

SENATE FILE 2171  
BY REHBERG

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act establishing a separate fund in the state treasury for  
2 contributions made by individuals who do not pay enough state  
3 taxes and including an effective date.

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

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SF 2171  
WAYS & MEANS

1 Section 1. NEW SECTION. 12A.1 INDIVIDUAL UNDERPAID TAXES  
2 FUND.

3 1. An individual underpaid taxes fund is established in  
4 the state treasury. The individual underpaid taxes fund shall  
5 be separate from the general fund of the state and shall not  
6 be considered part of the general fund of the state except in  
7 determining the cash position of the state. Moneys in the  
8 fund may be used for cash flow purposes provided that any  
9 moneys so allocated are returned to the fund at the end of the  
10 fiscal year. The moneys in the fund are not subject to  
11 section 8.33 and shall not be transferred, used, obligated,  
12 appropriated, or otherwise encumbered except as provided in  
13 this section.

14 2. Moneys shall be deposited into the individual underpaid  
15 taxes fund from contributions made from individual residents  
16 and nonresidents of Iowa who believe they have not paid enough  
17 state taxes or from any other person. A contributor to the  
18 fund may designate the general purpose for which the  
19 contribution should be used. To the extent practicable, the  
20 treasurer of state shall maintain a total for each purpose  
21 designated by the contributors. The designation of a purpose  
22 for which a contribution is to be used does not, in any way,  
23 restrict or encumber the use of the contribution for any other  
24 purpose as established in an appropriation by the general  
25 assembly. However, all contributions shall be used for public  
26 purposes only.

27 Notwithstanding section 12C.7, subsection 2, interest or  
28 earnings on moneys deposited in the individual underpaid taxes  
29 fund shall be credited to the fund.

30 3. Except as provided for cash flow purposes under  
31 subsection 1, the moneys in the individual underpaid taxes  
32 fund shall only be used in accordance with an appropriation  
33 made by the general assembly.

34 4. The treasurer of state shall inform the public of the  
35 availability of the individual underpaid taxes fund for those

1 who believe their tax burdens are less than the benefits  
2 bestowed by the state.

3 Sec. 2. Section 422.21, Code 2001, is amended by adding  
4 the following new unnumbered paragraph:

5 NEW UNNUMBERED PARAGRAPH. The department shall provide on  
6 income tax forms or in the instruction booklets in a manner  
7 that will be noticeable to the taxpayers a statement that if  
8 the taxpayer determines that the amount of tax owed the state  
9 is insufficient to fund all benefits provided by the state,  
10 the taxpayer may make a contribution to the state by  
11 increasing the amount of tax owed or reducing the amount of  
12 refund due with the amount of the increase or reduction, as  
13 the case may be, to be deposited into the individual underpaid  
14 taxes fund for general operations of the state. An increase  
15 in the amount of tax due or a reduction in the amount of  
16 refund due which is made by an individual pursuant to this  
17 paragraph shall not be considered a tax but shall only be  
18 considered a contribution for state and federal tax purposes.

19 Sec. 3. EFFECTIVE DATE. This Act, being deemed of  
20 immediate importance, takes effect upon enactment.

21 EXPLANATION

22 This bill creates an individual underpaid taxes fund in the  
23 state treasury. The fund accepts contributions from  
24 individuals who believe that they have not paid enough in  
25 state taxes. In making their contributions, the individuals  
26 may designate, in a general way, the purpose for which the  
27 contributions are to be used. However, the moneys in the fund  
28 shall be used according to an appropriation made by the  
29 general assembly. The bill contains an instruction to the  
30 department of revenue and finance to notify on the income tax  
31 form or instruction booklet of the existence of this fund and  
32 that an individual may increase the tax due or reduce the  
33 refund with the increase or reduction going to the fund. The  
34 increase in tax owed or reduction in refund due shall not be  
35 considered a tax but only a contribution for state and federal

1 tax purposes. Contributions made by a taxpayer to the state  
2 for public purposes are charitable contributions and are  
3 deductible for state and federal income tax purposes, subject  
4 to certain limitations.

5 The bill takes effect upon enactment.

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