allowed by section 422.9, in the case of individuals;
- 19 in the case of estates or trusts, the words "taxable
- 20 income" mean the taxable income (without a deduction
- 21 for personal exemption) as computed for federal income
- 22 tax purposes under the Internal Revenue Code of ~~1954~~,
- 23 but with the adjustments specified in section 422.7
- 24 plus the Iowa income tax deducted in computing said
- 25 taxable income and minus federal income taxes as
- 26 provided in section 422.9.
- 27 4. The words "tax year" mean the calendar year, or
- 28 the fiscal year ending during such calendar year, upon
- 29 the basis of which the net income is computed under
- 30 this division.
- 31 a. If a taxpayer has made the election provided by
- 32 section 441, subsection "f", of the Internal Revenue
- 33 Code of ~~1954~~, "tax year" means the annual period so
- 34 elected, varying from fifty-two to fifty-three weeks.
- 35 b. If the effective date or the applicability of a
- 36 provision of this division is expressed in terms of a
- 37 tax year beginning, including or ending with reference
- 38 to a specified date which is the first or last day of
- 39 a month, a tax year described in paragraph "a" of this

40 subsection shall be treated as beginning with the
41 first day of the calendar month beginning nearest to
42 the first day of the tax year or as ending with the
43 last day of the calendar month ending nearest to the
44 last day of the tax year.

45 c. This subsection is effective for tax years
46 ending on or after December 14, 1975.

47 10. The word "individual" means a natural person;
48 and where an individual is permitted to file as a
49 corporation, under the provisions of the Internal
50 Revenue Code of 1954, such fictional status shall not

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1 be recognized for purposes of this chapter, and such
2 the individual's taxable income shall be computed as
3 required under the provisions of the Internal Revenue
4 Code of 1954 relating to individuals not filing as a
5 corporation, with the adjustments allowed by this
6 chapter.

7 11. The term "head of household" shall have the
8 same meaning as provided by the Internal Revenue Code
9 of 1954.

10 14. The term "wages" shall have the same meaning
11 as provided by the Internal Revenue Code of 1954.

12 17. a. "Annual inflation factor" means an index,
13 expressed as a percentage, determined by the
14 department each year to reflect the purchasing power
15 of the dollar as a result of inflation during the
16 preceding calendar year. For the 1981 and subsequent
17 calendar years, "annual inflation factor" means an
18 index, expressed as a percentage, determined by the
19 department by October 15 of the calendar year
20 preceding the calendar year for which the factor is
21 determined to reflect the purchasing power of the
22 dollar as a result of inflation during the fiscal year
23 ending in the calendar year preceding the calendar
24 year for which the factor is determined. In
25 determining the annual inflation factor, the
26 department shall use the annual percent change, but
27 not less than zero percent, in the implicit price
28 deflator for the gross national product computed for
29 the whole calendar year or for the second quarter of
30 the calendar year; in the case of the annual inflation
31 factor for the 1981 and subsequent calendar years, by
32 the bureau of economic analysis of the United States
33 department of commerce and shall add two-fourths for
34 the 1980 and subsequent calendar years of that percent
35 change to one hundred percent. The annual inflation
36 factor for the 1979 calendar year is one hundred two

37 ~~point three percent~~. The annual inflation factor and
 38 the cumulative inflation factor shall each be
 39 expressed as a percentage rounded to the nearest one-
 40 tenth of one percent. The annual inflation factor
 41 shall not be less than one hundred percent.
 42 b. "Cumulative inflation factor" means the product
 43 of the annual inflation factor for the 1978 1988
 44 calendar year and all annual inflation factors for
 45 subsequent calendar years as determined pursuant to
 46 this subsection. The cumulative inflation factor
 47 applies to all tax years beginning on or after January
 48 1 of the calendar year for which the latest annual
 49 inflation factor has been determined.
 50 c. The annual inflation factor for the 1978 1988

Page 3

1 calendar year is one hundred percent. ~~Notwithstanding~~
 2 ~~the computation of the annual inflation factor under~~
 3 ~~paragraph "a", the annual inflation factor for the~~
 4 ~~1987 calendar year is one hundred percent.~~
 5 d. Notwithstanding the computation of the annual
 6 inflation factor under paragraph "a" of this
 7 ~~subsection~~, the annual inflation factor is one hundred
 8 percent for any calendar year in which the unobligated
 9 state general fund balance on June 30 ~~as certified by~~
 10 ~~the director of revenue and finance by September 10 of~~
 11 ~~the fiscal year beginning in that calendar year is~~
 12 ~~less than sixty million dollars. However, for the~~
 13 ~~1981 and subsequent calendar years, the annual~~
 14 ~~inflation factor is one hundred percent for any~~
 15 ~~calendar year if the unobligated state general fund~~
 16 ~~balance on June 30 of the calendar year preceding the~~
 17 ~~calendar year for which the factor is determined, as~~
 18 ~~certified by the director of revenue and finance by~~
 19 ~~October 10, is less than sixty million dollars.~~
 20 18. ~~For purposes of section 422.3, subsection 5,~~
 21 ~~the Internal Revenue Code of 1954 shall be interpreted~~
 22 ~~to include the provisions of Pub. L. No. 98-4.~~
 23 Sec. 3. Section 422.5, subsection 1, paragraphs a
 24 through m, Code Supplement 1987, are amended by
 25 striking the paragraphs and inserting in lieu thereof
 26 the following:
 27 a. On all taxable income from zero through ten
 28 thousand dollars, one and one-half percent.
 29 b. On all taxable income exceeding ten thousand
 30 dollars, five and three-fourths percent.
 31 Sec. 4. Section 422.5, subsection 1, paragraphs n
 32 and o, Code Supplement 1987, are amended to read as
 33 follows:

34 ~~n~~ c. The tax imposed upon the taxable income of a
 35 nonresident shall be computed by reducing the amount
 36 determined pursuant to paragraphs "a" through "~~m~~" and
 37 "~~b~~" by the amounts of nonrefundable credits under this
 38 division and by multiplying this resulting amount by a
 39 fraction of which the nonresident's net income
 40 allocated to Iowa, as determined in section 422.8,
 41 subsection 2, is the numerator and the nonresident's
 42 total net income computed under section 422.7 is the
 43 denominator. This provision also applies to
 44 individuals who are residents of Iowa for less than
 45 the entire tax year.

46 ~~o~~ d. There is imposed upon every resident and
 47 nonresident of this state, including estates and
 48 trusts, the greater of the tax determined in
 49 paragraphs "a" through "~~n~~" "~~c~~" or the state
 50 alternative minimum tax equal to ~~nine~~ seventy-five

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1 percent of the maximum state individual income tax
 2 rate, rounded to the nearest one-tenth of one percent,
 3 of the state alternative minimum taxable income of the
 4 taxpayer as computed under this paragraph.

5 The state alternative minimum taxable income of a
 6 taxpayer is equal to the taxpayer's state taxable
 7 income, as computed with the deductions in section
 8 422.9, with the following adjustments:

9 (1) Add items of tax preference included in
 10 federal alternative minimum taxable income under
 11 section 57, except subsections ~~(a)(8) and (a)(11)~~
 12 ~~(a)(1), (a)(2), and (a)(5),~~ of the Internal Revenue
 13 Code of 1954, make the adjustments included in federal
 14 alternative minimum taxable income under section 56,
 15 except subsections (a)(4), (b)(1)(C)(iii), and (d), of
 16 the Internal Revenue Code, and add losses as required
 17 by section 58 of the Internal Revenue Code. In the
 18 case of an estate or trust, the items of tax
 19 preference, adjustments and losses shall be
 20 apportioned between the estate or trust and the
 21 beneficiaries in accordance with rules prescribed by
 22 the director. ~~For purposes of computing the items of~~
 23 ~~tax preference, the gain or loss from the forfeiture~~
 24 ~~of an installment real estate contract, the transfer~~
 25 ~~of real or personal property securing a debt to a~~
 26 ~~creditor in cancellation of that debt or from the sale~~
 27 ~~or exchange of property as a result of actual notice~~
 28 ~~of foreclosure shall not be taken into account in~~
 29 ~~computing net capital gain if all of the following~~
 30 ~~conditions are met:~~

31 (a) The forfeiture, transfer, or sale or exchange
32 was done for the purpose of establishing a positive
33 cash flow.

34 (b) Immediately before the forfeiture, transfer,
35 or sale or exchange, the taxpayer's debt to asset
36 ratio exceeded seventy-five percent as computed under
37 generally accepted accounting practices.

38 (c) The taxpayer's net worth at the end of the tax
39 year is less than seventy-five thousand dollars.

40 In determining a taxpayer's net worth at the end of
41 the tax year a taxpayer shall include any asset
42 transferred within one hundred twenty days prior to
43 the end of the tax year without adequate and full
44 consideration in money or money's worth. In
45 determining the taxpayer's debt to asset ratio, the
46 taxpayer shall include any asset transferred, within
47 one hundred twenty days prior to such forfeiture,
48 transfer, or sale or exchange, without adequate and
49 full consideration in money or money's worth. For
50 purposes of this subsection, actual notice of

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1 foreclosure includes, but is not limited to,
2 bankruptcy or written notice from a creditor of the
3 creditor's intent to foreclose where there is
4 reasonable belief that the creditor can force a sale
5 of the property.

6 (2) Subtract the applicable exemption amount as
7 follows:

8 (a) Seventeen thousand five hundred dollars for a
9 married person who files separately or for an estate
10 or trust.

11 (b) Twenty-six thousand dollars for a single
12 person or an unmarried head of household.

13 (c) Thirty-five thousand dollars for a married
14 couple which files a joint return.

15 (d) The exemption amount shall be reduced, but not
16 below zero, by an amount equal to twenty-five percent
17 of the amount by which the alternative minimum taxable
18 income of the taxpayer, computed without regard to the
19 exemption amount in this subparagraph, exceeds the
20 following:

21 (i) Seventy-five thousand dollars in the case of a
22 taxpayer described in subparagraph part (a).

23 (ii) One hundred twelve thousand five hundred
24 dollars in the case of a taxpayer described in
25 subparagraph part (b).

26 (iii) One hundred fifty thousand dollars in the

27 case of a taxpayer described in subparagraph part (c).

28 (3) In the case of a net operating loss computed
29 for a tax year beginning after December 31, 1982 which
30 is carried back or carried forward to the current
31 taxable year, the net operating loss shall be reduced
32 by the amount of the items of tax preference arising
33 in such year which was taken into account in computing
34 the net operating loss in section 422.9, subsection 3.
35 The deduction for a net operating loss for a tax year
36 beginning after December 31, 1986 which is carried
37 back or carried forward to the current taxable year
38 shall not exceed ninety percent of the alternative
39 minimum taxable income determined without regard for
40 the net operating loss deduction.

41 The state alternative minimum tax of a taxpayer
42 whose items of tax preference net capital gain
43 deduction include the gain or loss from the forfeiture
44 of an installment real estate contract, the transfer
45 of real or personal property securing a debt to a
46 creditor in cancellation of that debt or from the sale
47 or exchange of property as a result of actual notice
48 of foreclosure where the fair market value of the
49 taxpayer's assets exceeds the taxpayer's liabilities
50 immediately before such forfeiture, transfer, or sale

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1 or exchange shall not be greater than such excess,
2 including any asset transferred within one hundred
3 twenty days prior to such forfeiture, transfer, or
4 sale or exchange.

5 (4) Add the amount of the net capital gain
6 deduction taken under section 422.7, subsection 17.

7 In the case of a resident, including a resident
8 estate or trust, the state's apportioned share of the
9 state alternative minimum tax is one hundred percent
10 of the state alternative minimum tax computed in this
11 subsection. In the case of a nonresident, including a
12 nonresident estate or trust, or an individual, estate
13 or trust that is domiciled in the state for less than
14 the entire tax year, the state's apportioned share of
15 the state alternative minimum tax is the amount of tax
16 computed under this subsection, reduced by the
17 applicable credits in sections 422.10, 422.11, 422.11A
18 and 422.12 and this result multiplied by a fraction
19 with a numerator of the sum of state net income
20 allocated to Iowa as determined in section 422.8,
21 subsection 2, and plus tax preference items,
22 adjustments, and losses under subparagraph (1) and net
23 capital gain deduction under subparagraph (4)

24 attributable to Iowa and with a denominator of the sum
 25 of total net income computed under section 422.7 and
 26 all tax preference items, adjustments, and losses
 27 under subparagraph (1) and net capital gain deduction
 28 under subparagraph (4). In computing this fraction,
 29 those items excludable under subparagraph (1) shall
 30 not be used in computing the tax preference items.
 31 Married taxpayers electing to file separate returns or
 32 separately on a combined return must allocate the
 33 minimum tax computed in this subsection in the
 34 proportion that each spouse's respective preference
 35 items, under section 57 of the Internal Revenue Code
 36 of 1954 adjustments, and losses under subparagraph (1)
 37 and net capital gain deduction under subparagraph (4)
 38 bear to the combined preference items, adjustments,
 39 and losses under subparagraph (1) and net capital gain
 40 deduction under subparagraph (4) of both spouses.
 41 Sec. 5. Section 422.5, subsections 6, 7, 8, and
 42 10, Code Supplement 1987, are amended to read as
 43 follows:

44 6. A person who is disabled, is sixty-two years of
 45 age or older or is the surviving spouse of an
 46 individual or survivor having an insurable interest in
 47 an individual who would have qualified for the
 48 exemption under this paragraph for this tax year and
 49 receives one or more annuities from the United States
 50 civil service retirement and disability trust fund,

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1 and whose net income, as defined in section 422.7, is
 2 sufficient to require that the tax be imposed upon it
 3 under this section, may determine final taxable income
 4 for purposes of imposition of the tax by excluding the
 5 amount of annuities received from the United States
 6 civil service retirement and disability trust fund,
 7 which are not already excluded in determining net
 8 income, as defined in section 422.7, up to a maximum
 9 each tax year of five thousand five hundred six
 10 hundred twenty-seven dollars for a person who files a
 11 separate state income tax return and eight thousand
 12 one hundred eighty-four dollars total for a husband
 13 and wife who file a joint state income tax return.
 14 However, a surviving spouse who is not disabled or
 15 sixty-two years of age or older can only exclude the
 16 amount of annuities received as a result of the death
 17 of the other spouse. The amount of the exemption
 18 shall be reduced by the amount of any social security
 19 benefits received. For the purpose of this section,
 20 the amount of annuities received from the United

21 States civil service retirement and disability trust
22 fund taxable under the Internal Revenue Code of ~~1954~~
23 shall be included in net income for purposes of
24 determining eligibility under the five thousand dollar
25 or less exclusion.
26 7. Upon determination of the latest cumulative
27 inflation factor, the director shall multiply each
28 dollar amount set forth in subsection 1, paragraphs
29 "a" through "m" and "b" of this section, and each
30 dollar amount specified in this section as the maximum
31 amount of annuities received which may be excluded in
32 determining final taxable income, by this cumulative
33 inflation factor, shall round off the resulting
34 product to the nearest one dollar, and shall
35 incorporate the result into the income tax forms and
36 instructions for each tax year.
37 8. ~~Income of an individual which is excluded from~~
38 ~~gross income under the Internal Revenue Code of 1954~~
39 ~~as a result of the provisions of the Hostage Relief~~
40 ~~Act of 1980, 94 stat. 1967, shall not be included as~~
41 ~~income in computing the tax imposed by this section.~~
42 10. In addition to the other taxes imposed by this
43 section, a tax is imposed on the amount of a lump sum
44 distribution for which the taxpayer has elected under
45 section 402(e) of the Internal Revenue Code of ~~1954~~ to
46 be separately taxed for federal income tax purposes
47 for the tax year. The rate of tax is equal to twenty-
48 five percent of the separate federal tax imposed on
49 the amount of the lump sum distribution. A
50 nonresident is liable for this tax only on that

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1 portion of the lump sum distribution allocable to
2 Iowa. The total amount of the lump sum distribution
3 subject to separate federal tax shall be included in
4 net income for purposes of determining eligibility
5 under the five thousand dollar or less exclusion.
6 Sec. 6. Section 422.6, unnumbered paragraph 2,
7 Code 1987, is amended to read as follows:
8 The beneficiary of a trust who receives an
9 accumulation distribution shall be allowed credit
10 without interest for the Iowa income taxes paid by the
11 trust attributable to such accumulation distribution
12 in a manner corresponding to the provisions for credit
13 under the federal income tax relating to accumulation
14 distributions as contained in the Internal Revenue
15 Code of ~~1954~~. The trust shall not be entitled to a
16 refund of taxes paid on the distributions. The trust
17 shall maintain detailed records to verify the

18 computation of the tax.

19 Sec. 7. Section 422.7, Code Supplement 1987, is
20 amended to read as follows:

21 422.7 "NET INCOME" -- HOW COMPUTED.

22 The term "net income" means the adjusted gross
23 income as properly computed for federal income tax
24 purposes under the Internal Revenue Code of 1954, with
25 the following adjustments:

26 1. Subtract interest and dividends from federal
27 securities.

28 2. Add interest and dividends from foreign
29 securities, ~~and~~ from securities of state and other
30 political subdivisions, and regulated investment
31 companies exempt from federal income tax under the
32 Internal Revenue Code of 1954.

33 3. Where the adjusted gross income includes
34 capital gains or losses, or gains or losses from
35 property other than capital assets, and such gains or
36 losses have been determined by using a basis
37 established prior to January 1, 1934, an adjustment
38 may be made, under rules prescribed by the director,
39 to reflect the difference resulting from the use of a
40 basis of cost or January 1, 1934, fair market value,
41 less depreciation allowed or allowable, whichever is
42 higher. Provided that the basis shall be fair market
43 value as of January 1, 1955, less depreciation allowed
44 or allowable, in the case of property acquired prior
45 to that date if use of a prior basis is declared to be
46 invalid.

47 4. Subtract installment payments received by a
48 beneficiary under an annuity which was purchased under
49 an employee's pension or retirement plan when the
50 commuted value of said installments has been included

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1 as a part of the decedent employee's estate for Iowa
2 inheritance tax purposes.

3 5. Add the amount by which the basis of qualified
4 depreciable property is required to be increased for
5 depreciation purposes under the Internal Revenue Code
6 Amendments Act of 1964 to the extent that such amount
7 equals the net amount of the special deduction allowed
8 on the basis of the amount by which the depreciable
9 basis of such qualified property was required to be
10 reduced for depreciation purposes under the Internal
11 Revenue Code Amendments Act of 1962. The "net amount
12 of the special deduction" shall be computed by taking
13 the sum of the amounts by which the basis of qualified
14 property was required to be decreased for depreciation

15 purposes for the years 1962 and 1963 and subtracting
16 from it the sum of the amounts by which the basis of
17 such property was required to be increased, prior to
18 1964, for depreciation or disposition purposes under
19 the Internal Revenue Code Amendments Act of 1962.
20 6 5. Individual taxpayers and married taxpayers
21 who file a joint federal income tax return and who
22 elect to file a joint return, separate returns or
23 separate filing on a combined return for Iowa income
24 tax purposes, may avail themselves of the disability
25 income exclusion and shall compute the amount of the
26 disability income exclusion subject to the limitations
27 for joint federal income tax return filers provided by
28 section 105(d) of the Internal Revenue Code of 1954.
29 The disability income exclusion provided in section
30 105(d) of the Internal Revenue Code of 1954, as
31 amended up to and including December 31, 1982,
32 continues to apply for state income tax purposes for
33 tax years beginning on or after January 1, 1984.
34 7 6. Add to the taxable income of trusts, that
35 portion of trust income excluded from federal taxable
36 income under section 641(c) of the Internal Revenue
37 Code of 1954.
38 8 7. Married taxpayers who file a joint federal
39 income tax return and who elect to file separate
40 returns or separate filing on a combined return for
41 Iowa income tax purposes, may avail themselves of the
42 expensing of business assets and capital loss
43 provisions of sections 179(a) and 1211(b) respectively
44 of the Internal Revenue Code of 1954 and shall compute
45 the amount of expensing of business assets and capital
46 loss subject to the limitations for joint federal
47 income tax return filers provided by sections 179(b)
48 and 1211(b) respectively of the Internal Revenue Code
49 of 1954.
50 9 8. Subtract the amount of the jobs tax credit

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1 allowable for the tax year under section 51 of the
2 Internal Revenue Code of 1954 to the extent that the
3 credit increased federal adjusted gross income.
4 10. Married taxpayers, who file a joint federal
5 income tax return and who elect to file separate
6 returns or separate filing on a combined return for
7 state income tax purposes, shall include in net income
8 any unemployment compensation benefits received
9 subject to the limitations for joint federal income
10 tax return filers provided in section 85 of the
11 Internal Revenue Code of 1954.

12 11. Subtract the amount of the alcohol fuel
13 credit allowable for the tax year under section 40 of
14 the Internal Revenue Code of 1954 to the extent that
15 the credit increased federal adjusted gross income.

16 12. Married taxpayers, who file a joint federal
17 income tax return and who elect to file separate
18 returns or separate filing on a combined return for
19 state income tax purposes, may avail themselves of the
20 dividend exclusion provisions of section 116(a) of the
21 Internal Revenue Code of 1954 and shall compute the
22 dividend exclusion subject to the limitations for
23 joint federal income tax return filers provided by
24 section 116(a) of the Internal Revenue Code of 1954.

25 13. The exclusion of interest income provided by
26 section 128 of the Internal Revenue Code of 1954 is
27 not applicable in computing Iowa net income for tax
28 years beginning on or after January 1, 1981 and before
29 January 1, 1984.

30 14. The deduction for a married couple where both
31 persons are wage earners which is provided by section
32 221 of the Internal Revenue Code of 1954 is not
33 applicable in computing Iowa net income for tax years
34 beginning on or after January 1, 1982.

35 15. The deduction allowed under section 162(h) of
36 the Internal Revenue Code of 1954 is not applicable in
37 computing Iowa net income for any tax year beginning
38 on or before December 31, 1980. The deduction allowed
39 under section 604 of the Tax Reform Act of 1976, as
40 amended up to and including December 31, 1980, is
41 allowable in computing Iowa net income, for tax years
42 beginning on or before December 31, 1980, under
43 provisions effective for the year for which the return
44 is made. The deduction allowed under section 162(h)
45 of the Internal Revenue Code of 1954 is not applicable
46 in computing Iowa net income for any tax year
47 beginning on or after January 1, 1981. The deduction
48 allowed under section 604 of the Tax Reform Act of
49 1976, as amended up to and including December 31,
50 1980, is allowable in computing Iowa net income for

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1 tax years beginning on or after January 1, 1981. The
2 maximum allowable deduction, other than for travel
3 expense, shall not exceed fifty dollars per day, where
4 the taxpayer elects on the Iowa return to be governed
5 by section 604 of the Tax Reform Act of 1976, as
6 amended up to and including December 31, 1980, unless
7 the taxpayer itemized expenses.

8 ~~16~~ 10. Add the amounts deducted and subtract the
 9 amounts included as income as a result of the
 10 treatment provided sale-leaseback agreements under
 11 section 168(f)(8) of the Internal Revenue Code of ~~1954~~
 12 for property placed in service by the transferee prior
 13 to January 1, 1986 to the extent that the amounts
 14 deducted and the amounts included in income are not
 15 otherwise deductible or included in income under the
 16 Internal Revenue Code of ~~1954~~ as amended to and
 17 including December 31, 1985. Entitlement to
 18 depreciation on any property included in a sale-
 19 leaseback agreement which is placed in service by the
 20 transferee prior to January 1, 1986 shall be
 21 determined under the Internal Revenue Code of ~~1954~~ as
 22 amended to and including December 31, 1985, excluding
 23 section 168(f)(8) in making the determination.

24 ~~17~~. Subtract the amount of unemployment
 25 compensation to be included in Iowa net income for any
 26 tax year. Add back the amount of unemployment
 27 compensation computed under section 85 of the Internal
 28 Revenue Code of 1954, as amended up to and including
 29 December 31, 1981. This subsection is effective only
 30 for the tax year beginning on or after January 1, 1982
 31 and before December 31, 1982.

32 ~~18~~ 11. If the adjusted gross income includes
 33 income or loss from a small business operated by the
 34 taxpayer, an additional deduction shall be allowed in
 35 computing the income or loss from the small business
 36 if the small business hired for employment in the
 37 state during its annual accounting period ending with
 38 or during the taxpayer's tax year any of the
 39 following:

40 a. A handicapped individual domiciled in this
 41 state at the time of the hiring who meets any of the
 42 following conditions:

43 (1) Has a physical or mental impairment which
 44 substantially limits one or more major life
 45 activities.

46 (2) Has a record of that impairment.

47 (3) Is regarded as having that impairment.

48 b. An individual domiciled in this state at the
 49 time of the hiring who meets any of the following
 50 conditions:

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1 (1) Has been convicted of a felony in this or any
 2 other state or the District of Columbia.

3 (2) Is on parole pursuant to chapter 906.

4 (3) Is on probation pursuant to chapter 907, for

5 an offense other than a simple misdemeanor.

6 (4) Is in a work release program pursuant to
7 chapter 246, division IX.

8 c. An individual, whether or not domiciled in this
9 state at the time of the hiring, who is on parole or
10 probation and to whom the interstate probation and
11 parole compact under section 907A.1 applies.

12 The amount of the additional deduction is equal to
13 fifty percent of the wages paid to individuals named
14 in paragraphs "a", "b", and "c" who were hired for the
15 first time by that business during the annual
16 accounting period for work done in the state. This
17 additional deduction is allowed for the wages paid to
18 those individuals successfully completing a
19 probationary period during the twelve months following
20 the date of first employment by the business and shall
21 be deducted at the close of the annual accounting
22 period.

23 The additional deduction shall not be allowed for
24 wages paid to an individual who was hired to replace
25 an individual whose employment was terminated within
26 the twelve-month period preceding the date of first
27 employment. However, if the individual being replaced
28 left employment voluntarily without good cause
29 attributable to the employer or if the individual was
30 discharged for misconduct in connection with the
31 individual's employment as determined by the division
32 of job service of the department of employment
33 services, the additional deduction shall be allowed.

34 A taxpayer who is a partner of a partnership or a
35 shareholder of a subchapter S corporation, may deduct
36 that portion of wages qualified under this subsection
37 paid by the partnership or subchapter S corporation
38 based on the taxpayer's pro rata share of the profits
39 or losses from the partnership or subchapter S
40 corporation.

41 For purposes of this subsection, "physical or
42 mental impairment" means any physiological disorder or
43 condition, cosmetic disfigurement, or anatomical loss
44 affecting one or more of the body systems or any
45 mental or psychological disorder, including mental
46 retardation, organic brain syndrome, emotional or
47 mental illness and specific learning disabilities.

48 For purposes of this subsection, "small business"
49 means small business as defined in section 220.1,
50 subsection 28, except that it shall also include the

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1 operation of a farm.
2 19 12. Married taxpayers, who file a joint federal
3 income tax return and who elect to file separate
4 returns or who elect separate filing on a combined
5 return for state income tax purposes, shall include in
6 net income any social security benefits or tier 1
7 railroad retirement benefits received to the same
8 extent as those benefits are taxable on the taxpayer's
9 joint federal return for that year under section 86 of
10 the Internal Revenue Code of 1954. The benefits
11 included in net income must be allocated between the
12 spouses in the ratio of the social security benefits
13 or tier 1 railroad retirement benefits received by
14 each spouse to the total of these benefits received by
15 both spouses.
16 20. Subtract the unemployment compensation
17 benefits for tax years beginning on January 1, 1979 to
18 the extent those benefits had been included in net
19 income on a return filed before January 1, 1981 and
20 were excluded from income under Act section 1075 of
21 the Tax Reform Act of 1984. Notwithstanding the
22 statute of limitations specified in section 422-73,
23 subsection 2, taxpayers who would be barred from
24 claiming a refund or credit from an overpayment
25 resulting from the change made by Act section 1075 of
26 the Tax Reform Act of 1984 are entitled to receive a
27 refund or credit if they file a claim with the
28 department on or before June 30, 1986.
29 21 13. Add the four percent of the basic salary of
30 a judge, who is a member of the judicial retirement
31 system established in chapter 602, article 9, which is
32 exempt from federal income tax under the Internal
33 Revenue Code of 1954.
34 22. Add the combined net losses from passive
35 farming activity in excess of twenty-five thousand
36 dollars that offset income from other sources. Net
37 losses under section 165 of the Internal Revenue Code
38 of 1954, exclusive of net gains incurred passively
39 from the operation of a farming business, as defined
40 in section 464(e) of the Internal Revenue Code of
41 1954, are to be combined from businesses, rents,
42 partnerships, subchapter S corporations, estates or
43 trusts except losses under sections 1211 and 1231 of
44 the Internal Revenue Code of 1954. For purposes of
45 this subsection the following apply:
46 a. "Passive activity" means an activity where the
47 taxpayer or a member of the taxpayer's family as
48 defined in section 2032A(e)(2) of the Internal Revenue
49 Code of 1954 does not materially participate in the
50 activity or provide substantial personal services to

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1 the farming business. A taxpayer who is retired or
2 disabled as described in section 2032A(b)(4) of the
3 Internal Revenue Code of 1954 or is a surviving spouse
4 as described in section 2032A(b)(5) shall be treated
5 as materially participating in the farming business.

6 b. A loss from an activity that is disallowed
7 under this subsection shall be treated as a deduction
8 allowable to that activity in the first succeeding tax
9 year.

10 ~~23~~ 14. Add the amount of intangible drilling and
11 development costs optionally deducted in the year paid
12 or incurred as ~~allowed under section 269(c) described~~
13 in section 57(a)(2) of the Internal Revenue Code of
14 ~~1954~~. This amount may be recovered through cost
15 depletion or depreciation, as appropriate under rules
16 prescribed by the director.

17 ~~24~~ 15. Add the percentage depletion amount
18 determined with respect to an oil, gas, or geothermal
19 well using methods as described in section ~~618~~
20 57(a)(1) of the Internal Revenue Code of 1954 that is
21 in excess of the cost depletion amount determined
22 under section 611 of the Internal Revenue Code of
23 ~~1954~~.

24 ~~25~~ 16. Subtract the income or loss resulting from
25 the forfeiture of an installment real estate contract,
26 the transfer of real or personal property securing a
27 debt to a creditor in cancellation of that debt, or
28 from the sale or exchange of property as a result of
29 actual notice of foreclosure if all of the following
30 conditions are met:

31 a. The forfeiture, transfer, or sale or exchange
32 was done for the purpose of establishing a positive
33 cash flow.

34 b. Immediately before the forfeiture, transfer, or
35 sale or exchange, the taxpayer's debt to asset ratio
36 exceeded ninety percent as computed under generally
37 accepted accounting practices.

38 c. The taxpayer's net worth at the end of the tax
39 year is less than seventy-five thousand dollars. In
40 determining a taxpayer's net worth at the end of the
41 tax year a taxpayer shall include any asset
42 transferred within one hundred twenty days prior to
43 the end of the tax year without adequate and full
44 consideration in money or money's worth. In
45 determining the taxpayer's debt to asset ratio, the
46 taxpayer shall include any asset transferred within
47 one hundred twenty days prior to such forfeiture,

48 transfer, or sale or exchange without adequate and
49 full consideration in money or money's worth. For
50 purposes of this subsection, actual notice of

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1 foreclosure includes, but is not limited to,
2 bankruptcy or written notice from a creditor of the
3 creditor's intent to foreclose where there is a
4 reasonable belief that the creditor can force a sale
5 of the asset. For purposes of this subsection, in the
6 case of married taxpayers, except in the case of a
7 husband and wife who live apart at all times during
8 the tax year, the assets and liabilities of both
9 spouses shall be considered for purposes of
10 determining the taxpayer's net worth or the taxpayer's
11 debt to asset ratio.

12 26. In determining the taxpayer's net income, the
13 adjusted gross income computed for federal tax
14 purposes shall be adjusted to reflect the following:

15 a. **BUSINESS MEALS, TRAVEL, AND ENTERTAINMENT.**

16 Deductions for expenses incurred for meals, travel,
17 and entertainment for business purposes shall be
18 determined under sections 170 and 274 of the Internal
19 Revenue Code in effect on January 1, 1987 and all
20 other provisions of the Internal Revenue Code in
21 effect on January 1, 1987 relating to such deductions.

22 b. **DEPRECIATION.** Deductions for depreciation for
23 property used for business purposes shall be
24 determined under sections 46, 167, 178, 179, 280, 291,
25 312, 465, 467, 514, 751, 1245, 4162, 6111, and 7701 of
26 the Internal Revenue Code in effect on January 1, 1987
27 and all other provisions of the Internal Revenue Code
28 in effect on January 1, 1987 relating to such
29 deductions.

30 c. **CAPITALIZATION RULES.** Capitalization rules for
31 inventory, construction, and development costs as they
32 relate to business activities shall be determined
33 under sections 48, 263A, 312, 471, 267, 447, and 464
34 of the Internal Revenue Code in effect on January 1,
35 1987 and all other provisions of the Internal Revenue
36 Code in effect on January 1, 1987 relating to such
37 capitalization rules.

38 d. **PASSIVE INVESTMENT ACTIVITIES.** Deductions for
39 passive investment activities shall be determined
40 under section 469 of the Internal Revenue Code in
41 effect on January 1, 1987 and all other provisions of
42 the Internal Revenue Code in effect on January 1, 1987
43 relating to passive investment activities.

44 e. **LONG-TERM CONTRACTS.** Rules for determining the

45 amount of deductions for long-term contracts relating
46 to business activities shall be determined under
47 sections 460 and 804 of the Internal Revenue Code in
48 effect on January 1, 1987 and all other provisions of
49 the Internal Revenue Code in effect on January 1, 1987
50 relating to such long-term contracts.

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1 f. DISCHARGE OF INDEBTEDNESS. Treatment of income
2 of a farmer resulting from the discharge of the
3 farmer's indebtedness shall be determined under
4 section 108(g) of the Internal Revenue Code in effect
5 on January 1, 1987.

6 17. Subtract sixty percent of the net capital gain
7 as computed in section 1202 of the Internal Revenue
8 Code in effect for tax years beginning in the 1986
9 calendar year. However, to the extent that the
10 adjusted gross income reflects capital gain treatment
11 for sales of dairy cattle made between January 1,
12 1987, and September 1, 1987, under the federal milk
13 production termination program, the capital gains from
14 such sales shall not be used in computing net capital
15 gain for purposes of this subsection. Any income or
16 loss resulting from the forfeiture, transfer, or sale
17 or exchange described in section 422.7, subsection 16,
18 shall not be used in computing net capital gain for
19 purposes of this subsection.

20 18. Subtract the loss on the sale or exchange of a
21 share of a regulated investment company held for six
22 months or less to the extent the loss was disallowed
23 under section 852(b)(4)(B) of the Internal Revenue
24 Code.

25 Sec. 8. Section 422.8, subsection 2, Code 1987, is
26 amended to read as follows:

27 2. Nonresident's net income allocated to Iowa is
28 the net income, or portion thereof, which is derived
29 from a business, trade, profession, or occupation
30 carried on within this state or income from any
31 property, trust, estate, or other source within Iowa.
32 If any business, trade, profession, or occupation is
33 carried on partly within and partly without the state,
34 only the portion of the net income which is fairly and
35 equitably attributable to that part of the business,
36 trade, profession, or occupation carried on within the
37 state is allocated to Iowa for purposes of section
38 422.5, subsection 1, paragraph "n" "c" and section
39 422.13 and income from any property, trust, estate, or
40 other source partly within and partly without the

41 state is allocated to Iowa in the same manner, except
42 that annuities, interest on bank deposits and
43 interest-bearing obligations, and dividends are
44 allocated to Iowa only to the extent to which they are
45 derived from a business, trade, profession, or
46 occupation carried on within the state. However,
47 income received by an individual who is a resident of
48 another state is not allocated to Iowa if the income
49 is subject to an income tax imposed by the state where
50 the individual resides, and if the state of residence

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1 allows a similar exclusion for income received in that
2 state by residents of Iowa. In order to implement the
3 exclusions, the director shall designate by rule the
4 states which allow a similar exclusion for income
5 received by residents of Iowa, and may enter into
6 agreements with other states to provide that similar
7 exclusions will be allowed, and to provide suitable
8 withholding requirements in each state.

9 Sec. 9. Section 422.9, subsections 1, 2, and 3,
10 Code Supplement 1987, are amended to read as follows:

11 1. An optional standard deduction of fifteen
12 percent of the net income after deduction of federal
13 income tax, not to exceed the amount of net income, of
14 one thousand ~~two~~ seven hundred dollars for a married
15 person who files separately, one thousand ~~two~~ seven
16 hundred dollars for a single person or three thousand
17 five hundred dollars for a husband and wife who file a
18 joint return, a surviving spouse as defined in section
19 2 of the Internal Revenue Code of 1954, or an
20 unmarried head of household as defined in the Internal
21 Revenue Code of 1954.

22 However, for tax years beginning on or after
23 January 1, 1988, but before January 1, 1989, the
24 taxpayer shall deduct, before deduction of the
25 standard deduction, the amount of federal income tax
26 paid during the tax year for the previous tax year.
27 Federal income tax paid in estimated tax payments
28 during the tax year for the previous tax year shall
29 not be deducted. For tax years beginning on or after
30 January 1, 1988 but before January 1, 1989, the
31 taxpayer shall add, before deduction of the standard
32 deduction, the amount of federal income tax refund
33 received during the tax year to the extent that the
34 federal income tax that was refunded had been deducted
35 on a return for a tax year beginning prior to January
36 1, 1988. Married persons who have filed a joint
37 federal income tax return and who have filed separate

38 state returns shall divide the federal income tax paid
 39 or the federal income tax refund between the spouses
 40 in the ratio of the federal adjusted gross income of
 41 each spouse to the adjusted gross income of both
 42 spouses for the tax year which resulted in the income
 43 tax payment or the income tax refund.

44 A taxpayer who claims the optional standard
 45 deduction under this subsection may, after claiming
 46 the optional standard deduction, claim the direct
 47 charitable contribution as allowed and subject to the
 48 same limitations provided under section 170(i) of the
 49 Internal Revenue Code of 1954 for tax years ending on
 50 or before December 31, 1986. However, the deduction

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1 shall be computed as provided under section 170(i) of
 2 the Internal Revenue Code of 1954 as applied to tax
 3 year 1984. Married taxpayers who have filed a joint
 4 federal return and who elect to file separate returns
 5 or separately on a combined state return must allocate
 6 their allowable charitable deduction to each spouse in
 7 the proportion that each spouse's respective net
 8 income bears to the total combined net income.

9 Taxpayers affected by the allocation provisions of
 10 section 422.8 shall be permitted a deduction in the
 11 amount as is fairly and equitably allocable to Iowa
 12 under rules prescribed by the director.
 13 2. The total of contributions, interest, taxes,
 14 medical expense, moving expenses, nonbusiness losses
 15 and miscellaneous expenses deductible for federal
 16 income tax purposes under the Internal Revenue Code of
 17 1954, with the following adjustments:

18 a. Subtract the deduction for Iowa income taxes.

19 b. Add the amount of federal income taxes paid or
 20 accrued as the case may be, during the tax year,
 21 adjusted by any federal income tax refunds. Provided,
 22 however, that where married persons, who have filed a
 23 joint federal income tax return, file separately, such
 24 total shall be divided between them according to the
 25 portion thereof paid or accrued, as the case may be,
 26 by each.

27 b. For tax years beginning on or after January 1,
 28 1988, but before January 1, 1989, add the amount of
 29 federal income tax paid during the tax year for the
 30 previous tax year except for federal income tax paid
 31 in estimated tax payments. For tax years beginning on
 32 or after January 1, 1988, but before January 1, 1989,
 33 subtract the amount of federal income tax refund

34 received during the tax year to the extent that the
35 federal income tax that was refunded had been deducted
36 on a return for a tax year beginning prior to January
37 1, 1988. Married persons who have filed a joint
38 federal income tax return and who have filed separate
39 state returns shall divide the federal income tax paid
40 or the federal income tax refund between the spouses
41 in the ratio of the federal adjusted gross income of
42 each spouse to the adjusted gross income of both
43 spouses for the tax year which resulted in the income
44 tax payment or the income tax refund.
45 c. Add the amount by which expenses paid or
46 incurred in connection with the adoption of a child by
47 the taxpayer exceed three percent of the net income of
48 the taxpayer, or of the taxpayer and spouse in the
49 case of a joint return. The expenses may include
50 medical and hospital expenses of the natural mother

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1 which are incident to the child's birth and are paid
2 by the taxpayer, welfare agency fees, legal fees, and
3 all other fees and costs relating to the adoption of a
4 child if the child is placed by a child-placing agency
5 licensed under chapter 238 or by a person making an
6 independent placement according to the provisions of
7 chapter 600.
8 d. Add an additional deduction for mileage
9 incurred by the taxpayer in voluntary work for a
10 charitable organization consisting of the excess of
11 the state employee mileage reimbursement over the
12 amount deductible for federal income tax purposes.
13 The deduction shall be proven by the keeping of a
14 contemporaneous diary by the person throughout the
15 period of the voluntary work in the tax year.
16 e. ~~Subtract the adoption deduction permitted under~~
17 ~~section 222 of the Internal Revenue Code of 1954.~~
18 f e. Add the amount, not to exceed five thousand
19 dollars, of expenses not otherwise deductible under
20 this section actually incurred in the home of the
21 taxpayer for the care of a person who is the
22 grandchild, child, parent, or grandparent of the
23 taxpayer or the taxpayer's spouse and who is unable,
24 by reason of physical or mental disability, to live
25 independently and is receiving, or would be eligible
26 to receive if living in a health care facility
27 licensed under chapter 135C, medical assistance
28 benefits under chapter 249A. In the event that the
29 person being cared for is receiving assistance
30 benefits under chapter 239, the expenses not otherwise

31 deductible shall be the net difference between the
32 expenses actually incurred in caring for the person
33 and the assistance benefits received under chapter
34 239.

