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SENATE FILE  
BY ANGELO

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Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing for an additional income tax deduction for the  
2 hiring of individuals with impairments by any sized business  
3 or corporation and including effective and retroactive  
4 applicability date provisions.

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

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WAYS & MEANS

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1 Section 1. Section 422.7, subsection 12, unnumbered  
2 paragraph 1, Code 1999, is amended to read as follows:

3 If the adjusted gross income includes income or loss from a  
4 ~~small~~ business operated by the taxpayer, an additional  
5 deduction shall be allowed in computing the income or loss  
6 from the ~~small~~ business if the ~~small~~ business hired for  
7 employment in the state during its annual accounting period  
8 ending with or during the taxpayer's tax year any of the  
9 following:

10 Sec. 2. Section 422.7, subsection 12, unnumbered  
11 paragraphs 4 and 6, Code 1999, are amended to read as follows:

12 A taxpayer who is a partner of a partnership, member of a  
13 limited liability company, or a shareholder of a subchapter S  
14 corporation, may deduct that portion of wages qualified under  
15 this subsection paid by the partnership company, or subchapter  
16 S corporation based on the taxpayer's pro rata share of the  
17 profits or losses from the partnership company, or subchapter  
18 S corporation.

19 ~~For purposes of this subsection, "small business" means~~  
20 ~~small business as defined in section 16-17, subsection 36,~~  
21 ~~except that it shall also include the operation of a farm.~~

22 Sec. 3. Section 422.7, subsection 12A, Code 1999, is  
23 amended by striking the subsection.

24 Sec. 4. Section 422.35, subsection 6, unnumbered paragraph  
25 1, Code 1999, is amended to read as follows:

26 If the taxpayer is a ~~small~~ business corporation, subtract  
27 an amount equal to sixty-five percent of the wages paid to  
28 individuals, but not to exceed twenty thousand dollars per  
29 individual, named in paragraphs "a", "b", and "c" who were  
30 hired for the first time by the taxpayer during the tax year  
31 for work done in this state:

32 Sec. 5. Section 422.35, subsection 6, unnumbered paragraph  
33 4, Code 1999, is amended by striking the unnumbered paragraph.

34 Sec. 6. Section 422.35, subsection 6A, Code 1999, is  
35 amended by striking the subsection.

1 Sec. 7. This Act, being deemed of immediate importance,  
2 takes effect upon enactment and applies retroactively to  
3 January 1, 1999, for tax years beginning on or after that  
4 date.

5 EXPLANATION

6 Present law provides for an additional deduction of 65  
7 percent of wages paid to an individual with an impairment  
8 hired during the tax year by a small business. This deduction  
9 applies in computing individual and corporate income taxes.  
10 The bill makes this additional deduction available for all  
11 businesses regardless of their size. The definition of small  
12 business is a business with 20 or fewer full-time equivalent  
13 positions or not more than \$3 million in gross revenues for  
14 the preceding fiscal year or as the average for the three  
15 preceding fiscal years, includes a farm operation, and  
16 requires that the business is not a subsidiary or affiliate of  
17 a business with more than 20 full-time equivalent employees  
18 and more than \$3 million of annual gross revenues.

19 The bill takes effect upon enactment and applies  
20 retroactively to January 1, 1999, for tax years beginning on  
21 or after that date.

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