

Ways & Means 3/1

Withdrawn 4/21/83

SENATE FILE 315

Ways & Means
Dieleman, Chair
Deluhery
Lura

FILED FEB 25 1983

SENATE FILE 315

BY PALMER

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

A BILL FOR

1 An Act relating to the computation of net income for
2 purposes of the state individual and corporate income
3 tax by providing an additional business deduction for
4 wages paid or accrued for work done in the state by
5 certain individuals.

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

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S.F. 315

1 Section 1. Section 422.7, Code 1983, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 17. If the adjusted gross income includes
4 income or loss from a small business operated by the taxpayer,
5 an additional deduction shall be allowed in computing the
6 income or loss from the small business if the small business
7 hired for employment in the state during its annual accounting
8 period ending with or during the taxpayer's tax year any of
9 the following:

10 a. A handicapped individual domiciled in this state at
11 the time of the hiring.

12 b. An individual domiciled in this state at the time of
13 the hiring who meets any of the following conditions:

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

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

17 (3) Is on probation pursuant to chapter 907, for an offense
18 other than a simple misdemeanor.

19 (4) Is in a work release program pursuant to chapter 247A.

20 c. An individual, whether or not domiciled in this state
21 at the time of the hiring, who is on parole or probation and
22 to whom the interstate probation and parole compact under
23 section 247.40 applies.

24 The amount of the additional deduction is equal to fifty
25 percent of the wages paid to individuals named in paragraphs
26 a, b, and c who were hired for the first time by that business
27 during the annual accounting period for work done in the
28 state. This additional deduction is allowed for the wages
29 paid to those individuals during the twelve months following
30 the date of first employment by the business and shall be
31 deducted during the accounting periods when paid.

32 For purposes of this subsection, "small business" means
33 a trade or business which is not dominant in its field of
34 operation and is not an affiliate or subsidiary of a trade
35 or business dominant in its field of operation and "handicapped

1 individual" means an individual who has a physical or mental
2 disability which for that individual constitutes or results
3 in a functional limitation to employment.

4 The department shall provide by rule a detailed definition
5 of what constitutes a small business. The definition shall
6 vary according to the particular industry and may contain
7 criteria such as number of employees, dollar volume of
8 business, total assets, capitalization, or other related
9 factors.

10 Sec. 2. Section 422.35, Code 1983, is amended by adding
11 after subsection 6 the following new subsection and renumbering
12 the remaining subsections:

13 NEW SUBSECTION. 7. If the taxpayer is a small business
14 corporation, subtract an amount equal to fifty percent of
15 the wages paid to individuals named in paragraphs a, b, and
16 c who were hired for the first time by the taxpayer during
17 the tax year for work done in this state:

18 a. A handicapped individual domiciled in this state at
19 the time of the hiring.

20 b. An individual domiciled in this state at the time of
21 the hiring who meets any of the following conditions:

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

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

25 (3) Is on probation pursuant to chapter 907, for an offense
26 other than a simple misdemeanor.

27 (4) Is in a work release program pursuant to chapter 247A.

28 c. An individual, whether or not domiciled in this state
29 at the time of the hiring, who is on parole or probation and
30 to whom the interstate probation and parole compact under
31 section 247.40 applies.

32 This deduction is allowed for the wages paid to the
33 individuals named in paragraphs a, b, and c during the twelve
34 months following the date of first employment by the taxpayer
35 and shall be deducted in the tax years when paid.

1 For purposes of this subsection, "small business
2 corporation" means an incorporated trade or business which
3 is not dominant in its field of operation and is not an
4 affiliate or subsidiary of a trade or business dominant in
5 its field of operation and "handicapped individual" means
6 an individual who has a physical or mental disability which
7 for that individual constitutes or results in a functional
8 limitation to employment.

9 The department shall provide by rule a detailed definition
10 of what constitutes a small business. The definition shall
11 vary according to the particular industry and may contain
12 criteria such as number of employees, dollar volume of
13 business, total assets, capitalization, or other related
14 factors.

15 Sec. 3. This Act takes effect January 1 following enactment
16 for tax years beginning on or after the effective date.

17 EXPLANATION

18 The bill provides that in computing a taxpayer's net income
19 for purposes of the state individual or corporate income tax
20 an additional business deduction is allowed if the business
21 has hired for employment in the state certain individuals.
22 The individuals for which the additional deduction can be
23 made are handicapped workers, ex-felons domiciled in the
24 state, persons on parole, probation, or work release who are
25 domiciled in the state, and persons who are on parole or
26 probation from another state to whom the interstate probation
27 and parole compact applies as specified in section 247.40.
28 The amount of the additional deduction equals fifty percent
29 of the wages paid, during the twelve months following the
30 date of employment, to those individuals for work done in
31 the state. This deduction is in addition to the deduction
32 allowed for the wages paid or accrued to those individuals
33 in computing business income or loss. Thus the bill provides
34 that for hiring certain individuals and on certain wages a
35 business can deduct 150 percent of those wages for up to

1 twelve months.

2 The bill takes effect January 1 following enactment for
3 tax years beginning on or after January 1.

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SENATE 4
MARCH 17, 1983

SENATE FILE 315
FISCAL NOTE

REQUESTED BY SENATOR PALMER

In compliance with a written request there is hereby submitted a Fiscal Note for Senate File 315 pursuant to Joint Rule 17.

Senate File 315 provides that in computing a taxpayer's net income for purposes of state individual or state corporate income tax, an additional business deduction is allowed if the business has hired certain individuals for employment in the state. The deduction is limited to small businesses as defined by the bill. Individuals for which the additional deduction can be made include:

- handicapped workers,
- ex-felons domiciled in the state,
- persons on parole, probation, or work release who are domiciled in the state, and
- persons who are on parole or probation from another state to whom the interstate probation and parole compact applies.

The amount of the additional deduction equals fifty percent of the wages paid, during the twelve months following employment, to those individuals for work done in the state. The deduction is in addition to the deduction allowed for the wages paid or accrued to those individuals in computing business income or loss. The bill does not provide a threshold level stipulating existing employment levels necessary prior to the hiring of the above stipulated individuals.

bill takes effect January 1 following enactment for tax years beginning on or after January 1.

FISCAL IMPACT: No estimate of fiscal effect to the state can be made due to lack of predictive data. With the exception of ex-felons, for which figures are not available, roughly 25,000 individuals would qualify as employable by businesses who would then receive the additional deduction. While 70 percent of those individuals on probation are currently employed, figures estimating the employment levels of other qualifying individuals are not available.

SOURCES: DEPT OF REVENUE; D.S.S.

(1192S, 83-282, CMG)

FILED:
MARCH 16, 1983

BY LEGISLATIVE FISCAL BUREAU
DENNIS C. PROUTY, DIRECTOR