35 g f. Add the amount the taxpayer has paid to
36 others, not to exceed one thousand dollars for each
37 dependent in grades kindergarten through twelve, for
38 tuition and textbooks of each dependent in attending
39 an elementary or secondary school situated in Iowa,
40 which school is accredited or approved under section
41 256.11, which is not operated for profit, and which
42 adheres to the provisions of the United States Civil
43 Rights Act of 1964 and chapter 601A. As used in this
44 lettered paragraph, "textbooks" means books and other
45 instructional materials and equipment used in
46 elementary and secondary schools in teaching only
47 those subjects legally and commonly taught in public
48 elementary and secondary schools in this state and
49 does not include instructional books and materials
50 used in the teaching of religious tenets, doctrines,

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1 or worship, the purpose of which is to inculcate those
2 tenets, doctrines, or worship, and does not include
3 books or materials for extracurricular activities
4 including sporting events, musical or dramatic events,
5 speech activities, driver's education, or programs of
6 a similar nature. The deduction in this paragraph
7 does not apply to a taxpayer whose adjusted gross
8 income, as properly computed for federal tax purposes,
9 is forty-five thousand dollars or more. In the case
10 where the taxpayer is married, whether filing jointly
11 or separately, the deduction does not apply if the
12 combined adjusted gross income of the taxpayer and
13 spouse is forty-five thousand dollars or more.

14 As used in this lettered paragraph, "tuition" means
15 any charges for the expenses of personnel, buildings,
16 equipment and materials other than textbooks, and
17 other expenses of elementary or secondary schools
18 which relate to the teaching only of those subjects
19 legally and commonly taught in public elementary and
20 secondary schools in this state and which do not
21 relate to the teaching of religious tenets, doctrines,
22 or worship, the purpose of which is to inculcate those
23 tenets, doctrines, or worship, and which do not relate
24 to extracurricular activities including sporting
25 events, musical or dramatic events, speech activities,
26 driver's education, or programs of a similar nature.
27 3. If after applying all of the adjustments

28 provided for in section 422.7, the allocation
 29 provisions of section 422.8 and the deductions
 30 allowable in this section subject to the modifications
 31 provided in section 172(d) of the Internal Revenue
 32 Code of 1954, the taxable income results in a net
 33 operating loss, the net operating loss shall be
 34 deducted as follows:

35 a. The Iowa net operating loss shall be carried
 36 back three taxable years or to the taxable year in
 37 which the individual first earned income in Iowa
 38 whichever year is the later.

39 b. The Iowa net operating loss remaining after
 40 being carried back as required in paragraph "a" of
 41 this subsection or if not required to be carried back
 42 shall be carried forward fifteen taxable years.

43 c. If the election under section 172(b)(3)(C) of
 44 the Internal Revenue Code of 1954 is made, the Iowa
 45 net operating loss shall be carried forward fifteen
 46 taxable years.

47 Sec. 10. Section 422.10, unnumbered paragraph 1,
 48 Code 1987, is amended to read as follows:

49 The taxes imposed under this division shall be
 50 reduced by a state tax credit for increasing research

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1 activities in this state. For individuals, the credit
 2 ~~shall equal~~ equals six and one-half percent of the
 3 state's apportioned share of the qualifying
 4 expenditures for increasing research activities. The
 5 state's apportioned share of the qualifying
 6 expenditures for increasing research activities is a
 7 percent equal to the ratio of qualified research
 8 expenditures in this state to total qualified research
 9 expenditures. For purposes of this section, an
 10 individual may claim a research credit for qualifying
 11 research expenditures incurred by a partnership,
 12 subchapter S corporation, and estate or trust electing
 13 to have the income taxed directly to the individual.
 14 The amount claimed by the individual shall be based
 15 upon the pro rata share of the individual's earnings
 16 of a partnership, subchapter S corporation, or estate
 17 or trust. For purposes of this section, "qualifying
 18 expenditures for increasing research activities" means
 19 the qualifying expenditures as defined for the federal
 20 credit for increasing research activities which would
 21 be allowable under section ~~30~~ 41 of the Internal
 22 Revenue Code of 1954, in effect on January 1, 1985.

23 Sec. 11. Section 422.12, subsection 1, paragraph
 24 c, Code Supplement 1987, is amended to read as

25 follows:

26 c. For each dependent, an additional ten dollars.

27 As used in this section, the term "dependent" shall
28 have the same meaning as provided by the Internal
29 Revenue Code of 1954.

30 Sec. 12. Section 422.12, subsection 2, unnumbered
31 paragraph 1, Code Supplement 1987, is amended to read
32 as follows:

33 A child and dependent care credit equal to forty-
34 five percent of the federal child and dependent care
35 credit provided in section 21 of the Internal Revenue
36 Code of 1954.

37 Sec. 13. Section 422.13, subsection 1, paragraph
38 a, Code Supplement 1987, is amended to read as
39 follows:

40 a. The individual is required to file a federal
41 income tax return under the Internal Revenue Code of
42 1954.

43 Sec. 14. Section 422.16, subsection 1, unnumbered
44 paragraph 1, Code Supplement 1987, is amended to read
45 as follows:

46 Every withholding agent and every employer as
47 defined in this chapter and further defined in the
48 Internal Revenue Code of 1954, with respect to income
49 tax collected at source, making payment of wages to a
50 nonresident employee working in Iowa, or to a resident

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1 employee, shall deduct and withhold from the wages an
2 amount which will approximate the employee's annual
3 tax liability on a calendar year basis, calculated on
4 the basis of tables to be prepared by the department
5 and schedules or percentage rates, based on the wages,
6 to be prescribed by the department. Every employee or
7 other person shall declare to the employer or
8 withholding agent the number of the employee's or
9 other person's personal exemptions and dependency
10 exemptions or credits to be used in applying the
11 tables and schedules or percentage rates. However, no
12 greater number of personal or dependency exemptions or
13 credits may be declared by the employee or other
14 person than the number to which the employee or other
15 person is entitled except as allowed under section
16 3402(m)(1) of the Internal Revenue Code of 1954. The
17 claiming of exemptions or credits in excess of
18 entitlement is a serious misdemeanor.

19 Sec. 15. Section 422.16, subsection 11, paragraphs
20 a and d, Code Supplement 1987, are amended to read as
21 follows:

22 a. Every person or married couple filing a return
 23 shall make estimated tax payments if the person's or
 24 couple's Iowa income tax attributable to income other
 25 than wages subject to withholding can reasonably be
 26 expected to amount to fifty dollars or more for the
 27 taxable year, except that, in the cases of farmers and
 28 ~~fishers~~ fishermen, the exceptions provided in the
 29 Internal Revenue Code of ~~1954~~ with respect to making
 30 estimated payments apply. The estimated tax shall be
 31 paid in quarterly installments. The first installment
 32 shall be paid on or before the last day of the fourth
 33 month of the taxpayer's tax year for which the
 34 estimated payments apply. The other installments
 35 shall be paid on or before June 30, September 30, and
 36 January 31. However, at the election of the person or
 37 married couple, any installment of the estimated tax
 38 may be paid prior to the date prescribed for its
 39 payment. If a person or married couple filing a
 40 return has reason to believe that the person's or
 41 couple's Iowa income tax may increase or decrease,
 42 either for purposes of meeting the requirement to make
 43 estimated tax payments or for the purpose of
 44 increasing or decreasing estimated tax payments, the
 45 person or married couple shall increase or decrease
 46 any subsequent estimated tax payments accordingly.
 47 d. Any amount of estimated tax paid is a credit
 48 against the amount of tax found payable on a final,
 49 completed return, as provided in subsection 9,
 50 relating to the credit for the tax withheld against

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1 the tax found payable on a return properly and
 2 correctly prepared under sections 422.5 through
 3 422.25, and any overpayment of one dollar or more
 4 shall be refunded to the taxpayer and the return
 5 constitutes a claim for refund for this purpose.
 6 Amounts less than one dollar shall not be refunded.
 7 The method provided by the Internal Revenue Code of
 8 ~~1954~~ for determining what is applicable to the
 9 addition to tax for underpayment of the tax payable
 10 applies to persons required to make payments of
 11 estimated tax under this section except the amount to
 12 be added to the tax for underpayment of estimated tax
 13 is an amount determined at the rate in effect under
 14 section 421.7. This addition to tax specified for
 15 underpayment of the tax payable is not subject to
 16 waiver provisions relating to reasonable cause, except
 17 as provided in the Internal Revenue Code of ~~1954~~.
 18 Underpayment of estimated tax shall be determined in

19 the same manner as provided under the Internal Revenue
20 Code of 1954 and the exceptions in the Internal
21 Revenue Code of 1954 also apply.

22 Sec. 16. Section 422.20, subsection 2, Code
23 Supplement 1987, is amended to read as follows:
24 2. It shall be unlawful for any officer, employee,
25 or agent, or former officer, employee, or agent of the
26 state to disclose to any person, except as authorized
27 in subsection 1 of this section, any federal tax
28 return or return information as defined in section
29 6103(b) of the Internal Revenue Code of 1954. It
30 shall further be unlawful for any person to whom any
31 federal tax return or return information, as defined
32 in section 6103(b) of the Internal Revenue Code of
33 1954, is disclosed in a manner unauthorized by
34 subsection 1 of this section to thereafter print or
35 publish in any manner not provided by law any such
36 return or return information. Any person committing
37 an offense against the foregoing provision shall be
38 guilty of a serious misdemeanor.

39 Sec. 17. Section 422.21, unnumbered paragraph 4,
40 Code Supplement 1987, is amended to read as follows:
41 The director shall determine for the 1979 1989 and
42 subsequent calendar years the annual and cumulative
43 inflation factors for those calendar years to be
44 applied to tax years beginning on or after January 1
45 of that calendar year. The director shall compute the
46 new dollar amounts as specified therein to be adjusted
47 in section 422.5 by the latest cumulative inflation
48 factor and round off the result to the nearest one
49 dollar. The annual and cumulative inflation factors
50 determined by the director are not rules as defined in

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1 section 17A.2, subsection 7.

2 Sec. 18. Section 422.25, subsection 1, unnumbered
3 paragraph 1, Code 1987, is amended to read as follows:
4 Within three years after the return is filed or
5 within three years after the return became due,
6 including any extensions of time for filing, whichever
7 time is the later, the department shall examine it and
8 determine the correct amount of tax, and the amount
9 determined by the department is the tax. However, if
10 the taxpayer omits from income an amount which will,
11 under the Internal Revenue Code of 1954, extend the
12 statute of limitations for assessment of federal tax
13 to six years under the federal law, the period for
14 examination and determination is six years. In
15 addition to the applicable period of limitation for

16 examination and determination, the department may make
17 an examination and determination at any time within
18 six months from the date of receipt by the department
19 of written notice from the taxpayer of the final
20 disposition of any matter between the taxpayer and the
21 internal revenue service with respect to the
22 particular tax year. In order to begin the running of
23 the six-months' period, the notice shall be in writing
24 in any form sufficient to inform the department of the
25 final disposition with respect to that year, and a
26 copy of the federal document showing the final
27 disposition or final federal adjustments shall be
28 attached to the notice.

29 Sec. 19. Section 422.32, subsection 11, Code
30 Supplement 1987, is amended by striking the
31 subsection.

32 Sec. 20. Section 422.43, subsections 1, 2, 6, and
33 10, Code Supplement, 1987, are amended to read as
34 follows:

35 1. There is imposed a tax of ~~four~~ five percent
36 upon the gross receipts from all sales of tangible
37 personal property, consisting of goods, wares, or
38 merchandise, except as otherwise provided in this
39 division, sold at retail in the state to consumers or
40 users; a like rate of tax upon the gross receipts from
41 the sales, furnishing or service of gas, electricity,
42 water, heat, and communication service, including the
43 gross receipts from such sales by any municipal
44 corporation furnishing gas, electricity, water, heat,
45 and communication service to the public in its
46 proprietary capacity, except as otherwise provided in
47 this division, when sold at retail in the state to
48 consumers or users; a like rate of tax upon the gross
49 receipts from all sales of tickets or admissions to
50 places of amusement, fairs, and athletic events except

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1 those of elementary and secondary educational
2 institutions; and a like rate of tax upon that part of
3 private club membership fees or charges paid for the
4 privilege of participating in any athletic sports
5 provided club members.

6 2. There is imposed a ~~tax of four percent like~~
7 rate of tax upon the gross receipts derived from the
8 operation of all forms of amusement devices and games
9 of skill, games of chance, raffles, and bingo games as
10 defined in chapter 99B, operated or conducted within
11 the state of Iowa, the tax to be collected from the
12 operator in the same manner as is provided for the

13 collection of taxes upon the gross receipts of tickets
14 or admission fees as provided in this section. The
15 tax shall also be imposed upon the gross receipts
16 derived from the sale of lottery tickets or shares
17 pursuant to chapter 99E. The tax on the lottery
18 tickets or shares shall be included in the sales price
19 and distributed to the general fund as provided in
20 section 99E.10.

21 6. There is imposed a ~~tax of four percent like~~
22 rate of tax upon the gross receipts from the sales of
23 optional service or warranty contracts which provide
24 for the furnishing of labor and materials and require
25 the furnishing of any taxable service enumerated under
26 this section. The gross receipts are subject to tax
27 even if some of the services furnished are not
28 enumerated under this section. For the purpose of
29 this division, the sale of an optional service or
30 warranty contract is a sale of tangible personal
31 property. Additional sales, services, or use tax
32 shall not be levied on services, parts, or labor
33 provided under optional service or warranty contracts
34 which are subject to tax under this section.

35 10. There is imposed a tax of ~~four five~~ percent
36 upon the gross receipts from the rendering,
37 furnishing, or performing of services as defined in
38 section 422.42.

39 Sec. 21. Section 422.47, Code Supplement 1987, is
40 amended by adding the following new subsection:

41 NEW SUBSECTION. Construction contractors may make
42 application to the department for a refund of the
43 additional one percent tax paid under this division or
44 the additional one percent tax paid under chapter 423
45 by reason of the increase in the tax from four to five
46 percent for taxes paid on goods, wares, or merchandise
47 under the following conditions:

48 a. The goods, wares, or merchandise are
49 incorporated into an improvement to real estate in
50 fulfillment of a written contract fully executed prior

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1 to June 1, 1987. The refund shall not apply to
2 equipment transferred in fulfillment of a mixed
3 construction contract.

4 b. The contractor has paid to the department or to
5 a retailer the full five percent tax.

6 c. The claim is filed on forms provided by the
7 department and is filed within one year of the date
8 the tax is paid.

9 A contractor who makes an erroneous application for

10 refund is liable for payment of the excess refund paid
11 plus interest at the rate in effect under section
12 421.7. In addition, a contractor who willfully makes
13 a false application for refund is guilty of a simple
14 misdemeanor and is liable for a penalty equal to
15 seventy-five percent of the excess refund claimed.
16 Excess refunds, penalties, and interest due under this
17 subsection may be enforced and collected in the same
18 manner as the tax imposed by this division.

19 Sec. 22. Section 423.2, Code 1987, is amended to
20 read as follows:

21 423.2 IMPOSITION OF TAX.

22 An excise tax is imposed on the use in this state
23 of tangible personal property purchased for use in
24 this state, at the rate of ~~four~~ five percent of the
25 purchase price of the property. The excise tax is
26 imposed upon every person using the property within
27 this state until the tax has been paid directly to the
28 county treasurer or the state department of
29 transportation, to a retailer, or to the department.
30 An excise tax is imposed on the use in this state of
31 services enumerated in section 422.43 at the rate of
32 ~~four~~ five percent. This tax is applicable where
33 services are rendered, furnished, or performed in this
34 state or where the product or result of the service is
35 used in this state. This tax is imposed on every
36 person using the services or the product of the
37 services in this state until the user has paid the tax
38 either to an Iowa use tax permit holder or to the
39 department.

40 Sec. 23. This section applies in regard to the
41 increase in the state sales, services, and use tax
42 from four to five percent under sections 20 and 22.
43 The use tax rate of five percent applies to motor
44 vehicles subject to registration which are registered
45 on or after January 1, 1988. The five percent use tax
46 rate will apply to the use of property when the first
47 taxable use in this state occurs on or after January
48 1, 1988. The five percent rate will apply to the
49 gross receipts from the sale, furnishing, or service
50 of gas, electricity, water, heat, and communication

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1 service if the date of billing the customer is on or
2 after January 1, 1988. In the case of a service
3 contract entered into prior to January 1, 1988, which
4 contract calls for periodic payments, the five percent
5 rate will apply to those payments made or due on or
6 after January 1, 1988. This periodic payment would

7 apply, but not be limited to, tickets of admissions,
8 private club membership fees, sources of amusement,
9 equipment rental, dry cleaning, reducing salons, dance
10 schools, and all other services subject to tax, except
11 the aforementioned utility services which are subject
12 to a special transitional rule. Unlike periodic
13 payment under service contracts, installments sales of
14 goods, wares, and merchandise are subject to the full
15 amount of sales or use tax when the sales contract is
16 entered into or the property is used in Iowa.

17 Sec. 24. Section 422.72, subsection 2, Code
18 Supplement 1987, is amended to read as follows:

19 2. Federal tax returns, copies of returns, and
20 return information as defined in section 6103(b) of
21 the Internal Revenue Code of 1954, which are required
22 to be filed with the department for the enforcement of
23 the income tax laws of this state, shall be deemed and
24 held as confidential by the department and subject to
25 the disclosure limitations in subsection 1 of this
26 section.

27 Sec. 25. Section 422.73, subsection 4, Code 1987,
28 is amended by striking the subsection.

29 Sec. 26. Section 422.73, Code 1987, is amended by
30 adding the following new subsections:

31 NEW SUBSECTION. Notwithstanding subsection 2, a
32 claim for credit or refund of the income tax paid for
33 a tax year beginning in the 1983 calendar year is
34 considered timely if the claim is filed with the
35 department on or before April 30, 1988, if the
36 taxpayer's federal income tax was forgiven under
37 section 692 of the Internal Revenue Code because the
38 taxpayer died, or was missing in action and determined
39 dead, while serving in a combat zone. To the extent
40 the federal income tax was forgiven under section 692
41 of the Internal Revenue Code for the tax year, the
42 Iowa income tax is also forgiven.

43 NEW SUBSECTION. Notwithstanding subsection 2, a
44 claim for credit or refund of the state alternative
45 minimum tax paid for any tax year beginning on or
46 after January 1, 1982 and before January 1, 1984 is
47 considered timely if the claim is filed with the
48 department on or before April 30, 1988, if the
49 taxpayer's capital gains preference items for purposes
50 of the federal individual alternative minimum tax was

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1 reduced as a result of section 13208 of the
2 Consolidated Omnibus Budget Reconciliation Act of 1985
3 as amended by section 1896 of the Tax Reform Act of
4 1986.

5 Sec. 27. There is appropriated for the fiscal year
6 beginning July 1, 1987, and ending June 30, 1988, the
7 sum of one hundred thousand (100,000) dollars, or so
8 much as is necessary, to the department of management
9 for the purpose of hiring an independent auditing firm
10 to study state finances.

11 Sec. 28. Sections 1 through 19 and 24 of this Act
12 are effective January 1, 1988, for tax years beginning
13 on or after that date.

14 Sec. 29. Sections 20 through 23 of this Act are
15 effective January 1, 1988.

16 Sec. 30. This Act, being deemed of immediate
17 importance, takes effect upon enactment.”

18 2. Title page, by striking lines 1 through 3 and
19 inserting the following: “An Act relating to the
20 state’s conforming its individual income taxes with
21 the new federal tax provisions by updating references
22 to the Internal Revenue Code, rewriting the state
23 minimum taxes to conform with the federal alternative
24 minimum taxes, maintaining the deduction for capital
25 gains, increasing the standard deduction, decreasing
26 the tax rates, striking obsolete and repealed items,
27 extending the statute of limitations for certain
28 refund claims, increasing the state sales, services,
29 and use tax, making an appropriation to hire an
30 independent auditing firm to study state finances, and
31 providing effective dates.”

GEORGE R. KINLEY
JACK RIFE
DAVID READINGER
JOHN E. SOORHOLTZ

S-4138

1 Amend Senate File 524 as follows:

DIVISION S-4138A

2 1. Page 8, by striking line 32 through page 9,
3 line 3 and inserting in lieu thereof the following:
4 “capital gain deduction. In recomputing the
5 taxpayer’s alternative minimum”.

DIVISION S—4138B

- 6 2. Page 9, by striking lines 13 through 15 and
 7 inserting in lieu thereof the following: "filed
 8 separate returns or separately on combined returns, as
 9 these items were properly".

WILLIAM DIELEMAN
 EMIL J. HUSAK

S-4139

- 1 Amend Senate File 524 as follows:
 2 1. Page 10, by inserting after line 8 the
 3 following:
 4 "Sec. ____ . Section 422.9, subsection 2, paragraph
 5 g, Code Supplement 1987, is amended by striking
 6 paragraph g."
 7 2. Page 10, by inserting after line 34 the
 8 following:
 9 "Sec. ____ . Section 422.12, subsection 3, Code
 10 Supplement 1987, is amended by striking subsection 3."
 11 3. Renumber sections and correct internal
 12 references as necessary in accordance with this
 13 amendment.

THOMAS MANN, Jr.
 DAVID READINGER

S-4140

- 1 Amend Senate File 524 as follows:
 2 1. Page 1, by striking lines 3 and 4 and
 3 inserting the following:
 4 "NEW SUBSECTION. 19. The definition of the
 5 Internal".
 6 2. Page 1, lines 14 and 15, by striking the
 7 following: "for tax years beginning in the 1987
 8 calendar year only."
 9 3. Page 5, by striking lines 8 through 19 and
 10 inserting the following:
 11 "NEW UNNUMBERED PARAGRAPH. However, for married
 12 persons filing jointly or filing separately on a
 13 combined return, unmarried heads of household, and
 14 surviving spouses, references in this subsection and
 15 subsections 6 and 10 to five thousand dollars shall be
 16 interpreted to mean seven thousand five hundred
 17 dollars. In addition, if the married persons filing
 18 jointly or filing separately on a combined return,
 19 unmarried head of household, or surviving spouse's net

20 income exceeds seven thousand five hundred dollars the
 21 regular tax imposed under this division shall be the
 22 lesser of the maximum state individual income tax rate
 23 times the portion of the net income in excess of seven
 24 thousand five hundred dollars or the regular tax
 25 liability computed without regard to this sentence.
 26 Taxpayers electing to file separately shall compute
 27 the alternate tax described in this paragraph using
 28 the total net income of the husband and wife.”

29 4. Page 5, line 23, by striking the following:
 30 “for tax years beginning in the 1987 calendar year
 31 only.”

32 5. Page 6, by striking lines 5 through 22 and in-
 33 serting the following:

34 “23. Add the amount of intangible drilling and
 35 development costs optionally deducted in the year paid
 36 or incurred as ~~allowed under section 263(e) described~~
 37 in section 57(a)(2) of the Internal Revenue Code of
 38 1954. This amount may be recovered through cost
 39 depletion or depreciation, as appropriate under rules
 40 prescribed by the director.

41 24. Add the percentage depletion amount determined
 42 with respect to an oil, gas, or geothermal well using
 43 methods as described in section ~~613~~ 57(a)(1) of the
 44 Internal Revenue Code of 1954 ~~that is in excess of the~~
 45 ~~cost depletion amount determined under section 611 of~~
 46 ~~the Internal Revenue Code of 1954.”~~

47 6. Page 6, by striking lines 25 and 26 and in-
 48 serting the following:

49 “NEW SUBSECTION. 27. Add interest and dividends
 50 from regulated”.

Page 2

1 7. Page 7, lines 8 and 9, by striking the follow-
 2 ing: “for tax years beginning in the 1987 calendar
 3 year only.”

4 8. Page 7, line 21, by striking the following:
 5 “for tax years beginning in the 1987 calendar year
 6 only.”

7 9. Page 7, by striking lines 26 and 27 and in-
 8 serting the following:

9 “NEW SUBSECTION. 6. The taxpayer may recompute
 10 the taxpayer’s”.

11 10. Page 10, lines 31 and 32, by striking the
 12 following: “for tax years beginning in the 1987
 13 calendar year only.”

14 11. Page 11, by striking line 1 and inserting the
 15 following: “by adding the following new unnumbered
 16 paragraphs:

17 NEW UNNUMBERED PARAGRAPH. The department shall
 18 provide on income forms or in the instruction booklets
 19 in a manner that will be noticeable to the taxpayers a
 20 statement to the extent that even though the taxpayer
 21 may not have any federal or state income tax liability
 22 that the taxpayer may be eligible for the federal
 23 earned income tax credit. The statement shall also
 24 contain notice of where the taxpayer may check on the
 25 taxpayer's eligibility for this credit."

26 12. Page 11, by striking lines 2 and 3 and in-
 27 serting the following:

28 "NEW UNNUMBERED PARAGRAPH. The department shall
 29 prepare and make".

30 13. Page 12, by striking lines 2 and 3 and in-
 31 serting the following:

32 "Sec. 13. Section 422.7, subsections 10, 12, 14,
 33 15, 22, and 26,".

34 14. Page 12, by striking lines 6 and 7 and in-
 35 serting the following:

36 "Sec. 14. References in section 422.8 and in any
 37 other provision".

38 15. Title page, line 3, by inserting after the
 39 word "retroactive" the following: "and providing for
 40 it to be effective upon enactment".

CHARLES BRUNER
 BILL HUTCHINS
 CALVIN O. HULTMAN

S-4141

1 Amend Senate File 524 as follows:

DIVISION S—4141B

2 1. Page 1, by striking lines 3 and 4 and
 3 inserting the following:

4 "NEW SUBSECTION. 19. The definition of the
 5 Internal".

6 2. Page 1, lines 14 and 15, by striking the
 7 following: "for tax years beginning in the 1987
 8 calendar year only,".

9 3. Page 5, lines 8 and 9, by striking the follow-
 10 ing: "for tax years beginning in the 1987 calendar
 11 year only,".

12 4. Page 5, lines 12 and 13, by striking the
 13 following: "for tax years beginning in the 1987
 14 calendar year only,".

15 5. Page 5, line 23, by striking the following:
 16 "for tax years beginning in the 1987 calendar year

17 only.”

18 6. Page 6, by striking lines 5 through 22 and in-
19 serting the following:

20 “23. Add the amount of intangible drilling and
21 development costs optionally deducted in the year paid
22 or incurred as ~~allowed under section 263(c)~~ described
23 in section 57(a)(2) of the Internal Revenue Code of
24 1954. This amount may be recovered through cost
25 depletion or depreciation, as appropriate under rules
26 prescribed by the director.

27 24. Add the percentage depletion amount determined
28 with respect to an oil, gas, or geothermal well using
29 methods as described in section ~~613~~ 57(a)(1) of the
30 Internal Revenue Code of 1954 ~~that is in excess of the~~
31 ~~cost depletion amount determined under section 611 of~~
32 ~~the Internal Revenue Code of 1954.”~~

DIVISION S—4141A

33 7. Page 6, by striking lines 25 and 26 and in-
34 serting the following:

35 “NEW SUBSECTION. 27. Add interest and dividends
36 from regulated”.

DIVISION S—4141B (cont'd.)

37 8. Page 7, lines 8 and 9, by striking the follow-
38 ing: “for tax years beginning in the 1987 calendar
39 year only.”

40 9. Page 7, line 21, by striking the following:
41 “for tax years beginning in the 1987 calendar year
42 only.”

43 10. Page 7, by striking lines 26 and 27 and in-
44 serting the following:

45 “NEW SUBSECTION. 6. The taxpayer may recompute
46 the taxpayer’s”.

47 11. Page 10, lines 31 and 32, by striking the
48 following: “for tax years beginning in the 1987
49 calendar year only.”

50 12. Page 11, by striking lines 2 and 3 and in-

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DIVISION S—4141B (cont'd.)

1 serting the following:

2 “NEW UNNUMBERED PARAGRAPH. The department shall
3 prepare and make”.

4 13. Page 12, by striking lines 2 and 3 and in-
5 serting the following:

6 "Sec. 13. Section 422.7, subsections 10, 12, 14,
7 15, 22, and 26,".

8 14. Page 12, by striking lines 6 and 7 and in-
9 serting the following:

10 "Sec. 14. References in section 422.8 and in any
11 other provision".

12 15. Page 12, by striking line 20 and inserting
13 the following: "1987 and 1988 calendar years only."

14 16. Title page, line 2, by striking the words
15 "calendar year" and inserting the following: "and
16 1988 calendar years".

JOE WELSH
LARRY MURPHY

S-4142

1 Amend Senate File 524 as follows:

2 1. Page 6, by inserting after line 22 the fol-
3 lowing:

4 "Sec. 50. Section 422.7, subsection 2, Code
5 Supplement 1987, is amended to read as follows:

6 2. Add interest and dividends from foreign
7 securities and from securities of state and other
8 political subdivisions, except interest from general
9 obligation bonds issued by political subdivisions of
10 Iowa, exempt from federal income tax under the
11 Internal Revenue Code of 1954."

12 2. Page 12, line 18, by inserting after the
13 figure "10," the following: "50,".

14 3. By renumbering as necessary.

EDGAR H. HOLDEN

S-4143

1 Amend Senate File 524 as follows:

DIVISION S—4143A

2 1. Page 2, lines 29 and 30, by striking the words
3 "except for the net capital gain deduction,".

