

JAN 31 1997
WAYS AND MEANS

HOUSE FILE

117

BY RANTS, WARNSTADT, WHITEAD,
KLEMME, SIEGRIST, HANSEN,
VAN FOSSEN, HOLMES, and
MURPHY

WITHDRAWN
3-11-97 (P.571)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to activities of a foreign corporation which do
2 not constitute doing business in or deriving income from the
3 state for state tax purposes and including effective and
4 retroactive applicability date provisions.

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

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WITHDRAWN

HF 117

1 Section 1. Section 422.34A, Code 1997, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 7. Participating in job training or
4 education for its employees.

5 Sec. 2. This Act, being deemed of immediate importance,
6 takes effect upon enactment and applies retroactively to
7 January 1, 1997, for tax years beginning on or after that
8 date.

9 EXPLANATION

10 The bill provides that an activity of a foreign corporation
11 which involves participation in job training or education for
12 its employees does not constitute doing business within the
13 state or deriving income from sources within the state for the
14 purposes of the imposition of the state corporate income tax.

15 The bill takes effect upon enactment and applies
16 retroactively to January 1, 1997, for tax years beginning on
17 or after that date.

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**HOUSE FILE 117
FISCAL NOTE**

A fiscal note for House File 117 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 117 provides that an activity of a foreign corporation which involves participation in job training or education for its employees does not constitute nexus for the purposes of the imposition of the State corporate income tax. Nexus is a condition in which a business is determined to be doing business within the State of Iowa.

FISCAL IMPACT

House File 117 is expected to have an annual impact of less than \$100,000. It is possible that some future nexus audit may hinge exclusively on the employee training issue. However, based on a Department of Revenue and Finance analysis of past auditing practices, it is unlikely that this would be (L3Bcom7hgvAM)

FILED FEBRUARY 17, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR