

Delaney
Rahberg
McKinley

SSB-1049
Ways & Means

Succeeded By
SENATE/HOUSE FISCAL/HF 140
BY (PROPOSED DEPARTMENT OF
REVENUE AND FINANCE BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act updating the Iowa Code references to the Internal Revenue
2 Code, increasing the minimum filing income requirement for
3 dependents, lowering the threshold amount for making estimated
4 payments for corporations and financial institutions,
5 increasing the estimated tax payment standard for assessing a
6 penalty for corporations and financial institutions, and
7 providing retroactive applicability dates and an effective
8 date.

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

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

3 4. For purposes of this section, "base amount", "basic
4 research payment", and "qualified research expense" mean the
5 same as defined for the federal credit for increasing research
6 activities under section 41 of the Internal Revenue Code,
7 except that for the alternative incremental credit such
8 amounts are for research conducted within this state. For
9 purposes of this section, "Internal Revenue Code" means the
10 Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

11 Sec. 2. Section 15A.9, subsection 8, paragraph e, Code
12 2001, is amended to read as follows:

13 e. For the purposes of this subsection, "base amount",
14 "basic research payment", and "qualified research expense"
15 mean the same as defined for the federal credit for increasing
16 research activities under section 41 of the Internal Revenue
17 Code, except that for the alternative incremental credit such
18 amounts are for research conducted within this state within
19 the zone. For purposes of this subsection, "Internal Revenue
20 Code" means the Internal Revenue Code in effect on January 1,
21 ~~2000~~ 2001.

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

24 5. "Internal Revenue Code" means the Internal Revenue Code
25 of 1954, prior to the date of its redesignation as the
26 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
27 or means the Internal Revenue Code of 1986 as amended to and
28 including January 1, ~~2000~~ 2001, whichever is applicable.

29 Sec. 4. Section 422.7, subsection 6, Code 2001, is amended
30 by striking the subsection.

31 Sec. 5. Section 422.10, subsection 3, Code 2001, is
32 amended to read as follows:

33 3. For purposes of this section, "base amount", "basic
34 research payment", and "qualified research expense" mean the
35 same as defined for the federal credit for increasing research

1 activities under section 41 of the Internal Revenue Code,
2 except that for the alternative incremental credit such
3 amounts are for research conducted within this state. For
4 purposes of this section, "Internal Revenue Code" means the
5 Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

6 Sec. 6. Section 422.13, subsection 1, paragraph b, Code
7 2001, is amended to read as follows:

8 b. The individual is claimed as a dependent on another
9 person's return and has net income of ~~four~~ five thousand
10 dollars or more for the tax year from sources taxable under
11 this division.

12 Sec. 7. Section 422.33, subsection 5, paragraph d, Code
13 2001, is amended to read as follows:

14 d. For purposes of this subsection, "base amount", "basic
15 research payment", and "qualified research expense" mean the
16 same as defined for the federal credit for increasing research
17 activities under section 41 of the Internal Revenue Code,
18 except that for the alternative incremental credit such
19 amounts are for research conducted within this state. For
20 purposes of this subsection, "Internal Revenue Code" means the
21 Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

22 Sec. 8. Section 422.85, Code 2001, is amended to read as
23 follows:

24 422.85 IMPOSITION OF ESTIMATED TAX.

25 A taxpayer subject to the tax imposed by sections 422.33
26 and 422.60 shall make payments of estimated tax for the
27 taxable year if the amount of tax payable, less credits, can
28 reasonably be expected to be more than ~~one-thousand~~ five
29 hundred dollars for the taxable year. For purposes of this
30 division, "estimated tax" means the amount which the taxpayer
31 estimates to be the tax due and payable under division III or
32 V of this chapter for the taxable year.

33 Sec. 9. Section 422.86, Code 2001, is amended to read as
34 follows:

35 422.86 PAYMENT OF ESTIMATED TAX.

1 A taxpayer required to pay estimated tax under section
2 422.85 shall pay the estimated tax in accordance with the
3 following schedule:

4 1. If it is first determined that the estimated tax will
5 be greater than one-thousand five hundred dollars on or before
6 the last day of the fourth month of the taxable year, the
7 estimated tax shall be paid in four equal installments. The
8 first installment shall be paid not later than the last day of
9 the fourth month of the taxable year. The second and third
10 installments shall be paid not later than the last day of the
11 sixth and ninth months of the taxable year, and the final
12 installment shall be paid on or before the last day of the
13 taxable year.

