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Senate File 402

WAYS AND MEANS: Gronstal, Chair; Holden and Mann

SENATE FILE 402

BY PRIEBE

FILED MAR 7 1985

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

### A BILL FOR

1 An Act permitting the deduction for state income tax purposes  
2 of the amount of foregone interest on a below-market loan  
3 made to a person actively engaged in farming or operating  
4 a small business if the purpose of the loan is to refinance  
5 a previous agricultural or small business loan.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
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SENATE 16 -- MARCH 22, 1985 STATE OF IOWA

FILED MAR 21 1985

### FISCAL NOTE

LSB No. 1296S  
Staff ID. CMG

SF 402

In compliance with a written request received March 11, 1985, a fiscal note for SENATE FILE 402 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 402 provides that in determining net income for state personal or corporate income taxes an individual may deduct from the adjusted gross income for federal income tax purposes the amount of foregone interest on below-market loans. These loans must be made to persons actively engaged in farming or operating a small business for the purpose of refinancing previous agricultural or small business loans.

The bill take effect July 1 following enactment.

**FISCAL EFFECT:** Senate File 402 would result in a reduction in state tax revenues. However, a specific estimate of this revenue loss cannot be provided.

Source: Department of Revenue

(LSB 1296S, CMG)

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1 Section 1. Section 422.7, Code 1985, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 20. To the extent included in adjusted  
4 gross income, deduct the amount of foregone interest on a  
5 below-market loan made to a person actively engaged in farming  
6 or operating a small business if the purpose of the loan is to  
7 refinance a previous agricultural or small business loan. As  
8 used in this subsection:

9 a. "Farming" means as defined in section 172C.1, subsec-  
10 tion 6.

11 b. "Foregone interest" means as defined in section 7872 of  
12 the Internal Revenue Code of 1954.

13 c. "Small business" means as defined in section 220.1,  
14 subsection 28.

15 Sec. 2. Section 422.35, Code 1985, is amended by adding  
16 the following new subsection:

17 NEW SUBSECTION. 12. To the extent included in taxable  
18 income, deduct the amount of foregone interest on a below-  
19 market loan made to a person actively engaged in farming or  
20 operating a small business if the purpose of the loan is to  
21 refinance a previous agricultural or small business loan. As  
22 used in this subsection:

23 a. "Farming" means as defined in section 172C.1, subsec-  
24 tion 6.

25 b. "Foregone interest" means as defined in section 7872 of  
26 the Internal Revenue Code of 1954.

27 c. "Small business" means as defined in section 220.1,  
28 subsection 28.

29 EXPLANATION

30 This bill provides that in determining net income for state  
31 personal or corporate income taxes an individual may deduct  
32 from the adjusted gross income for federal income tax purposes  
33 the amount of foregone interest on a below-market loan made to  
34 a person actively engaged in farming or operating a small  
35 business if the purpose of the loan is to refinance a previous  
36 agricultural or small business loan.