

701—501.16(422) Franchise tax credit. A shareholder in a financial institution as defined in Section 581 of the Internal Revenue Code that has elected to have its income taxed directly to the shareholders may take a tax credit equal to the shareholder's pro rata share of the Iowa franchise tax paid by the financial institution.

501.16(1) *Credit calculation.*

a. The credit must be calculated by recomputing the amount of tax calculated under Iowa Code section 422.33 by reducing the shareholder's taxable income by the shareholder's pro rata share of the items of income and expenses of the financial institution and deducting from the recomputed tax the credits allowed by Iowa Code section 422.33. The recalculated tax must be subtracted from the amount of tax calculated under Iowa Code section 422.33 reduced by the credits allowed in Iowa Code section 422.33.

b. The resulting amount, not to exceed the shareholder's pro rata share of the franchise tax paid by the financial institution, is the amount of tax credit allowed the shareholder.

501.16(2) *Credit calculation for combined return filers.*

a. Where the financial institution has elected to file a combined return with one or more investment subsidiaries pursuant to rule 701—602.33(422), the franchise tax paid by the financial institution for purposes of calculating this credit is a portion of the tax paid by the combined group equal to the portion of the combined group's total taxable income attributable to the financial institution. The portion attributable to the financial institution is determined using the formula provided in 701—subrule 304.16(3).

b. This credit is not available to shareholders or members of investment subsidiaries included on a combined return under rule 701—602.33(422) for that portion of the tax shown due on the return attributable to the investment subsidiary.

This rule is intended to implement Iowa Code section 422.33.

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