

House Study Bill 25

Conference Committee Text

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1 1 Section 1. Section [15A.9](#), subsection 8, unnumbered
1 2 paragraph 2, Code 1995, is amended to read as follows:
1 3 For the purposes of this section, "qualifying expenditures
1 4 for increasing research activities" means the qualifying
1 5 expenditures as defined for the federal credit for increasing
1 6 research activities which would be allowable under section 41
1 7 of the Internal Revenue Code in effect on January 1,

~~1994~~

1 8 1995. The credit authorized in this subsection is in lieu of
1 9 the credit authorized in section 422.33, subsection 5.
1 10 Sec. 2. Section [422.3](#), subsection 4, Code 1995, is amended
1 11 to read as follows:
1 12 4. "Internal Revenue Code" means the Internal Revenue Code
1 13 of 1954, prior to the date of its redesignation as the
1 14 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
1 15 or means the Internal Revenue Code of 1986 as amended to and
1 16 including January 1,

~~1994~~

- 1995, whichever is applicable.

1 17 Sec. 3. Section [422.10](#), unnumbered paragraph 1, Code 1995,
1 18 is amended to read as follows:
1 19 The taxes imposed under this division shall be reduced by a
1 20 state tax credit for increasing research activities in this
1 21 state. For individuals, the credit equals six and one-half
1 22 percent of the state's apportioned share of the qualifying
1 23 expenditures for increasing research activities. The state's
1 24 apportioned share of the qualifying expenditures for
1 25 increasing research activities is a percent equal to the ratio
1 26 of qualified research expenditures in this state to total
1 27 qualified research expenditures. For purposes of this
1 28 section, an individual may claim a research credit for
1 29 qualifying research expenditures incurred by a partnership,
1 30 subchapter S corporation, estate, or trust electing to have
1 31 the income taxed directly to the individual. The amount
1 32 claimed by the individual shall be based upon the pro rata
1 33 share of the individual's earnings of a partnership,
1 34 subchapter S corporation, estate, or trust. For purposes of
1 35 this section, "qualifying expenditures for increasing research
2 1 activities" means the qualifying expenditures as defined for
2 2 the federal credit for increasing research activities which
2 3 would be allowable under section 41 of the Internal Revenue
2 4 Code in effect on January 1,

~~1994~~

- 1995.

2 5 Sec. 4. Section [422.33](#), subsection 5, unnumbered paragraph
2 6 1, Code 1995, is amended to read as follows:
2 7 The taxes imposed under this division shall be reduced by a
2 8 state tax credit for increasing research activities in this
2 9 state equal to six and one-half percent of the state's
2 10 apportioned share of the qualifying expenditures for
2 11 increasing research activities. The state's apportioned share
2 12 of the qualifying expenditures for increasing research

2 13 activities is a percent equal to the ratio of qualified
2 14 research expenditures in this state to the total qualified
2 15 research expenditures. For purposes of this subsection,
2 16 "qualifying expenditures for increasing research activities"
2 17 means the qualifying expenditures as defined for the federal
2 18 credit for increasing research activities which would be
2 19 allowable under section 41 of the Internal Revenue Code in
2 20 effect on January 1,

~~1994~~

- 1995.

2 21 Sec. 5. This Act applies retroactively to January 1, 1994,
2 22 for tax years beginning on or after that date.

2 23 Sec. 6. This Act, being deemed of immediate importance,
2 24 takes effect upon enactment.

2 25 EXPLANATION
2 26 This bill updates the references to the Internal Revenue
2 27 Code to make the federal income tax changes enacted by
2 28 Congress in 1994 applicable for Iowa income tax purposes. The
2 29 bill updates the Iowa Code references for the state research
2 30 credits for individuals and corporations to include changes in
2 31 the federal research activities credits.

2 32 The bill takes effect immediately upon enactment and
2 33 applies retroactively to tax years beginning on or after
2 34 January 1, 1994.

2 35 BACKGROUND STATEMENT
3 1 SUBMITTED BY THE AGENCY

3 2 Section 1 amends Iowa Code section 15A.9 to update the
3 3 reference to the Internal Revenue Code as it applies to
3 4 qualified research activities credits for corporations in
3 5 quality jobs enterprise zones.

3 6 Section 2 amends subsection 4 of Iowa Code section 422.3 to
3 7 include the changes made in the Internal Revenue Code in the
3 8 1994 calendar year, so that references to the Internal Revenue
3 9 Code in the Iowa Code are deemed to include the federal income
3 10 tax changes made by Congress in 1994.

3 11 Section 3 amends the research activities credit for
3 12 individuals in Iowa Code section 422.10 to include changes in
3 13 the federal research activities credit.

3 14 Section 4 amends the research activities credit for
3 15 corporations in subsection 5 of Iowa Code section 422.33 to
3 16 include changes in the federal research activities credit.

3 17 Section 5 provides that the bill is retroactively
3 18 applicable to January 1, 1994, for tax years beginning on or
3 19 after that date.

3 20 Section 6 makes the bill effective immediately upon
3 21 enactment.

3 22 LSB 1114DP 76

3 23 sc/sc/14