

**422.61 Definitions.**

In [this subchapter](#), unless the context otherwise requires:

1. “*Financial institution*” means a state bank as defined in [section 524.103](#), a state bank chartered under the laws of any other state, a national banking association, a trust company, a federally chartered savings and loan association, an out-of-state state chartered savings bank, a financial institution chartered by the federal home loan bank board, a non-Iowa chartered savings and loan association, or a production credit association.

2. “*Investment subsidiary*” means an affiliate that is owned, capitalized, or utilized by a financial institution with one of its purposes being to make, hold, or manage, for and on behalf of the financial institution, investments in securities which the financial institution would be permitted by applicable law to make for its own account.

3. “*Net income*” means the net income of the financial institution computed in accordance with [section 422.35](#), with the following adjustments:

a. Federal income taxes paid or accrued shall not be subtracted.

b. Notwithstanding [section 422.35, subsection 2](#), or any other provisions of law, income from obligations of the state and its political subdivisions and franchise taxes paid or accrued under [this subchapter](#) during the taxable year shall be added. Income from sales of obligations of the state and its political subdivisions and interest and dividend income from these obligations are exempt from the taxes imposed by [this subchapter](#) only if the law authorizing the obligations specifically exempts the income from the sale and interest and dividend income from the state franchise tax.

c. Interest and dividends from federal securities shall not be subtracted.

d. Interest and dividends derived from obligations of United States possessions, agencies, and instrumentalities, including bonds which were purchased after January 1, 1991, and issued by the governments of Puerto Rico, Guam, and the Virgin Islands shall be added, to the extent they were not included in computing federal taxable income.

e. A deduction disallowed under section 265(b) or section 291(e)(1)(B) of the Internal Revenue Code shall be subtracted.

f. (1) Except as provided in subparagraph (2), a deduction shall not be allowed for that portion of the taxpayer’s expenses computed under this paragraph which is allocable to an investment in an investment subsidiary. The portion of the taxpayer’s expenses which is allocable to an investment in an investment subsidiary is an amount which bears the same ratio to the taxpayer’s expenses as the taxpayer’s average adjusted basis, as computed pursuant to section 1016 of the Internal Revenue Code, of investment in that investment subsidiary bears to the average adjusted basis for all assets of the taxpayer. The portion of the taxpayer’s expenses that is computed and disallowed under this paragraph shall be added.

(2) A deduction shall not be disallowed and may be subtracted for that portion of the taxpayer’s expenses computed under this paragraph which is allocable to an investment in an investment subsidiary if the taxpayer makes an election to include the investment subsidiary on the same return required of the taxpayer pursuant to [section 422.62](#).

g. Where a financial institution as defined in section 581 of the Internal Revenue Code is not subject to income tax and the shareholders of the financial institution are taxed on the financial institution’s income under the provisions of the Internal Revenue Code, such tax treatment shall be disregarded and the financial institution shall compute its net income for franchise tax purposes in the same manner under [this subsection](#) as a financial institution that is subject to or liable for federal income tax under the Internal Revenue Code in effect for the applicable year.

4. “*Taxable year*” means the calendar year or the fiscal year ending during a calendar year, for which the tax is payable. “*Fiscal year*” includes a tax period of less than twelve months if, under the Internal Revenue Code, a corporation is required to file a tax return covering a tax period of less than twelve months.

5. “*Taxpayer*” means a financial institution subject to any tax imposed by [this subchapter](#).

[C71, 73, 75, 77, 79, 81, §422.61]

[85 Acts, ch 230, §8](#); [87 Acts, ch 18, §2](#); [87 Acts, 1st Ex, ch 1, §15, 16](#); [89 Acts, ch 285, §7](#); [91 Acts, ch 217, §1](#); [95 Acts, ch 193, §1 – 3](#); [97 Acts, ch 154, §2, 3](#); [2001 Acts, ch 116, §10, 28](#); [2012 Acts, ch 1017, §83](#); [2013 Acts, ch 70, §7](#); [2020 Acts, ch 1062, §94](#); [2022 Acts, ch 1062, §2](#); [2024 Acts, ch 1094, §22, 24, 25](#)

Referred to in [§321.105](#), [421.27](#), [422.16B](#)

2024 amendment to subsection 3, paragraph f applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §25