

Senate Study Bill 1242

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR'S BILL)

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

A BILL FOR

1 An Act requiring combined corporate tax returns for unitary
2 businesses and including a retroactive applicability date
3 provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2175XL 82
6 mg/es/88

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1 1 Section 1. Section 422.37, Code 2007, is amended by
1 2 striking the section and inserting in lieu thereof the
1 3 following:
1 4 422.37 COMBINED RETURNS.
1 5 An affiliated group of corporations shall, under rules
1 6 prescribed by the director, file a combined return showing the
1 7 net income of all corporations engaged in a unitary business,
1 8 subject to the following:
1 9 1. The affiliated group filing under this section shall
1 10 meet the requirements to file a consolidated return for
1 11 federal income tax purposes under the Internal Revenue Code
1 12 for the same taxable year.
1 13 2. All members of the affiliated group shall join in the
1 14 filing of an Iowa combined return to the extent they are
1 15 engaged in a unitary business.
1 16 3. Members of the affiliated group exempt from taxation by
1 17 section 422.34 shall not be included in a combined return.
1 18 4. All members of the affiliated group shall use the
1 19 statutory method of allocation and apportionment unless the
1 20 director has granted permission to all members to use an
1 21 alternative method of allocation and apportionment.
1 22 5. The computation of federal taxable income before the
1 23 net operating loss deduction on a combined return for members
1 24 of an affiliated group shall be made in the same manner and
1 25 under the same procedures, including all intercompany
1 26 adjustments and eliminations, as are required for
1 27 consolidating the incomes of affiliated corporations for the
1 28 taxable year for federal income tax purposes in accordance
1 29 with the Internal Revenue Code.
1 30 6. The combined income approach reflects the federal
1 31 taxable income of the unitary members of the Iowa affiliated
1 32 group as a single economic unit, with the application of the
1 33 adjustments in section 422.35, and the affiliated group shall
1 34 only file one income tax return. Any nonunitary members of
1 35 the federal affiliated group subject to tax imposed by section
2 1 422.33 must each file its own separate corporate income tax
2 2 return. The net income of an affiliated group is determined
2 3 by applying the apportionment formula against the combined
2 4 income of the affiliated group.
2 5 7. Only the sales of those corporations in the affiliated
2 6 group subject to the tax imposed by section 422.33 are
2 7 included in the numerator of the apportionment formula.
2 8 8. Only those corporations in the affiliated group subject
2 9 to the tax imposed by section 422.33 are jointly and severally
2 10 liable for the Iowa tax of the combined group.
2 11 Sec. 2. RETROACTIVE APPLICABILITY PROVISION. This Act is
2 12 retroactively applicable to January 1, 2007, for tax years
2 13 beginning on or after that date.

EXPLANATION

2 14
2 15 This bill requires that the net income of affiliated groups
2 16 of corporations engaged in a unitary business be computed on a
2 17 combined return basis for corporate tax purposes if the group
2 18 meets the requirements for filing a consolidated return for
2 19 federal tax purposes. The affiliated group would include

2 20 corporations with common ownership whereby one or more
2 21 corporations own 80 percent or more of another corporation.
2 22 The bill would require that one Iowa corporate income tax
2 23 return be filed that would include all unitary members of an
2 24 affiliated group. Any nonunitary member that is subject to
2 25 Iowa tax would file its own separate corporate return. Only
2 26 Iowa sales of those corporations doing business in Iowa would
2 27 be included in the numerator of the Iowa sales ratio. The
2 28 bill also provides that only those corporations doing business
2 29 in Iowa are jointly and severally liable for the tax of the
2 30 combined return.
2 31 The bill applies retroactively to January 1, 2007, for tax
2 32 years beginning on or after that date.
2 33 LSB 2175XL 82
2 34 mg:rj/es/88