

F I N A L R E P O R T

SMALL BUSINESS PROBLEMS SUBCOMMITTEE

December, 1981

The Small Business Problems Subcommittee of the Senate and House Standing Committees on Commerce was established by the Legislative Council to study problems facing small business in Iowa.

Members of the Subcommittee were:

Senator Gary Baugher, Ankeny
Senator Rolf V. Craft, Decorah
Senator Lucas J. DeKoster, Hull
Senator Patrick J. Deluhery, Davenport
Senator Emil J. Husak, Toledo
Representative Robert T. Anderson, Newton
Representative Kyle Hummel, Vinton
Representative Hugo Schnekloth, Eldridge
Representative Jo Smith, Davenport
Representative Joseph Welsh, Dubuque

The Subcommittee was originally authorized one meeting but subsequently was granted two additional meetings. The meetings were held on October 7, 1981, December 4, 1981, and December 15, 1981. At the first meeting, Senator Baugher and Representative Hummel were elected co-chairpersons.

On the evening prior to the first meeting, the Subcommittee held a public hearing in the Senate Chambers of the State House. Individuals who represented or operated small businesses were allowed to make presentations at the public hearing concerning problems that faced small businesses in Iowa and the solutions or aids that would be beneficial to them. A list of those who made presentations as well as copies of their presentations are on file with the Legislative Service Bureau.

At its first meeting, the Subcommittee asked representatives of the Center for Industrial Research and Service (CIRAS), the Des Moines office of the United States Small Business Administration, the Iowa Development Commission, and the Iowa Citizens' Aide Office to make presentations as to the role of, the aid provided by, and problems encountered by their entity with regard to small business and its problems in Iowa. Copies of their presentations and other materials presented by them are on file with the Legislative Service Bureau. Individuals giving presentations were:

Mr. David Swanson, CIRAS
Mr. Lloyd Anderson, CIRAS
Mr. Conrad Lawlor, U.H.S. Small Business Administration

Mr. John Butterfield, Iowa Development Commission
Mr. William Angrick, Citizens' Aide Office

The remainder of the meeting was spent by the Subcommittee determining the problems of major concern to small business which the Subcommittee would give further consideration to. These problems were combined into the following five areas:

1. Development of a clearinghouse agency either for licensing or disseminating information concerning licensing.
2. Problem of lack of available capital for small business development and continuing operation.
3. Special problems of family businesses in regard to unemployment and workers' compensation laws.
4. Review of the Iowa Administrative Code rules for the purposes of: (1) simplification; (2) regulatory flexibility; and (3) possible adoption of a Model Forms Management Act.
5. Tax problems of small businesses with particular emphasis on the following: (1) real property tax rates; and (2) tax credits as a small business incentive for either business development or to promote employment of the unskilled laborer.

At the second meeting of the Subcommittee, bills which were drafted by the Legislative Service Bureau at the request of the Co-chairpersons were presented and discussed. The Subcommittee tentatively approved the concepts contained in three of the bills discussed with further consideration to be given to them as recommendations at the last meeting. These bills involved the creation of a regulatory information service in the Iowa Development Commission; an exemption from the workers' compensation law for self-employed persons and their partners, designated family members of both and family corporations; and additional tax deductions for businesses increasing employment. The Subcommittee also agreed that a study bill should be drafted for the next meeting which would define "small business" wherever used in the Code.

Because of weather and driving conditions on the day of the last meeting date, the Subcommittee was unable to reach a quorum and thus unable to make recommendations. However, the five members present did adopt a motion that the following bills be presented to the Speaker of the House and President of the Senate for assignment to the chairpersons of the appropriate standing committees:

1. An Act to establish a regulatory information service in the Iowa Development Commission. A copy of the bill is attached and by this reference made a part of this report.

2. An Act providing an exemption from the workers' compensation law for self-employed persons and their partners, and designated family members of both and for family corporations, and providing a civil penalty. A copy of the bill is attached and by this reference made a part of this report.

3. An Act relating to the computation of net income for purposes of the state individual and corporate income tax by providing an additional business deduction for increasing employment over previous years. A copy of the bill is attached and by this reference made a part of this report.

4. An Act providing for the definition of the term "small business" wherever the term is used in the Code unless a different definition is specifically provided. A copy of this bill is attached and by this reference made a part of this report.

