

FEB 4 1998

WAYS AND MEANS

HOUSE FILE
BY LARSON

2144

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

A BILL FOR

1 An Act providing a small business tax credit.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2144

1 Section 1. Section 422.4, Code Supplement 1997, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 15A. "Small business" means any
4 corporation, partnership, sole proprietorship, or other
5 business entity qualifying as "small" under the standards
6 contained in the Code of Federal Regulations, Title 13, part
7 121.

8 Sec. 2. NEW SECTION. 422.12F SMALL BUSINESS TAX CREDIT.

9 A small business formed under the laws of this state and
10 operating within the state is entitled to claim a small
11 business tax credit against the taxes imposed under this
12 division equal to any amount paid to the United States small
13 business administration as a guaranty fee in order to obtain
14 small business administration guaranteed financing. The
15 credit shall be applicable only to the tax year in which the
16 guaranty fee was paid and shall be claimed only by the small
17 business which is the primary obligor in the financing
18 transaction and which actually paid the guaranty fee. Any
19 credit in excess of the tax liability is nonrefundable and
20 shall not be carried back or forward.

21 Sec. 3. Section 422.32, Code Supplement 1997, is amended
22 by adding the following new subsection:

23 NEW SUBSECTION. 7A. "Small business" means any
24 corporation, partnership, sole proprietorship, or other
25 business entity qualifying as "small" under the standards
26 contained in the Code of Federal Regulations, Title 13, part
27 121.

28 Sec. 4. Section 422.33, Code Supplement 1997, is amended
29 by adding the following new subsection:

30 NEW SUBSECTION. 8. A small business formed under the laws
31 of this state and operating within the state is entitled to
32 claim a small business tax credit against the taxes imposed
33 under this division equal to any amount paid to the United
34 States small business administration as a guaranty fee in
35 order to obtain small business administration guaranteed

1 financing. The credit shall be applicable only to the tax
2 year in which the guaranty fee was paid and shall be claimed
3 only by the small business which is the primary obligor in the
4 financing transaction and which actually paid the guaranty
5 fee. Any credit in excess of the tax liability is
6 nonrefundable and shall not be carried back or forward.

7 EXPLANATION

8 This bill provides a small business tax credit to apply
9 against personal income tax liability or corporate tax
10 liability. Only a small business which is a corporation,
11 partnership, sole proprietorship, or other business entity
12 qualifying as "small" under the standards contained in the
13 Code of Federal Regulations, Title 13, part 121, is eligible.
14 The small business must be formed under Iowa law and must be
15 operating within Iowa. The amount of the credit is equal to
16 any amount paid to the United States small business
17 administration as a guaranty fee in order to obtain small
18 business administration guaranteed financing. The credit is
19 only applicable to the tax year in which the guaranty fee was
20 paid. The bill provides that the credit shall be claimed only
21 by the small business which is the primary obligor in the
22 financing transaction and which actually paid the guaranty
23 fee. Any credit in excess of the tax liability is
24 nonrefundable and shall not be carried back or forward.

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**HOUSE FILE 2144
FISCAL NOTE**

A fiscal note for House File 2144 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 2144 provides a small business tax credit equal to the amount of the guaranty fee paid by a small business as part of a Small Business Administration (SBA) guaranteed loan. The credit may not be carried forward and may not be used to reduce tax liability below zero.

ASSUMPTIONS

1. The guaranty fee is typically 2.0% to 3.9% of the loan value.
2. The amount of SBA loans in Iowa from 1994 to 1996 ranged from \$98.3 to \$132.6 million.
3. The amount of SBA guaranty fees paid by Iowa businesses from 1994 to 1996 ranged from \$1.3 million to \$1.5 million.
4. The number of SBA loans subject to the guaranty fee will remain roughly constant.
5. The businesses will utilize 30.0% of the guaranty fee as a tax credit in a single year.

FISCAL EFFECT

The fiscal effect of HF 2144 is a reduction in General Fund revenues of approximately \$450,000 each year beginning in FY 1999.

SOURCE

U.S. Small Business Administration

(LSB 3360hh, LCS)

FILED MARCH 4, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR