

House File 2224 - Introduced

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BY LUKAN

A BILL FOR

1 An Act relating to the state corporate income tax by imposing a
2 flat tax upon a specified amount of net income and including
3 effective date and retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.21, subsection 1, Code 2011, is
2 amended to read as follows:

3 1. Returns shall be in the form the director prescribes,
4 and shall be filed with the department on or before the last
5 day of the fourth month after the expiration of the tax year.
6 However, cooperative associations as defined in section 6072(d)
7 of the Internal Revenue Code shall file their returns on or
8 before the fifteenth day of the ninth month following the
9 close of the taxable year and nonprofit corporations subject
10 to the unrelated business income tax imposed by section
11 422.33, subsection ~~1A~~ 1B, shall file their returns on or before
12 the fifteenth day of the fifth month following the close of
13 the taxable year. If, under the Internal Revenue Code, a
14 corporation is required to file a return covering a tax period
15 of less than twelve months, the state return shall be for the
16 same period and is due forty-five days after the due date of
17 the federal tax return, excluding any extension of time to
18 file. In case of sickness, absence, or other disability, or
19 if good cause exists, the director may allow further time for
20 filing returns. The director shall cause to be prepared blank
21 forms for the returns and shall cause them to be distributed
22 throughout the state and to be furnished upon application,
23 but failure to receive or secure the form does not relieve
24 the taxpayer from the obligation of making a return that is
25 required. The department may as far as consistent with the
26 Code draft income tax forms to conform to the income tax
27 forms of the internal revenue department of the United States
28 government. Each return by a taxpayer upon whom a tax is
29 imposed by section 422.5 shall show the county of the residence
30 of the taxpayer.

31 Sec. 2. Section 422.33, subsection 1, unnumbered paragraph
32 1, Code Supplement 2011, is amended to read as follows:

33 A tax is imposed annually upon each corporation doing
34 business in this state, or deriving income from sources within
35 this state, in ~~an~~ the amount of one hundred fifty dollars on

1 net income equal to or less than one million dollars.

2 1A. A tax is imposed annually upon each corporation doing
3 business in this state, or deriving income from sources within
4 this state, in an amount computed by applying the following
5 rates of taxation to the net income exceeding one million
6 dollars received by the corporation during the income year:

7 Sec. 3. Section 422.33, subsection 1A, Code Supplement
8 2011, is amended to read as follows:

9 ~~1A.~~ 1B. There is imposed upon each corporation exempt
10 from the general business tax on corporations by section
11 422.34, subsection 2, a tax on the amounts and at the rates in
12 ~~subsection~~ subsections 1 and 1A upon the state's apportioned
13 share computed in accordance with subsections 2 and 3 of the
14 unrelated business income computed in accordance with the
15 Internal Revenue Code and with the adjustments set forth in
16 section 422.35.

17 Sec. 4. Section 422.33, subsection 4, unnumbered paragraph
18 1, Code Supplement 2011, is amended to read as follows:

19 In addition to all taxes imposed under this division, there
20 is imposed upon each corporation doing business within the
21 state the greater of the tax determined in subsection ~~1~~ 1A,
22 paragraphs "a" through "d" or the state alternative minimum tax
23 equal to sixty percent of the maximum state corporate income
24 tax rate, rounded to the nearest one-tenth of one percent, of
25 the state alternative minimum taxable income of the taxpayer
26 computed under this subsection.

27 Sec. 5. Section 422.33, subsection 4, Code Supplement 2011,
28 is amended by adding the following new paragraph:

29 NEW PARAGRAPH. *0a.* Subtract an exemption amount of one
30 million dollars. However, in the event this exemption amount
31 would reduce the state alternative minimum taxable income to
32 below zero dollars, then the exemption shall be reduced to that
33 amount which would result in allowing the taxpayer to retain a
34 state alternative minimum taxable income of zero dollars.

35 Sec. 6. Section 422.33, subsection 7, Code Supplement 2011,

1 is amended to read as follows:

2 7. *a.* There is allowed as a credit against the tax
3 determined in subsection \pm 1A for a tax year an amount equal to
4 the minimum tax credit for that tax year.

5 The minimum tax credit for a tax year is the excess,
6 if any, of the net minimum tax imposed for all prior tax
7 years beginning on or after January 1, 1987, over the amount
8 allowable as a credit under this subsection for those prior tax
9 years.

10 *b.* The allowable credit under paragraph "*a*" for a tax year
11 shall not exceed the excess, if any, of the tax determined
12 in subsection \pm 1A over the state alternative minimum tax as
13 determined in subsection 4.

14 The net minimum tax for a tax year is the excess, if any, of
15 the tax determined in subsection 4 for the tax year over the
16 tax determined in subsection \pm 1A for the tax year.

17 Sec. 7. Section 441.21, subsection 11, Code Supplement
18 2011, is amended to read as follows:

19 11. Beginning with valuations established on or after
20 January 1, 1995, as used in this section, "*residential*
21 *property*" includes all land and buildings of multiple housing
22 cooperatives organized under chapter 499A and includes land
23 and buildings used primarily for human habitation which land
24 and buildings are owned and operated by organizations that
25 have received tax-exempt status under section 501(c)(3) of the
26 Internal Revenue Code and rental income from the property is
27 not taxed as unrelated business income under section 422.33,
28 subsection \pm 1B.

29 Sec. 8. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
30 immediate importance, takes effect upon enactment.

31 Sec. 9. RETROACTIVE APPLICABILITY. This Act applies
32 retroactively to January 1, 2012, for tax years beginning on
33 or after that date.

34

EXPLANATION

35 This bill relates to the state corporate income tax by

1 creating a flat tax of \$150 on the net income or unrelated
2 business income of a corporation equal to or less than \$1
3 million. The net income or unrelated business income of a
4 corporation exceeding \$1 million remains subject to the state
5 corporate income tax at the rates established under current
6 law.

7 The bill amends the state alternative minimum tax and
8 the minimum tax credit for corporations to provide that they
9 will only be applicable to amounts of net income exceeding \$1
10 million.

11 The bill takes effect upon enactment and applies
12 retroactively to January 1, 2012, for tax years beginning on
13 or after that date.