

House Study Bill 550

Bill Text

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1 1 Section 1. Section [422.8](#), subsection 2, paragraph b,
1 2 subparagraph (2), Code 1999, is amended to read as follows:
1 3 (2) Any cash or the value of property distributions which
1 4 are made only to the extent that they are paid from income
1 5 upon which Iowa income tax has not been paid, as determined
1 6 under rules of the director, reduced by

~~fifty percent of~~
- the

1 7 amount of any of these distributions that are made to enable
1 8 the shareholder to pay federal income tax on items of income,
1 9 loss, and expenses from the corporation.
1 10 Sec. 2. This Act applies retroactively to January 1, 2000,
1 11 for tax years beginning on or after that date.

1 12 EXPLANATION
1 13 Under the state individual income tax, resident
1 14 shareholders of S corporations doing business within and
1 15 without the state are allowed to allocate income between Iowa
1 16 and other states in determining their state income tax. As
1 17 part of the allocation procedure, under present law 50 percent
1 18 of the amount of an S corporation distribution received by a
1 19 shareholder, which is used to pay federal income tax, are not
1 20 allocated to Iowa. The bill increases this percentage to 100
1 21 percent.

1 22 The bill applies retroactively to January 1, 2000, for tax
1 23 years beginning on or after that date.

1 24 LSB 5821HC 78

1 25 mg/cf/24