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SENATE FILE 298  
BY LAMBERTI

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

A BILL FOR

1 An Act establishing a tax credit against individual and corporate  
2 income tax liability for small business guaranty fees paid 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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SF 298  
WAYS & MEANS

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

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

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

26 For purposes of this section, "targeted small business"  
27 means the same as defined in section 15.102.

28 Sec. 2. Section 422.33, Code 2001, is amended by adding  
29 the following new subsection:

30 NEW SUBSECTION. 11. A targeted small business operating  
31 within the state is entitled to claim a targeted small  
32 business guaranty fee 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 to the tax year in  
2 which the guaranty fee was paid and shall be claimed only by  
3 the targeted small business which is the primary obligor in  
4 the financing transaction and which actually paid the guaranty  
5 fee. Any credit in excess of the tax liability is  
6 nonrefundable but may be carried forward for up to four tax  
7 years or until depleted. If the targeted small business  
8 elects to take the targeted small business guaranty fee tax  
9 credit, the targeted small business shall not deduct for Iowa  
10 tax purposes any amount of the small business administration  
11 guaranty fee deducted for federal income tax purposes.

12 For purposes of this subsection, "targeted small business"  
13 means the same as defined in section 15.102.

14 Sec. 3. RETROACTIVE APPLICABILITY DATE. This Act applies  
15 retroactively to January 1, 2001, for tax years beginning on  
16 or after that date.

17 EXPLANATION

18 This bill provides a targeted small business guaranty fee  
19 tax credit to apply against personal income tax liability or  
20 corporate tax liability. The tax credit is available only to  
21 a small business which is owned and actively managed by one or  
22 more women, minorities, or persons with a disability and has  
23 an annual gross income of less than \$3 million average of the  
24 last three taxable years. The small business must be  
25 operating within Iowa. The amount of the credit that may be  
26 claimed is equal to any amount paid to the United States small  
27 business administration as a guaranty fee in order to obtain  
28 small business administration guaranteed financing. The  
29 credit is applicable to the tax year in which the guaranty fee  
30 was paid. The bill provides that the credit shall be claimed  
31 only by the targeted small business which is the primary  
32 obligor in the financing transaction and which actually paid  
33 the guaranty fee. Any credit in excess of the tax liability  
34 is nonrefundable but may be carried forward for up to four tax  
35 years or until depleted.

1 The bill applies retroactively to January 1, 2001, for tax  
2 years beginning on or after that date.

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