

Senate Study Bill 3014 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED ECONOMIC
DEVELOPMENT AUTHORITY BILL)

A BILL FOR

1 An Act relating to employee stock ownership plans by
2 encouraging the adoption of such plans by Iowa corporations,
3 creating an individual income tax exemption, making an
4 appropriation, and including retroactive applicability
5 provisions.

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

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DIVISION I

ESOP FORMATION ASSISTANCE

Section 1. EMPLOYEE STOCK OWNERSHIP PLAN ASSISTANCE AND PROMOTION.

1. There is appropriated from the general fund of the state to the economic development authority for the fiscal year beginning July 1, 2011, and ending June 30, 2012, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For providing financial assistance, including establishment of a loan program, and technical assistance, marketing, and education to businesses interested in establishing employee stock ownership plans and for procuring the services of an independent contractor with expertise in the formation of employee stock ownership plans:

..... \$ 1,000,000

Notwithstanding section 8.33, moneys appropriated pursuant to this section shall not revert but shall remain available to the economic development authority for the purposes designated until expended. Notwithstanding section 12C.7, subsection 2, earnings or interest on moneys appropriated pursuant to this section shall be retained by the economic development authority and used for the purposes designated until expended.

DIVISION II

CAPITAL GAIN DEDUCTION FOR SALE TO AN IOWA ESOP

Sec. 2. Section 422.7, subsection 21, Code Supplement 2011, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. (1) To the extent not already excluded, the net capital gain from the sale or exchange of employer securities of an Iowa corporation to a qualified Iowa employee stock ownership plan when, upon completion of the transaction, the qualified Iowa employee stock ownership plan owns at least thirty percent of all outstanding employer securities issued by the Iowa corporation.

(2) For purposes of this paragraph:

1 (a) *“Employer securities”* means the same as defined in
2 section 409(1) of the Internal Revenue Code.

3 (b) *“Iowa corporation”* means a corporation whose commercial
4 domicile, as defined in section 422.32, is in this state.

5 (c) *“Qualified Iowa employee stock ownership plan”* means an
6 employee stock ownership plan, as defined in section 4975(e)(7)
7 of the Internal Revenue Code, and trust that are established
8 by an Iowa corporation for the benefit of the employees of the
9 corporation.

10 Sec. 3. RETROACTIVE APPLICABILITY. This division of this
11 Act applies retroactively to January 1, 2012, for tax years
12 beginning on or after that date.

13 EXPLANATION

14 This bill relates to employee stock ownership plans.

15 Division I of the bill provides for an appropriation of \$1
16 million to the economic development authority for the purpose
17 of providing financial assistance, including the establishment
18 of a loan program, and technical assistance, marketing, and
19 education to businesses regarding the formation of employee
20 stock ownership plans.

21 Division II of the bill provides for an exemption from the
22 computation of the state individual income tax of the net
23 capital gain from the sale or exchange of employer securities
24 of an Iowa corporation to a qualified Iowa employee stock
25 ownership plan if, upon completion of the sale or exchange,
26 the qualified Iowa employee stock ownership plan owns at least
27 30 percent of all outstanding employer securities issued
28 by the Iowa corporation. For purposes of the exemption,
29 “employer securities” means the same as defined in section
30 409(1) of the Internal Revenue Code, “Iowa corporation”
31 means a corporation whose commercial domicile is in Iowa,
32 and “qualified Iowa employee stock ownership plan” means an
33 employee stock ownership plan and trust that is established by
34 an Iowa corporation for the benefit of the employees of the
35 corporation.

S.F. _____ H.F. _____

1 Division II of the bill applies retroactively to January 1,
2 2012, for tax years beginning on or after that date.