



---

**SF 456** – Income Tax Apportionment, Air Freight (LSB1529SV)  
Analyst: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)  
Fiscal Note Version – New

---

**Description**

**Senate File 456** allows a taxpayer that is a qualified air freight forwarder to apportion the taxpayer's income to Iowa based on the total miles the qualified air freight forwarder's affiliated airline flies within Iowa as a percent of the affiliated airline's miles flown everywhere. A phase-in process is provided to transition the taxpayer from the current income apportionment process to the new process. The phase-in begins with tax year (TY) 2021 and is fully transitioned in TY 2030.

"Qualified air freight forwarder" is defined in the Bill as a taxpayer that:

- Is primarily engaged in the transportation of property by air.
- Does not itself operate an airline.
- Is in the same affiliated group as an airline.

**Background**

Iowa generally determines the percentage of a company's income that is subject to the Iowa corporate income tax as equal to the percentage of that company's sales within Iowa compared to the company's total sales. This is the method currently used to apportion the income of a freight airline.

By existing rule, the percentage of income of a passenger airline that is subject to Iowa income tax is equal to the percentage of miles the airline travels in Iowa compared to all miles the airline travels. This Bill codifies the passenger airline apportionment rule and also transitions freight airlines to the passenger airline method over a 10-year period.

**Assumptions**

The Department of Revenue produced the fiscal impact estimate for the Bill using tax return information from potential beneficiaries of the tax change. When fully implemented (TY 2030), the new income apportionment procedure is expected to reduce Iowa income tax liability for the taxpayers by \$1.1 million per year.

**Fiscal Impact**

The income apportionment change contained in the Bill is projected to reduce net General Fund revenue by \$0.1 million in FY 2022 and \$0.2 million in FY 2023, with the revenue reduction increasing each year by approximately \$0.1 million until reaching \$1.1 million in FY 2031.

**Source**

Department of Revenue

/s/ Holly M. Lyons

---

March 1, 2021

Doc ID 1215189

---

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

---

[www.legis.iowa.gov](http://www.legis.iowa.gov)