

#### **422.24A Start-up business tax deferment.**

1. For purposes of this section, "*start-up business*" does not include any of the following:
  - a. An existing business locating in this state from another state or from another location in this state.
  - b. A newly created business which is the result of the merger of two or more businesses.
  - c. A newly created subsidiary or new business of a corporation.
  - d. A previously existing business which has been dissolved and reincorporated.
  - e. An existing business operating under a different name and located in a different location.
  - f. A newly created partnership owned by two or more of the same partners as an existing business and engaging in similar business activity as the existing business.
  - g. A business entity that reorganizes or experiences a change in either the legal or trade name of the business.
  - h. A joint venture.
2. In order to qualify for a deferment of taxable income and the tax to be imposed on it pursuant to this section, a taxpayer must meet all of the following criteria:
  - a. The taxpayer is a business that is a wholly new start-up business beginning operations during the first tax year for which the deferment of taxable income is claimed.
  - b. The business has its commercial domicile, as defined in section 422.32, in the state.
  - c. The operations of the business are at least twenty-five percent funded by venture capital moneys. For purposes of this section, "*venture capital moneys*" means an equity investment from an individual or a private seed and venture capital fund whose only business is investing in seed and venture capital opportunities. "*Venture capital moneys*" does not mean a loan or other nonequity financing from a person, financial institution, or other entity.
  - d. The taxpayer does not have any delinquent taxes or other debt outstanding and owed to the state.
3. A taxpayer meeting the criteria provided in subsection 2 may submit a request to the department for the deferment of taxable income for the first three tax years that the taxpayer's business is in operation. If a deferment is approved by the department pursuant to subsection 4, the taxpayer shall pay taxes on the deferred taxable income in five equal annual installments during the five tax years following the three years of taxable income deferment. Section 422.26 shall apply if the taxpayer refuses or neglects to pay the taxes owed on the deferred taxable income in the manner provided in this section. A taxpayer receiving a deferment shall file a return for each tax year in which a deferment is approved. If the taxpayer has a net loss during a tax year during the three-year period in which taxable income is deferred, the loss may be applied to any deferred taxable income during that period.
4. Upon a determination that the criteria provided in subsection 2 have been met, the department shall approve a request for deferment of taxable income.
5. For purposes of assessing penalty and interest, the tax on any deferred taxable income is not due and payable until the tax years in which the annual installments as provided in subsection 3 are due and payable.

6. The department shall adopt rules pursuant to chapter 17A necessary for the administration of this section.

2002 Acts, ch 1123, §1, 2