

JAN 26 1995
ECONOMIC DEVELOPMENT

HOUSE FILE 90
BY LARSON

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

A BILL FOR

1 An Act increasing the research activities tax credit for purposes
2 of the state individual and corporate income taxes and
3 providing effective and applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 90

1 Section 1. Section 422.10, unnumbered paragraph 1, Code
2 1995, is amended to read as follows:

3 The taxes imposed under this division shall be reduced by a
4 state tax credit for increasing research activities in this
5 state. For individuals, the credit equals ~~six-and-one-half~~
6 thirteen percent of the state's apportioned share of the
7 qualifying expenditures for increasing research activities.
8 The state's apportioned share of the qualifying expenditures
9 for increasing research activities is a percent equal to the
10 ratio of qualified research expenditures in this state to
11 total qualified research expenditures. For purposes of this
12 section, an individual may claim a research credit for
13 qualifying research expenditures incurred by a partnership,
14 subchapter S corporation, estate, or trust electing to have
15 the income taxed directly to the individual. The amount
16 claimed by the individual shall be based upon the pro rata
17 share of the individual's earnings of a partnership,
18 subchapter S corporation, estate, or trust. For purposes of
19 this section, "qualifying expenditures for increasing research
20 activities" means the qualifying expenditures as defined for
21 the federal credit for increasing research activities which
22 would be allowable under section 41 of the Internal Revenue
23 Code in effect on January 1, 1994.

24 Sec. 2. Section 422.33, subsection 5, unnumbered paragraph
25 1, Code 1995, is amended to read as follows:

26 The taxes imposed under this division shall be reduced by a
27 state tax credit for increasing research activities in this
28 state equal to ~~six-and-one-half~~ thirteen percent of the
29 state's apportioned share of the qualifying expenditures for
30 increasing research activities. The state's apportioned share
31 of the qualifying expenditures for increasing research
32 activities is a percent equal to the ratio of qualified
33 research expenditures in this state to the total qualified
34 research expenditures. For purposes of this subsection,
35 "qualifying expenditures for increasing research activities"

1 means the qualifying expenditures as defined for the federal
2 credit for increasing research activities which would be
3 allowable under section 41 of the Internal Revenue Code in
4 effect on January 1, 1994.

5 Sec. 3. This Act, being deemed of immediate importance,
6 takes effect upon enactment and applies retroactively to
7 January 1, 1995, for tax years beginning on or after that
8 date.

9 EXPLANATION

10 This bill increases from 6.5 percent to 13 percent the
11 credit for increasing research activities in the state for
12 purposes of the state individual and corporate income taxes.

13 The bill applies retroactively to January 1, 1995, for tax
14 years beginning on or after that date.

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