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Fiscal Note

Fiscal Services Division



SF 529 – Capital Gains Tax (LSB 2372XS)

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Fiscal Note Version – New

Requested by Senator Mark Chelgren

Description

Senate File 529 replaces the current individual income tax capital gains exclusion with an exclusion of net capital gains as those gains are defined in section 1222 of the federal Internal Revenue Code.

The change is effective tax year 2011.

Summary of Impacts

The Bill addresses net capital gains but not net capital losses. For the estimate it is assumed that taxpayers would not be allowed to deduct a net capital loss in a year where their net capital gains calculation is negative. The change is projected to reduce taxpayer individual income tax liability and net General Fund revenue by the amounts listed in the right-hand column of the following table. If the net capital loss deduction assumption does not prove accurate and net capital losses are allowed as a deduction, then the fiscal impact of the change will be higher.

Impact of Net Capital Gains Definition Change				
In Millions of Dollars				
Tax Year	Reduced Taxpayer Tax Liability		Fiscal Year	Net General Fund Revenue Reduction
TY 2011	\$ 175.9		FY 2011	\$ 5.9
TY 2012	201.1		FY 2012	191.0
TY 2013	206.1		FY 2013	201.5
TY 2014	221.4		FY 2014	207.7
TY 2015	234.9		FY 2015	222.6

Since the change impacts the calculation of Iowa income taxes prior to the application of any refundable income tax credits, the change impacts the calculation of the Local Option Income Surtax for Schools. On a tax year basis, this change will further reduce taxpayer tax liability as well as local Surtax revenue by approximately \$6.0 million per tax year.

Sources

Department of Revenue

/s/ Holly M. Lyons

May 5, 2011

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