14 2. If it is first determined that the estimated tax will
15 be greater than one-thousand five hundred dollars after the
16 last day of the fourth month but not later than the last day
17 of the sixth month of the taxable year, the estimated tax
18 shall be paid in three equal installments. The first
19 installment shall be paid not later than the last day of the
20 sixth month of the taxable year. The second installment shall
21 be paid on or before the last day of the ninth month of the
22 taxable year and the third installment shall be paid on or
23 before the last day of the taxable year.

24 3. If it is first determined that the estimated tax will
25 be greater than one-thousand five hundred dollars after the
26 last day of the sixth month but not later than the last day of
27 the ninth month of the taxable year, the estimated tax shall
28 be paid in two equal installments. The first installment
29 shall be paid not later than the last day of the ninth month
30 and the second installment shall be paid on or before the last
31 day of the taxable year.

32 4. If it is first determined that the estimated tax will
33 be greater than one-thousand five hundred dollars after the
34 last day of the ninth month of the taxable year, the estimated
35 tax shall be paid in full on or before the last day of the

1 taxable year.

2 5. If, after paying any installment of estimated tax, the
3 taxpayer makes a new estimate, the remaining installments
4 shall be ratably adjusted to reflect the increase or decrease
5 in the estimated tax.

6 Sec. 10. Section 422.88, subsections 2 and 3, Code 2001,
7 are amended to read as follows:

8 2. The amount of the underpayment shall be the excess of
9 the amount of the installment which would be required to be
10 paid if the estimated tax was equal to ninety one hundred
11 percent of the tax shown on the return of the taxpayer for the
12 taxable year over the amount of installments paid on or before
13 the date prescribed for payment.

14 3. If the taxpayer did not file a return during the
15 taxable year, the amount of the underpayment shall be equal to
16 ninety one hundred percent of the taxpayer's tax liability for
17 the taxable year over the amount of installments paid on or
18 before the date prescribed for payment.

19 Sec. 11. RETROACTIVE AND APPLICABILITY DATES.

20 1. Sections 1 through 5 and 7 of this Act apply
21 retroactively to January 1, 2000, for tax years beginning on
22 or after that date.

23 2. Sections 6, 8, 9, and 10 of this Act apply
24 retroactively to January 1, 2001, for tax years beginning on
25 or after that date.

26 Sec. 12. EFFECTIVE DATE. This Act, being deemed of
27 immediate importance, takes effect upon enactment.

28 EXPLANATION

29 This bill updates the references to the Internal Revenue
30 Code to make the federal income tax revisions enacted by
31 Congress in 2000 applicable for Iowa income tax purposes.

32 Code sections 15.335, 15A.9, 422.10, and 422.33 are amended
33 to update the Iowa Code references to the state research
34 activities credit for individuals, corporations, corporations
35 in economic development areas, and corporations in quality

1 jobs enterprise zones to include the 2000 federal changes in
2 the research activities credit.

3 The bill amends Code section 422.7 to strike a subsection
4 related to trusts, which refers to a section of the Internal
5 Revenue Code that was repealed.

6 The bill raises from \$4,000 to \$5,000 the minimum net
7 income that a dependent must earn in the tax year before the
8 dependent is required to file a state income tax return.

9 The bill amends Code sections 422.85 and 422.86 to lower
10 the threshold amount for making estimated tax payments for
11 corporations and financial institutions. The amount is
12 decreased from \$1,000 to \$500. The bill amends Code section
13 422.88 to increase the standard for the exception to the
14 penalty for making underpayments of estimated tax for
15 corporations and financial institutions from 90 percent of the
16 tax liability to 100 percent of the tax liability.

17 All of the provisions in the bill relating to updating
18 changes in the Internal Revenue Code and the repeal of the
19 subsection related to trusts are retroactively applicable to
20 January 1, 2000, for tax years beginning on or after that
21 date. The provision affecting dependents and the provisions
22 related to estimated tax payments for corporations and
23 financial institutions are retroactively applicable to January
24 1, 2001, for tax years beginning on or after that date.

