

Senate Study Bill 3122 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act requiring combined corporate tax returns for unitary
2 businesses and including retroactive applicability
3 provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.37, Code 2009, is amended by striking
2 the section and inserting in lieu thereof the following:

3 **422.37 Combined returns.**

4 1. An affiliated group of corporations shall, under rules
5 prescribed by the director, file a combined return showing the
6 net income of all corporations engaged in a unitary business.

7 2. The affiliated group filing the combined return is
8 subject to the following conditions:

9 a. The affiliated group filing under this section shall
10 meet the requirements to file a consolidated return for federal
11 income tax purposes under the Internal Revenue Code for the
12 same taxable year.

13 b. All members of the affiliated group shall join in the
14 filing of an Iowa combined return to the extent they are
15 engaged in a unitary business.

16 c. Members of the affiliated group exempt from taxation by
17 section 422.34 shall not be included in a combined return.

18 d. All members of the affiliated group shall use the
19 statutory method of allocation and apportionment unless the
20 director has granted permission to all members to use an
21 alternative method of allocation and apportionment.

22 e. The computation of federal taxable income before the net
23 operating loss deduction on a combined return for members of
24 an affiliated group shall be made in the same manner and under
25 the same procedures, including all intercompany adjustments and
26 eliminations, as are required for consolidating the incomes of
27 affiliated corporations for the taxable year for federal income
28 tax purposes in accordance with the Internal Revenue Code.

29 f. The combined income approach reflects the federal taxable
30 income of the unitary members of the Iowa affiliated group as a
31 single economic unit, with the application of the adjustments
32 in section 422.35, and the affiliated group shall only file
33 one income tax return. Any nonunitary members of the federal
34 affiliated group subject to tax imposed by section 422.33 must
35 each file its own separate corporate income tax return. The

1 net income of an affiliated group is determined by applying
2 the apportionment formula against the combined income of the
3 affiliated group.

4 *g.* Only the sales of those corporations in the affiliated
5 group subject to the tax imposed by section 422.33 are included
6 in the numerator of the apportionment formula.

7 h. Only those corporations in the affiliated group subject
8 to the tax imposed by section 422.33 are jointly and severally
9 liable for the Iowa tax of the combined group.

10 Sec. 2. APPLICABILITY. This Act applies retroactively to
11 January 1, 2010, for tax years beginning on or after that date.

12	EXPLANATION
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13 This bill requires that the net income of affiliated groups
14 of corporations engaged in a unitary business be computed
15 on a combined return basis for corporate tax purposes if
16 the group meets the requirements for filing a consolidated
17 return for federal tax purposes. The affiliated group would
18 include corporations with common ownership whereby one or more
19 corporations own 80 percent or more of another corporation.

20 The bill would require that one Iowa corporate income tax
21 return be filed that would include all unitary members of an
22 affiliated group. Any nonunitary member that is subject to
23 Iowa tax would file its own separate corporate return. Only
24 Iowa sales of those corporations doing business in Iowa would
25 be included in the numerator of the Iowa sales ratio. The
26 bill also provides that only those corporations doing business
27 in Iowa are jointly and severally liable for the tax of the
28 combined return.

29 The bill applies retroactively to January 1, 2010, for tax
30 years beginning on or after that date.