

Original from 1/30

SENATE FILE 118

FILED JAN 29 1985

BY RIFE and HUSAK

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

A BILL FOR

1 An Act relating to an export trade credit for purposes of
 2 the state individual and corporate income taxes and
 3 making the provisions retroactive.
 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 118

1 Section 1. Section 422.12, Code 1985, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. For a taxpayer operating a trade or
4 business, including the operation of a farm, as a sole
5 proprietorship, a partnership or a subchapter S corporation
6 which has elected to have the income taxed directly to the
7 individual, an export trade credit. The total amount of
8 export credit that may be claimed as a result of the operation
9 of a business equals five percent, not to exceed five thousand
10 dollars, of the value of the first-ever overseas sale of the
11 business' products or services which was made during the tax
12 year. The amount claimed by the taxpayer shall be based upon
13 the pro rata share of the taxpayer's earnings of the
14 partnership or subchapter S corporation. Any credit in excess
15 of the tax liability for the tax year may be credited to the
16 tax liability for the following three years or until depleted,
17 whichever is sooner.

18 Sec. 2. Section 422.33, Code 1985, is amended by adding
19 the following new subsection:

20 NEW SUBSECTION. The taxes imposed under this division
21 shall be reduced by an export trade credit equal to five
22 percent, not to exceed five thousand dollars, of the value of
23 the first-ever overseas sale of the taxpayer's products or
24 services which was made during the tax year. Any credit in
25 excess of the tax liability for the tax year may be credited
26 to the tax liability for the following three tax years or
27 until depleted, whichever is sooner.

28 Sec. 3. This Act is retroactive to January 1, 1985 for tax
29 years beginning on or after that date.

30 EXPLANATION

31 The bill allows as a credit for purposes of the state
32 individual and corporate income taxes an export trade credit
33 equal to five percent of the value of the first-ever overseas
34 sale of the taxpayer's products or services. The credit is
35 limited to \$5,000 and any excess in credit may be carried

1 forward to the next three tax years. To be entitled to the
2 credit the overseas sale must have been the business' first
3 overseas sale in its history.
4 The bill is retroactive to January 1, 1985 for tax years
5 beginning on or after that date.

STATE OF IOWA

Requested by Sen. Rife
LSB No. 1817S
Staff ID. CMG

FISCAL NOTE

FILED MAR 21 1985

In compliance with a written request received January 28, 1985, a fiscal note for SENATE FILE 118 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

SENATE FILE 118 allows a credit for first-ever overseas sales of the taxpayer's products or services for individual and corporate income tax purposes. The credit would be equal to five percent of such sales, but cannot exceed \$5,000. Any credit in excess of the taxpayer's liability may be carried forward to the next three tax years. To be entitled to the credit, the overseas sale must have been the business' first overseas sale in its history.

The bill is retroactive to January 1, 1985 for tax years beginning on or after that date.

FISCAL EFFECT. Senate File 118 would cause a reduction in individual and corporate income tax receipts. However, due to the absence of data concerning the number and amount of sales which would qualify under the program, an exact dollar estimate is not possible.

Source: Department of Revenue

(LSB 1817S, CMG)

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