PROPOSED HOUSE/SENATE FILE _____

BY (SELECT MEMBERS OF THE SMALL
BUSINESS PROBLEMS SUBCOMMITTEE
FOR ASSIGNMENT TO THE APPRO-
PRIATE STANDING COMMITTEE)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act to establish a regulatory information service in the
2 Iowa development commission.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. REGULATORY INFORMATION SERVICE.

2 1. The Iowa development commission shall provide a
3 regulatory information service. The purpose of the service
4 shall be to provide a center of information where a person
5 interested in establishing a commercial facility or engaging
6 in a commercial activity may be informed of any registration,
7 license, or other approval of a state regulatory agency that
8 is required for that facility or activity or of the existence
9 of standards, criteria, or requirements which the laws of
10 this state require that facility or activity to meet.

11 2. Each state agency which requires a permit, license,
12 or other regulatory approval or maintains standards or criteria
13 with which an activity or facility must comply shall inform
14 the Iowa development commission of the following:

15 a. The activity or facility that is subject to regulation.

16 b. The existence of any threshold levels which would
17 exempt the activity or facility from regulation.

18 c. The nature of the regulatory program.

19 d. The amount of any fees.

20 e. How to apply for any permits or regulatory approvals.

21 f. A brief statement of the purpose of requiring the
22 permit or regulatory approval or requiring compliance with
23 the standards or criteria.

24 3. Each state agency shall promptly inform the Iowa
25 development commission of any changes in the information
26 provided under subsection 2 or the establishment of a new
27 regulatory program. The information provided to or
28 disseminated by the Iowa commission shall not be binding upon
29 the regulatory program of a state agency; however, a person
30 shall not be subject to the imposition of a penalty for failure
31 to comply with a regulatory program if the person demonstrates
32 that he or she relied upon information provided by the
33 commission indicating compliance was not required and either
34 ceases the activity upon notification by the regulatory agency
35 or brings the activity or facility into compliance.

1 Sec. 2. The Iowa development commission shall make the
2 regulatory information service available for public use by
3 January 1, 1983.

4 EXPLANATION

5 This bill establishes a regulatory information service
6 in the office of the Iowa development commission. The purpose
7 of the service is to provide a center of information about
8 what activities or facilities are subject to regulation by
9 a state agency and to provide that information to citizens
10 interested in engaging in some activity or establishing some
11 facility. Each state agency regulating an activity or facility
12 is required to inform the Iowa development commission of its
13 regulatory program. A person who demonstrates reliance on
14 information provided by the Iowa development commission
15 indicating compliance is not required with a regulatory pro-
16 gram is not subject to the imposition of penalty for failure
17 to comply if the person either ceases the activity or brings
18 it into compliance upon notification by the regulatory agency.
19 The bill takes effect July 1 following enactment and the
20 service is to become available by January 1, 1983.

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PROPOSED HOUSE/SENATE FILE _____

BY (SELECT MEMBERS OF THE SMALL
BUSINESS PROBLEMS SUBCOMMITTEE
FOR ASSIGNMENT TO THE APPRO-
PRIATE STANDING COMMITTEE)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing an exemption from the workers' compensation
2 law for self-employed persons and their partners, and
3 designated family members of both and for family corpora-
4 tions, and providing a civil penalty.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 85.1, unnumbered paragraph 1, Code
2 1981, is amended to read as follows:

3 Except as provided in subsection 5 6 of this section, this
4 chapter ~~shall~~ does not apply to:

5 Sec. 2. Section 85.1, subsections 4 and 5, Code 1981,
6 are amended to read as follows:

7 4. a. An employee of an employer who is an individual
8 or a partner if the employee is that individual employer or
9 partner, the spouse of the individual employer or partner,
10 or the parent, brother, sister, child, or stepchild of either
11 the individual employer or partner or the individual employer's
12 or partner's spouse, or the spouse of the brother, sister,
13 child, or stepchild of either the individual employer or
14 partner or the individual employer's or partner's spouse.

15 b. The president, vice president, secretary, treasurer,
16 and their spouses, and the parents, brothers, sisters,
17 children, and stepchildren of either the officers or the
18 officers' spouses, and the spouses of the brothers, sisters,
19 children, and stepchildren of either the officers or the
20 officers' spouses, of a family corporation subject to
21 paragraphs c, d, and e of this subsection. A corporation
22 is a family corporation if both of the following apply:

23 (1) A majority of its voting stock is held by and the
24 majority of its stockholders are persons related to each other
25 as a spouse, parent, grandparent, or lineal descendant of
26 a grandparent or a grandparent's spouse, or persons acting
27 in a fiduciary capacity for persons so related.

