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WAYS AND MEANS

HOUSE FILE 658

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BAUDLER

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

A BILL FOR

1 An Act relating to the deduction of the capital gain from the
2 sale of capital investments made in or by certain businesses
3 and including an applicability date provision.

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

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HF 658

1 Section 1. Section 422.7, Code 2003, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 39. Subtract the capital gain from the
4 following:

5 a. The sale of an equity investment in a business if all
6 of the following requirements are met:

7 (1) The equity investment is held for a period of thirty-
8 six months or more from the date of acquisition.

9 (2) A credit is not claimed on the investment under
10 section 15E.66, 422.11F, or 422.11G.

11 (3) The deduction under this paragraph "a" is in lieu of
12 any deduction under section 1202 of the Internal Revenue Code.

13 b. If the adjusted gross income includes income or loss
14 from a business operated by the taxpayer, the sale of a
15 building, land, or machinery and equipment used in the
16 operation of the business if the building, land, or machinery
17 and equipment are held for a period of thirty-six months or
18 more from the date of acquisition.

19 An individual may claim the capital gain deduction of a
20 partnership, S corporation, limited liability company, estate,
21 or trust electing to have the income taxed directly to the
22 individual. The amount claimed by the individual shall be
23 based upon the pro rata share of the individual's earnings of
24 a partnership, S corporation, limited liability company,
25 estate, or trust.

26 Sec. 2. Section 422.35, Code 2003, is amended by adding
27 the following new subsection:

28 NEW SUBSECTION. 19. Subtract the capital gain from the
29 following:

30 a. The sale of an equity investment in a business if all
31 of the following requirements are met:

32 (1) The equity investment is held for a period of thirty-
33 six months or more from the date of acquisition.

34 (2) A credit is not claimed on the investment under
35 subsection 12 or 13 or section 15E.66.

1 b. The sale of a building, land, or machinery and
2 equipment used in the operation of the business if the
3 building, land, or machinery and equipment are held for a
4 period of thirty-six months or more from the date of
5 acquisition.

6 Sec. 3. APPLICABILITY DATE. This Act applies to capital
7 investments made in or by businesses on or after January 1,
8 2003, for tax years ending after that date.

9 EXPLANATION

10 This bill provides for the deduction of capital gains from
11 the sale of equity investments in businesses and from the sale
12 of buildings, land, or machinery and equipment of business if
13 certain requirements are met. These requirements are that the
14 equity investment or the building, land, or machinery and
15 equipment are held for at least three years; and no credit or
16 other deduction for the capital investment or gain is allowed.

17 The bill applies to capital investments made in or by
18 businesses on or after January 1, 2003, for tax years ending
19 after that date.

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