4 2. Page 6, line 24, by striking the word
5 "subsection:" and inserting the following:
6 "subsections:".

7 3. Page 6, by inserting after line 32 the
8 following:

9 "NEW SUBSECTION. 28. Subtract sixty percent of
10 the net capital gains from each of the following types
11 of property used in a trade or business in which the

12 taxpayer or the taxpayer's spouse materially
13 participates:

14 a. From sales of breeding livestock or timber.
15 Not more than thirty thousand dollars may be deducted
16 by the taxpayer under this paragraph.

17 b. From the sales of real estate used in the trade
18 or business for at least five years and in which the
19 taxpayer had an interest for at least ten years. Not
20 more than one hundred twenty thousand dollars may be
21 deducted by the taxpayer under this paragraph.

22 For purposes of this subsection, "net capital
23 gains" means the excess of long-term capital gain over
24 long-term capital loss as would be determined solely
25 for the type of property involved under section 1231
26 of the Internal Revenue Code. Material participation
27 shall be determined in a manner similar to the manner
28 used for purposes of paragraph (1) of section 1402(a)
29 of the Internal Revenue Code relating to net earnings
30 from self-employment. A taxpayer who is retired as
31 described in section 2032A(b)(4) of the Internal
32 Revenue Code of 1986 shall be treated as materially
33 participating in the trade or business. Any income or
34 loss resulting from the forfeiture, transfer, or sale
35 or exchange described in section 422.7, subsection 25,
36 shall not be used in computing net capital gain for
37 purposes of this subsection.

38 The deduction allowed by this subsection shall
39 apply to computing the income of subchapter S
40 corporations and of income attributable to individual
41 members of a partnership, as long as the individual
42 taxpayer materially participated and held the
43 partnership interest or the shareholder interest for
44 the entire applicable period."

45 4. By striking page 7, line 24 through page 10,
46 line 8.

47 5. By striking page 10, line 35 through page 11,
48 line 13.

DIVISION S—4143B

49 6. Page 12, by inserting after line 17 the
50 following:

Page 2

DIVISION S—4143B (cont'd.)

1

2 "Sec. ____.

3 1. Effective January 1, 1988, the department of
4 human services shall establish the schedule of basic
5 needs for the aid to families with dependent children
6 program at not less than the following amounts: for
7 one person at one hundred sixty-eight dollars, for two
8 persons at three hundred thirty-two dollars, for three
9 persons at three hundred ninety-two dollars, for four
10 persons at four hundred fifty-six dollars, for five
11 persons at five hundred five dollars, for six persons
12 at five hundred sixty-one dollars, for seven persons
13 at six hundred seventeen dollars, for eight persons at
14 six hundred seventy-three dollars, for nine persons at
15 seven hundred twenty-eight dollars, for ten persons at
16 seven hundred ninety-six dollars, and for each
17 additional person at seventy-nine dollars.

18 2. Effective January 1, 1988, the department of
19 human services shall establish the following medical
20 assistance provider reimbursement rates at no less
21 than the following rates:

22 a. The basis for establishing the maximum medical
23 assistance rate for intermediate care facilities shall
24 be the sixty-first percentile of all facility per
25 diems as calculated from the January 1, 1988,
26 unaudited compilation of cost and statistical data.

27 b. Skilled nursing facility and rural health
28 clinic payment rates shall be increased by two
29 percent.

30 c. The three and eighty-five hundredths percent
31 reduction shall no longer be applied to residential
32 care facilities. Furthermore, the maximum
33 reimbursement rate for residential care facilities
34 shall be increased by two percent making the maximum
35 rate seventeen dollars and sixty-two cents. The new
36 flat rate for facilities electing not to file cost
37 reports shall be twelve dollars and sixty cents.

38 d. The three and eighty-five hundredths percent
39 reduction shall not be applied to the in-home health
40 related care program. Furthermore, the maximum
41 reimbursement rate for the in-home health related care
42 program shall be increased by two percent.

43 e. For services given by social service providers,
44 reductions to invoices or rates shall be discontinued.
45 Furthermore, rates shall be automatically increased by
46 two percent over the unreduced rates in effect on June
47 30, 1987. Rates for foster group care and shelter
48 care services shall not exceed sixty-eight dollars and
49 eighty cents per day. This automatic increase is
50 intended to be a one-time exception to policy for the

Page 3

DIVISION S—4143B (cont'd.)

- 1 fiscal period beginning January 1, 1988, and ending
 2 June 30, 1988 only and is not intended to eliminate
 3 regular submission of cost reports.
 4 3. The department of human services may transfer
 5 funds to the office of the attorney general for the
 6 fiscal period beginning January 1, 1988, and ending
 7 June 30, 1988, for the legal assistance to farmers
 8 program.”
 9 7. Title page, line 3, by inserting after the
 10 word “retroactive” the following: “, and to the
 11 state’s use of revenue for certain human services
 12 programs”.
 13 8. By renumbering as necessary.

CHARLES BRUNER
 BEVERLY A. HANNON
 JAMES R. RIORDAN
 AL STURGEON
 RICHARD VARN
 JEAN LLOYD-JONES
 THOMAS MANN, JR.

S-4144

- 1 Amend Senate File 524 as follows:
 2 1. Page 10, by inserting after line 34 the
 3 following:
 4 “Sec. ____ . Section 422.16, subsection 11,
 5 paragraph b, Code Supplement 1987, is amended to read
 6 as follows:
 7 b. In the case of persons or married couples
 8 filing jointly, the total balance of the tax payable
 9 after credits for taxes paid through withholding, as
 10 provided in subsection 1 of this section, or through
 11 payment of estimated tax, or a combination of
 12 withholding and estimated tax payments is due and
 13 payable on or before April 30 following the close of
 14 the calendar year, or if the return is to be made on
 15 the basis of a fiscal year, then on or before the last
 16 day of the fourth month following the close of the
 17 fiscal year. However, for tax years beginning in the
 18 1987 calendar year, the due date for payment of
 19 withholding or estimated tax payments is May 15 or the
 20 fifteenth day of the fifth month following the close
 21 of the fiscal year, whichever is applicable.
 22 Sec. ____ . Section 422.21, unnumbered paragraph 1,

23 Code Supplement 1987, is amended to read as follows:
 24 Returns shall be in the form the director
 25 prescribes, and shall be filed with the department on
 26 or before the last day of the fourth month, except for
 27 tax years beginning in the 1987 calendar year the date
 28 is the fifteenth day of the fifth month, after the
 29 expiration of the tax year except that co-operative
 30 associations as defined in section 6072(d)' of the
 31 Internal Revenue Code shall file their returns on or
 32 before the fifteenth day of the ninth month following
 33 the close of the taxable year. If, under the Internal
 34 Revenue Code, a corporation is required to file a
 35 return covering a tax period of less than twelve
 36 months, the state return shall be for the same period
 37 and is due forty-five days after the due date of the
 38 federal tax return, excluding any extension of time to
 39 file. In case of sickness, absence, or other
 40 disability, or if good cause exists, the director may
 41 allow further time for filing returns. The director
 42 shall cause to be prepared blank forms for the returns
 43 and shall cause them to be distributed throughout the
 44 state and to be furnished upon application, but
 45 failure to receive or secure the form does not relieve
 46 the taxpayer from the obligation of making a return
 47 that is required. The department may as far as
 48 consistent with the Code draft income tax forms to
 49 conform to the income tax forms of the internal
 50 revenue department of the United States government.

Page 2

- 1 Each return by a taxpayer upon whom a tax is imposed
- 2 by section 422.5 shall show the county of the
- 3 residence of the taxpayer.”
- 4 2. Renumber sections and correct internal
- 5 references as necessary in accordance with this
- 6 amendment.

LARRY MURPHY

S-4145

- 1 Amend Senate File 524 as follows:
- 2 1. Page 12, line 3, by striking the figure “15.”

DALE L. TIEDEN
 JULIA GENTLEMAN
 JIM LIND
 EDGAR H. HOLDEN

S-4146

1 Amend House File 689 as amended, passed and
2 reprinted by the House as follows:
3 1. Page 11, line 5, by inserting after the word
4 "year." the following: "Because of the changes made
5 in this Act and the lateness of its passage, the
6 director is authorized to use any funds that have been
7 appropriated to the department for the purpose of the
8 printing of the 1987 income tax forms and instruction
9 booklets, and the distribution of them so that such
10 forms and booklets will be available to the taxpayers
11 at the same time as for normal years."

JOE WELSH
LARRY MURPHY

S-4147

1 Amend House File 689 as amended and passed by the
2 House, as follows:
3 1. Page 10, by inserting after line 19 the
4 following:
5 "Sec. ____ . **NEW SECTION. 422.12A INCOME TAX**
6 **REFUND CHECKOFF FOR OLYMPICS.**
7 A person who files an individual or a joint income
8 tax return with the department of revenue and finance
9 under section 422.13 may designate one dollar to be
10 paid to the United States olympic committee fund. If
11 the refund due on the return or the payment remitted
12 with the return is insufficient to pay the amount
13 designated by the taxpayer to the United States
14 olympic committee fund, the amount designated shall be
15 reduced to the remaining amount of refund or the
16 remaining amount remitted with the return.
17 The director of revenue and finance shall draft the
18 income tax form to allow the designation of
19 contributions to the United States olympic committee
20 fund on the tax return.
21 The department of revenue and finance on or before
22 January 31 of the year following the preceding
23 calendar year shall certify the total amount
24 designated on the tax return forms due in the
25 preceding calendar year and shall report the amount to
26 the treasurer of state. The treasurer of state shall
27 credit the amount to the United States olympic
28 committee fund.
29 The moneys in the United States olympic committee
30 fund are appropriated annually for the purposes
31 specified in this section.

32 On or before March 1 of each year, the department
33 of revenue and finance shall pay the moneys in the
34 fund to the United States olympic committee.

35 The action taken by a person for the checkoff is
36 irrevocable.

37 The department shall adopt rules to implement this
38 section. However, before a checkoff pursuant to this
39 section shall be permitted, all liabilities on the
40 books of the department of revenue and finance and
41 accounts identified as owing under section 421.17 and
42 the political contribution allowed under section 56.18
43 shall be satisfied.”

44 2. Renumber sections and correct internal
45 references as necessary in accordance with this
46 amendment.

TOM MANN, Jr.

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