28 (2) All of its stockholders are natural persons or persons
29 acting in a fiduciary capacity for the benefit of natural
30 persons or family trusts as defined in section 172C.1,
31 subsection 11.

32 c. The exemptions from the requirements of this chapter
33 in paragraphs a and b are not effective until the employee
34 signs an acceptance of exemption which acceptance shall be
35 in substantially the following form:

1 ACCEPTANCE OF EXEMPTION

2 I understand that by signing this statement I accept my
3 employer's exemption from the requirements of chapter 85 of
4 the Code of Iowa relating to workers' compensation. (Check
5 either alternative (1) or (2):)

6 _____ (1) My employer has made available to me for review
7 and I have reviewed other insurance provided to pay
8 compensation to me for personal injuries sustained by me
9 arising out of and in the course of my employment and I accept
10 this insurance in lieu of workers' compensation coverage under
11 chapter 85 of the Code of Iowa.

12 _____ (2) I am aware that my employer does not provide other
13 insurance to pay compensation to me for personal injuries
14 sustained by me and arising out of and in the course of my
15 employment, and knowing that other insurance is not provided,
16 I accept my employer's exemption from the requirements of
17 chapter 85 of the Code of Iowa.

18 I understand that my acceptance of my employer's exemption
19 from the requirements of chapter 85 under either alternative
20 (1) or (2) is not a waiver of any rights or remedies available
21 to me in a civil action brought by me or my dependents, as
22 dependents are enumerated in section 85.31, Code 1981, and
23 related to personal injuries sustained by me arising out of
24 and in the course of my employment with this employer.

25 Signed _____

26 Date _____

27 City, County, State _____

28 of Residence _____

29 Witness _____

30 Witness _____

31 d. Two disinterested individuals who are not, formally
32 or informally, affiliated with the individual employee, the
33 partnership, or the corporation shall witness the acceptance
34 of exemption.

35 e. If an employer elects exemption from this chapter under

1 either paragraph a or b, the employee shall sign and the
2 employer shall file with the industrial commissioner the
3 acceptance of exemption within the following time periods:

4 (1) On or before sixty days after the first day of
5 employment.

6 (2) On or before January 1 of each year thereafter in
7 which the employer elects an exemption.

8 f. An employer who fails to file acceptances as required
9 under paragraph e shall pay to the industrial commissioner
10 a civil penalty of one hundred dollars for each employee for
11 whom the employer elected an exemption and for whom an
12 acceptance of exemption was not filed. The civil penalties
13 paid pursuant to this paragraph shall be deposited in the
14 general fund of the state.

15 4 5. Persons entitled to benefits pursuant to chapters
16 410 and 411.

17 5 6. Employers, including employers of employees engaged
18 in any type of service in or about a private dwelling,
19 employers of persons whose employment is of a casual nature
20 and not for the purpose of the employer's trade or business,
21 and employers of persons engaged in agriculture, may with
22 respect to any ~~such~~ employee or person or classification of
23 employees exempt by subsections 1, 2 and 4 5 and subsection
24 3, paragraph "a" of this section from coverage provided by
25 this chapter, other than any ~~such~~ employee or classification
26 of employees with respect to whom a rule of liability or a
27 method of compensation has been or ~~may-be~~ is established by
28 the ~~Senate~~ Congress Congress of the United States, assume a liability
29 for compensation imposed upon employers by this chapter for
30 the benefit of employees within the coverage of this chapter.
31 Employers of employees, persons or classifications of employees
32 exempted by paragraph "b" of subsection 3, subsection 4 of
33 this section may also with respect to any such employee,
34 person or classification of employees assume a liability for
35 compensation imposed upon employers by this chapter by the

