

JAN 13 1999
WAYS AND MEANS

HOUSE FILE 79
BY LARSON

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

A BILL FOR

1 An Act establishing a small business guaranty fee tax credit
2 against individual and corporate income tax liability and
3 including a retroactive applicability date provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 79

1 Section 1. NEW SECTION. 422.11D SMALL BUSINESS GUARANTY
2 FEE TAX CREDIT.

3 The taxes imposed under this division shall be reduced by a
4 small business guaranty fee tax credit. The amount of the
5 credit is equal to any amount paid to the United States small
6 business administration as a guaranty fee in order to obtain
7 small business administration guaranteed financing. The
8 credit shall be applicable only to the tax year in which the
9 guaranty fee was paid and shall be claimed only by the small
10 business operating within the state which is the primary
11 obligor in the financing transaction and which actually paid
12 the guaranty fee. Any credit in excess of the tax liability
13 is nonrefundable and shall not be carried back or forward. If
14 the small business elects to take the tax credit under this
15 section, the small business shall not deduct for Iowa tax
16 purposes any amount of the small business administration
17 guaranty fee deducted for federal income tax purposes.

18 For purposes of this section, an individual may claim the
19 small business guaranty fee tax credit allowed a partnership,
20 subchapter S corporation, limited liability company, or
21 estate, or trust electing to have the income taxed directly to
22 the individual. The amount claimed by the individual shall be
23 based upon the pro rata share of the individual's earnings of
24 the partnership, subchapter S corporation, limited liability
25 company, or estate or trust.

26 For purposes of this section, "small business" means a
27 corporation, partnership, sole proprietorship, limited
28 liability company, or other business entity qualifying as
29 "small" under the standards contained in 13 C.F.R., pt. 121.

30 Sec. 2. Section 422.33, Code 1999, is amended by adding
31 the following new subsection:

32 NEW SUBSECTION. 8. A small business operating within the
33 state is entitled to claim a small business guaranty fee tax
34 credit against the taxes imposed under this division equal to
35 any amount paid to the United States small business

1 administration as a guaranty fee in order to obtain small
2 business administration guaranteed financing. The credit
3 shall be applicable only to the tax year in which the guaranty
4 fee was paid and shall be claimed only by the small business
5 which is the primary obligor in the financing transaction and
6 which actually paid the guaranty fee. Any credit in excess of
7 the tax liability is nonrefundable and shall not be carried
8 back or forward. If the small business elects to take the
9 small business guaranty fee tax credit, the small business
10 shall not deduct for Iowa tax purposes any amount of the small
11 business administration guaranty fee deducted for federal
12 income tax purposes.

13 For purposes of this subsection, "small business" means a
14 corporation, partnership, sole proprietorship, limited
15 liability company, or other business entity qualifying as
16 "small" under the standards contained in 13 C.F.R., pt. 121.

17 Sec. 3. This Act applies retroactively to January 1, 1999,
18 for tax years beginning on or after that date.

19 EXPLANATION

20 This bill provides a small business guaranty fee tax credit
21 to apply against personal income tax liability or corporate
22 tax liability. Only a small business which is a corporation,
23 partnership, sole proprietorship, limited liability company,
24 or other business entity qualifying as "small" under the
25 standards contained in 13 C.F.R., pt. 121, is eligible. The
26 small business must be operating within Iowa. The amount of
27 the credit is equal to any amount paid to the United States
28 small business administration as a guaranty fee in order to
29 obtain small business administration guaranteed financing.
30 The credit is only applicable to the tax year in which the
31 guaranty fee was paid. The bill provides that the credit
32 shall be claimed only by the small business which is the
33 primary obligor in the financing transaction and which
34 actually paid the guaranty fee. Any credit in excess of the
35 tax liability is nonrefundable and shall not be carried back

1 or forward.

2 The bill applies retroactively to January 1, 1999, for tax
3 years beginning on or after that date.

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