25 The bill takes effect upon enactment.

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Substitutes for HF 416
5/2/01 (P. 1740)

3/22/01 W. + mean

FILED FEB 6 '01

SENATE FILE 140
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1049)

Passed Senate, Date ^(P. 755) 3-21-01 Passed House, Date ^(P. 1741) 5/2/01
Vote: Ayes 48 Nays 0 Vote: Ayes 95 Nays 0
Approved May 16, 2001
Re-passed Ayes 49 Nays 0
^(P. 1481) 5/3/01

A BILL FOR

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SF 140

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20 1. Sections 1 through 5 and 7 of this Act apply
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10 the threshold amount for making estimated tax payments for
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12 decreased from \$1,000 to \$500. The bill amends Code section
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14 penalty for making underpayments of estimated tax for
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16 tax liability to 100 percent of the tax liability.

17 All of the provisions in the bill relating to updating
18 changes in the Internal Revenue Code and the repeal of the
19 subsection related to trusts are retroactively applicable to
20 January 1, 2000, for tax years beginning on or after that
21 date. The provision affecting dependents and the provisions
22 related to estimated tax payments for corporations and
23 financial institutions are retroactively applicable to January
24 1, 2001, for tax years beginning on or after that date.

25 The bill takes effect upon enactment.

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SENATE FILE 140
FISCAL NOTE

A fiscal note for **Senate File 140** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 140 updates Code of Iowa references to the federal internal Revenue Code to conform with changes made by the 2000 Congress.

FISCAL IMPACT

Conforming Iowa's tax code to the 2001 Internal Revenue Code will reduce General Fund revenues by the following amounts:

\$2.1 million -- FY 2001

\$3.2 million -- FY 2002 and beyond

The State fiscal impact is due to the following changes in federal tax law:

1. Repeal of installment sales accounting limitations
2. Foreign sales corporation repeal
3. Private activity bond cap increase
4. Brownfields tax incentives
5. Corporate donations of computer technology
6. Tax incentives for Renewal Communities
7. New Empowerment Zones

SOURCE

Department of Revenue and Finance

(LSB 1187SV, JWR)

FILED FEBRUARY 19, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 140**H-1596**

1 Amend Senate File 140, as passed by the Senate, as
2 follows:
3 1. Page 4, by striking lines 6 through 18.
4 2. Page 4, line 23, by striking the word and
5 figures "9, and 10" and inserting the following: "and
6 9".
7 3. Title page, by striking lines 5 and 6 and
8 inserting the following: "and".

By JOCHUM of Dubuque

H-1596 FILED APRIL 19, 2001

O/O
5/2/01 (p. 1741)

SENATE FILE 140**H-1622**

1 Amend Senate File 140, as passed by the Senate, as
2 follows:
3 1. By striking page 2, line 22, through page 4,
4 line 18.
5 2. Page 4, by striking line 23 and inserting the
6 following:
7 "2. Section 6 of this Act applies".
8 3. Title page, by striking lines 3 and 4 and
9 inserting the following: "dependents,".
10 4. By renumbering, redesignating, and correcting
11 internal references as necessary.

By ALONS of Sioux
EICHHORN of Hamilton

H-1622 FILED APRIL 19, 2001

Adapted
5/2/01
(p. 1741)

SENATE FILE 140

H-1909

1 Amend Senate File 140, as follows:
2 1. Page 1, by inserting after line 30 the
3 following:
4 "Sec. 4A. Section 422.7, Code 2001, is amended by
5 adding the following new subsection:
6 NEW SUBSECTION. 36. Notwithstanding the method
7 for computing income from an installment sale under
8 section 453 of the Internal Revenue Code, as defined
9 in section 422.3, the method to be used in computing
10 income from an installment sale shall be the method
11 under section 453 of the Internal Revenue Code, as
12 amended up to and including January 1, 2000. A
13 taxpayer affected by this subsection shall make
14 adjustments in the adjusted gross income pursuant to
15 rules adopted by the director."
16 2. Page 4, line 20, by inserting after the word
17 "through" the following: "4A,".

By EICHHORN of Hamilton

H-1909 FILED MAY 2, 2001

adopted
5/2/01 (P. 1740)

SENATE FILE 140

H-1918

1 Amend Senate File 140, as passed by the Senate, as
2 follows:
3 1. By striking page 2, line 22, through page 4,
4 line 18.
5 2. Page 4, by striking line 23 and inserting the
6 following:
7 "2. Section 6 of this Act applies".
8 3. Title page, by striking lines 3 and 4 and
9 inserting the following: "dependents,".
10 4. By renumbering, redesignating, and correcting
11 internal references as necessary.

By ALONS of Sioux
EICHHORN of Hamilton

H-1918 FILED MAY 2, 2001

0/0
5/2/01
(P. 1741)

HOUSE AMENDMENT TO
SENATE FILE 140

S-3611

1 Amend Senate File 140, as follows:

2 1. Page 1, by inserting after line 30 the
3 following:

4 "Sec. 4A. Section 422.7, Code 2001, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 36. Notwithstanding the method
7 for computing income from an installment sale under
8 section 453 of the Internal Revenue Code, as defined
9 in section 422.3, the method to be used in computing
10 income from an installment sale shall be the method
11 under section 453 of the Internal Revenue Code, as
12 amended up to and including January 1, 2000. A
13 taxpayer affected by this subsection shall make
14 adjustments in the adjusted gross income pursuant to
15 rules adopted by the director."

16 2. By striking page 2, line 22, through page 4,
17 line 18.

18 3. Page 4, line 20, by inserting after the word
19 "through" the following: "4A,".

20 4. Page 4, by striking line 23 and inserting the
21 following:

22 "2. Section 6 of this Act applies".

23 5. Title page, by striking lines 3 and 4 and
24 inserting the following: "dependents,".

25 6. By renumbering, relettering, or redesignating
26 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-3611 FILED MAY 2, 2001

Concurred 5/3/01 (p.1480)

SENATE FILE 140

AN ACT

UPDATING THE IOWA CODE REFERENCES TO THE INTERNAL REVENUE CODE, INCREASING THE MINIMUM FILING INCOME REQUIREMENT FOR DEPENDENTS, INCREASING THE ESTIMATED TAX PAYMENT STANDARD FOR ASSESSING A PENALTY FOR CORPORATIONS AND FINANCIAL INSTITUTIONS, AND PROVIDING RETROACTIVE APPLICABILITY DATES AND AN EFFECTIVE DATE.

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

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

4. For purposes of this section, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

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

e. For the purposes of this subsection, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state within the zone. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

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

5. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the

Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including January 1, ~~2000~~ 2001, whichever is applicable.

Sec. 4. Section 422.7, subsection 6, Code 2001, is amended by striking the subsection.

Sec. 5. Section 422.7, Code 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 36. Notwithstanding the method for computing income from an installment sale under section 453 of the Internal Revenue Code, as defined in section 422.3, the method to be used in computing income from an installment sale shall be the method under section 453 of the Internal Revenue Code, as amended up to and including January 1, 2000. A taxpayer affected by this subsection shall make adjustments in the adjusted gross income pursuant to rules adopted by the director.

Sec. 6. Section 422.10, subsection 3, Code 2001, is amended to read as follows:

3. For purposes of this section, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

Sec. 7. Section 422.13, subsection 1, paragraph b, Code 2001, is amended to read as follows:

b. The individual is claimed as a dependent on another person's return and has net income of four five thousand dollars or more for the tax year from sources taxable under this division.

Sec. 8. Section 422.33, subsection 5, paragraph d, Code 2001, is amended to read as follows:

d. For purposes of this subsection, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research

activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2000~~ 2001.

Sec. 9. RETROACTIVE AND APPLICABILITY DATES.

1. Sections 1 through 6 and 8 of this Act apply retroactively to January 1, 2000, for tax years beginning on or after that date.

2. Section 7 of this Act applies retroactively to January 1, 2001, for tax years beginning on or after that date.

Sec. 10. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

MARY E. KRAMER
President of the Senate

BRENT SIEGRIST
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 140, Seventy-ninth General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved May 16, 2001

THOMAS J. VILSACK
Governor