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VETERANS AFFAIRS

HOUSE FILE 2246  
BY SCHICKEL

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

**A BILL FOR**

1 An Act providing a tax credit to a small business for  
2 unemployment benefits paid to national guard and military  
3 reserve replacement workers and including a retroactive  
4 applicability date provision.

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

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HF 2246

1 Section 1. NEW SECTION. 422.11M UNEMPLOYMENT BENEFITS  
2 TAX CREDIT -- SMALL BUSINESSES.

3 1. The taxes imposed under this division, less the credits  
4 allowed under sections 422.12 and 422.12B, shall be reduced by  
5 an unemployment benefits tax credit. This credit shall only  
6 be available to small businesses that employed not more than  
7 fifty permanent full-time employees during the previous tax  
8 year. The amount of the unemployment benefits tax credit  
9 equals one hundred percent of the state unemployment benefits  
10 received by each temporary employee hired by the eligible  
11 small business to temporarily replace a permanent full-time  
12 employee who was a member of the Iowa national guard or  
13 reserve forces of the United States and who was activated for  
14 federal duty, other than training, for a minimum aggregate of  
15 ninety days.

16 Notwithstanding any confidentiality provision, upon  
17 application to the department of workforce development by the  
18 taxpayer, the department shall provide the taxpayer with the  
19 amount of state unemployment benefits paid to the temporary  
20 employees for whom the state tax credit is claimed.

21 2. If the unemployment benefits tax credit exceeds the tax  
22 liability of the taxpayer, the excess is nonrefundable but may  
23 be credited to the tax liability for the following seven years  
24 or until depleted, whichever is the earlier.

25 3. An individual may claim an unemployment benefits tax  
26 credit allowed a partnership, limited liability company, S  
27 corporation, estate, or trust electing to have the income  
28 taxed directly to the individual. The amount claimed by the  
29 individual shall be based upon the pro rata share of the  
30 individual's earnings of the partnership, limited liability  
31 company, S corporation, estate, or trust.

32 Sec. 2. Section 422.33, Code Supplement 2005, is amended  
33 by adding the following new subsection:

34 NEW SUBSECTION. 20. The taxes imposed under this division  
35 shall be reduced by an unemployment benefits tax credit

1 allowed small businesses in the manner and under the  
2 requirements specified in section 422.11M.

3 Sec. 3. Section 422.60, Code Supplement 2005, is amended  
4 by adding the following new subsection:

5 NEW SUBSECTION. 11. The taxes imposed under this division  
6 shall be reduced by an unemployment benefits tax credit  
7 allowed small businesses in the manner and under the  
8 requirements specified in section 422.11M.

9 Sec. 4. NEW SECTION. 432.12H UNEMPLOYMENT BENEFITS TAX  
10 CREDIT.

11 The taxes imposed under this chapter shall be reduced by an  
12 unemployment benefits tax credit allowed small businesses in  
13 the manner and under the requirements specified in section  
14 422.11M.

15 Sec. 5. Section 533.24, Code Supplement 2005, is amended  
16 by adding the following new subsection:

17 NEW SUBSECTION. 8. The moneys and credits tax imposed  
18 under this section shall be reduced by an unemployment  
19 benefits tax credit allowed small businesses in the manner and  
20 under the requirements specified in section 422.11M.

21 Sec. 6. RETROACTIVE APPLICABILITY DATE. This Act applies  
22 retroactively to January 1, 2006, for tax years beginning on  
23 or after that date.

24 EXPLANATION

25 This bill allows a tax credit under the individual and  
26 corporate income taxes, franchise tax, premiums tax, and  
27 moneys and credits tax for small businesses in the amount of  
28 the unemployment benefits paid to each employee who  
29 temporarily replaces a permanent full-time employee who was a  
30 member of the Iowa national guard or reserve forces and who  
31 was activated for federal duty, other than training, for a  
32 minimum aggregate of 90 days. The credit is nonrefundable but  
33 may be carried forward for up to seven tax years.

34 The bill applies retroactively to January 1, 2006, for tax  
35 years beginning on or after that date.