1 purchase of valid workers' compensation insurance specifically
 2 including separate classifications for (a) such persons who
 3 are the spouse ~~and~~ of the employer, parents, brothers, sisters,
 4 children and stepchildren of either the employer or his the
 5 spouse of the employer, and the spouses of the brothers,
 6 sisters, children, and stepchildren of either the employer
 7 or the spouse of the employer, (b) persons engaged in
 8 exchanging labor and (c) ~~the-president,-vice-president,~~
 9 ~~treasurer-and-secretary~~ officers of a family farm corporation
 10 or family corporation, ~~their~~ spouses ~~and~~ of the officers,
 11 the parents, brothers, sisters, children ~~or~~, and stepchildren
 12 of ~~such~~ either the officers ~~and-their~~ or the spouses of the
 13 officers, and the spouses of the brothers, sisters, children,
 14 and stepchildren of either the officers or the spouses of
 15 the officers, and (d) the spouse of a partner of a partnership,
 16 the parents, brothers, sisters, children, and stepchildren
 17 of either a partner or the spouse of a partner, and the spouses
 18 of the brothers, sisters, children, and stepchildren of either
 19 a partner or the spouse of a partner. The purchase of and
 20 acceptance by ~~any-such~~ an employer of valid workers'
 21 compensation insurance applicable to such employee or person
 22 or classification of employees ~~shall-constitute-as-to-such~~
 23 ~~employer~~ constitutes an assumption by ~~such~~ the employer of
 24 ~~such~~ liability without any further act on the part of ~~such~~
 25 the employer, but only with respect to such employee or person
 26 or ~~such~~ classification of employees as are within the coverage
 27 of the ~~said~~ workers' compensation insurance contract. ~~Whenever~~
 28 If ~~under the-provisions-of~~ this subsection an employer
 29 voluntarily elects to assume the liability for the payment
 30 of compensation to such employees or persons or ~~such~~
 31 classification of employees by the purchase of valid workers'
 32 compensation insurance, the liability of ~~such~~ the employer
 33 ~~shall-take~~ takes effect and ~~continue~~ continues from the
 34 effective date of ~~such~~ the workers' compensation insurance
 35 contract as long ~~only~~ as ~~such~~ the insurance contract ~~shall~~

1 be is in force. Upon such an election, such employee or
2 person or classification of employees shall accept compensation
3 in the manner provided by the chapter and the employer shall
4 be relieved from any other liability for recovery of damage,
5 or other compensation for such injury. This subsection applies
6 even if the employee has signed a valid acceptance of exemption
7 under subsection 4 of this section.

8 Sec. 3. Section 85.62, Code 1981, is amended to read as
9 follows:

10 85.62 INMATES OF COUNTY JAIL. The county board of
11 supervisors of any county may elect to include as an employee
12 for purposes of this chapter any person confined as an inmate
13 in a county jail or confined in any other facility in lieu
14 of confinement in a county jail. If such the election is
15 made, ~~the-provisions-of~~ section 85.1, subsection 5 6, shall
16 apply applies to such the county. If an inmate in the
17 performance of ~~his~~ the inmate's work in connection with the
18 maintenance of a county jail or other local facility, or in
19 connection with any industry maintained ~~therein~~ in the jail
20 or facility, or with any highway or public works activity
21 outside a county jail or other local facility sustains an
22 injury arising out of and in the course ~~thereof~~ of the inmate's
23 work, ~~he~~ the inmate shall be awarded and paid compensation
24 at the minimum rate as provided in this chapter. If death
25 results from such the injury, death benefits shall be awarded
26 and paid to the dependents of the inmate. If ~~any-such the~~
27 person is awarded weekly compensation under ~~the-provisions~~
28 ~~of~~ this section and is still committed to the county jail
29 or other facility, ~~his~~ the person's compensation benefits
30 under section 85.33 or section 85.34, subsection 1, shall
31 be paid to the county for so long as ~~he-shall-remain the~~
32 person remains so committed. Weekly compensation benefits
33 awarded pursuant to section 85.34, subsection 2, shall be
34 held in trust and paid to such the person as provided in this
35 chapter upon ~~his~~ the person's final discharge or parole,

1 whichever occurs first. ~~in-the-event-such~~ If the person is
 2 recommitted to the county jail or other facility prior to
 3 receiving in full, ~~his~~ weekly benefits pursuant to section
 4 85.33 or section 85.34, subsection 1, ~~such~~ the benefits shall
 5 again be paid to the county for so long as ~~he-shall-remain~~
 6 the person remains so recommitted. Also, weekly benefits
 7 under section 85.34, subsection 2, shall be suspended and
 8 again held in trust until ~~such~~ the person is again released
 9 by final discharge or parole, whichever first occurs. However,
 10 the industrial commissioner may, if ~~he~~ the commissioner finds
 11 that dependents of the person awarded weekly compensation
 12 pursuant to section 85.33 or section 85.34, subsections 1
 13 and 2, would require welfare aid as a result of terminating
 14 the compensation, order ~~such~~ the weekly compensation to be
 15 paid to a responsible person for the use of ~~his~~ the inmate's
 16 dependents.

17 Sec. 4. Notwithstanding section 85.1, subsection 4,
 18 paragraph e, of this Act, if an employer elects to be exempt
 19 from the requirements of chapter 85 under section 85.1,
 20 subsection 4, paragraph a or b, as these would apply to an
 21 individual employed on or before the effective date of this
 22 Act, the employee shall sign and the employer shall file the
 23 acceptance of exemption required under section 85.1, subsection
 24 4, paragraph c, of this Act, on or before sixty days after
 25 the effective date of this Act.

26 Sec. 5. This Act takes effect January 1 following
 27 enactment.

28 **EXPLANATION**

29 This bill provides that an employer-family corporation
 30 may elect not to provide workers' compensation insurance for
 31 its president, vice president, secretary, treasurer, and their
 32 spouses, and the parents, brothers, sisters, children, and
 33 stepchildren of either the officers or the officers' spouses,
 34 and the spouses of the brothers, sisters, children, and
 35 stepchildren of either the officers or the officers' spouses.

1 However, before the election is effective, the employee must
2 sign and the employer must file with the industrial
3 commissioner an acceptance of exemption. In the acceptance
4 of exemption, the employee states either that the employee
5 has reviewed alternative insurance coverage for personal
6 injury arising out of and in the course of employment and
7 accepts this coverage in lieu of workers' compensation or
8 that the employee is aware that the employer has no other
9 insurance coverage and, notwithstanding the absence of the
10 alternative coverage, accepts the employer's election to be
11 exempt from the workers' compensation law. The employee's
12 signing of an acceptance of exemption is not a waiver of any
13 civil rights or remedies of the employee. An employer who
14 fails to file an acceptance of exemption must pay a civil
15 penalty of one hundred dollars for each employee for whom
16 the employer has elected an exemption and not filed an
17 acceptance of exemption.

18 The bill also exempts self-employed persons, partners of
19 self-employed persons and certain of their employed family
20 members from the workers' compensation law under the same
21 conditions.

22 Section 3 is a coordinating amendment only and makes no
23 substantive change in the law.

24 This bill takes effect January 1 following its enactment.

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PROPOSED SENATE/HOUSE FILE _____

BY (SELECT MEMBERS OF THE SMALL
BUSINESS PROBLEMS SUBCOMMITTEE
FOR ASSIGNMENT TO THE APPRO-
PRIATE STANDING COMMITTEES)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the computation of net income for purposes
2 of the state individual and corporate income tax by pro-
3 viding an additional business deduction for increasing em-
4 ployment over previous years.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.7, Code 1981, as amended by Acts
2 of the Sixty-ninth General Assembly, 1981 Session, chapter
3 132, sections 4, 5, and 6, is amended by adding the following
4 new subsection:

5 NEW SUBSECTION. If the adjusted gross income includes
6 income or loss from a trade or business operated by the tax-
7 payer and the number of employees of that trade or business
8 exceeded, at any time during the trade or business's annual
9 accounting period ending with or during the taxpayer's tax
10 year, the threshold employee level for the annual accounting
11 period, an adjustment shall be made in computing the income
12 or loss from that trade or business by allowing as a deduction
13 in computing that income or loss an additional fifty percent
14 of the wages paid to the most recent employees hired during
15 the accounting period who were domiciled in Iowa on the date
16 of their employment. However, the amount of the deduction
17 shall be computed only for the number of employees in excess
18 of the threshold employee level for the annual accounting
19 period and only for the wages paid during the accounting
20 period that the threshold employee level was exceeded. This
21 deduction shall not be allocated or apportioned to another
22 state.

23 For purposes of this subsection, the "threshold employee
24 level for the annual accounting period" is the highest number
25 of employees of the trade or business at any time during the
26 previous five annual accounting periods or during all the
27 previous annual accounting periods if the trade or business
28 has been in operation for less than five years, and "employee"
29 means an individual who works within or without Iowa on a
30 part-time or full-time basis but does not include an individual
31 who is an owner of the trade or business or for whom this
32 subsection applies. If the trade or business began operation
33 during the accounting period, the threshold employee level
34 for that accounting period is zero.

35 Sec. 2. Section 422.35, Code 1981, as amended by Acts

1 of the Sixty-ninth General Assembly, 1981 Session, chapter
2 132, section 8, is amended by adding after subsection 6 the
3 following new subsection:

4 NEW SUBSECTION. If the number of employees of the taxpayer
5 exceeded, at any time during the tax year, the threshold
6 employee level for the tax year, subtract fifty percent of
7 the wages paid to the most recent employees hired during the
8 tax year who were domiciled in Iowa on the date of their
9 employment. However, the amount to be subtracted shall be
10 computed only for the number of employees in excess of the
11 threshold employee level for the tax year and only for the
12 wages paid during the tax year that the threshold employee
13 level was exceeded. This deduction shall not be allocated
14 or apportioned to another state.

15 For purposes of this subsection, the "threshold employee
16 level for the tax year" is the highest number of employees
17 of the taxpayer at any time during the previous five tax years
18 or during all previous tax years if the taxpayer has been
19 in operation for less than five years, and "employee" means
20 an individual who works within or without Iowa on a part-time
21 or full-time basis. If the taxpayer began operation during
22 the tax year, the threshold employee level for that tax year
23 is zero.

24 Sec. 3. This Act takes effect January 1 following enact-
25 ment for tax years beginning on or after the effective date.

26 EXPLANATION

27 The bill provides that in computing a taxpayer's net income
28 for purposes of the state individual or corporate income tax
29 an additional business deduction is allowed if the business
30 has increased its employment in or without the state in excess
31 of a threshold level. This threshold level is equal to the
32 highest number of employees in or without the state during
33 the previous five accounting periods or during the accounting
34 periods in which the business has been in operation, whichever
35 is the longer period of time. The amount of the additional

1 deduction equals fifty percent of the wages paid to the most
2 recently hired employees who were hired during the accounting
3 period and were domiciled in Iowa on the date of employment.
4 However, in computing this deduction, only the wages paid
5 to the number of employees in excess of the threshold level
6 is counted. This deduction is in addition to the deduction
7 allowed for the wages paid or accrued to employees in computing
8 business income or loss. Thus the bill provides that for
9 certain employees and on certain wages a business can deduct
10 150 percent of those wages.

11 The bill takes effect January 1 following enactment for
12 tax years beginning on or after January 1.

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PROPOSED SENATE/HOUSE FILE _____

BY (SELECT MEMBERS OF THE SMALL
BUSINESS PROBLEMS SUBCOMMITTEE
FOR ASSIGNMENT TO THE APPROPRIATE
STANDING COMMITTEE)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing for the definition of the term "small busi-
2 ness" wherever the term is used in the Code unless a dif-
3 ferent definition is specifically provided.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 4.1, Code 1981, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. "Small business" means a business entity
4 organized for profit, including but not limited to an
5 individual, partnership, corporation, joint venture,
6 association or cooperative, to which the following apply:

7 a. It is not an affiliate or subsidiary of a business
8 dominant in its field of operation.

9 b. It has either twenty or fewer full-time employees or
10 not more than the equivalent of one million dollars in annual
11 gross revenues in the preceding fiscal year.

12 For purposes of this definition "dominant in its field
13 of operation" means having more than twenty full-time employees
14 and more than one million dollars in annual gross revenues,
15 and "affiliate or subsidiary of a business dominant in its
16 field of operation" means a business which is at least twenty
17 percent owned by a business dominant in its field of operation,
18 or by partners, officers, directors, majority stockholders,
19 or their equivalent, of a business dominant in that field
20 of operation.

21 **EXPLANATION**

22 The bill defines the term "small business" whenever it
23 is used in the Iowa Code unless the law specifically provides
24 otherwise. A "small business" is any entity organized for
25 profit which has either twenty or fewer full-time employees
26 or not more than one million dollars in annual gross revenues
27 for the preceding fiscal year and is not an affiliate or
28 subsidiary of a business that is dominant in its field of
29 operation. It is such an affiliate or subsidiary if at least
30 twenty percent of it is owned by the dominant business or
31 its officers. A business is dominant in its field if it has
32 more than twenty full-time employees and also has more than
33 one million dollars in annual gross revenues for the preceding
34 fiscal year.

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