

House File 2419 - Introduced

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BY COWNIE

(COMPANION TO LSB 5885SS BY
DOTZLER)

A BILL FOR

1 An Act relating to the apportionment of certain gross receipts
2 of a broadcaster for purposes of Iowa income tax, and
3 including effective date and applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.33, subsection 2, paragraph b, Code
2 2014, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (05) (a) Notwithstanding subparagraph
4 (3), where income is derived by a broadcaster from
5 broadcasting, the part attributable to business within the
6 state shall be in the proportion that the gross receipts from
7 broadcasting derived from customers whose commercial domicile
8 is in this state bears to the total gross receipts from
9 broadcasting.

10 (b) For purposes of this subparagraph:

11 (i) "*Broadcaster*" means a taxpayer who is engaged in the
12 business of broadcasting. "*Broadcaster*" includes but is not
13 limited to a television or radio network, a cable program
14 network, a television or radio station, and a television or
15 radio distribution company. "*Broadcaster*" does not include a
16 cable system operator or a direct broadcast satellite system
17 operator.

18 (ii) "*Broadcasting*" means the transmission of film or radio
19 programming by an electronic or other signal conducted by radio
20 waves, microwaves, wires, lines, coaxial cables, wave guides,
21 fiber optics, satellite transmissions, or through any other
22 means of communication directly or indirectly to viewers and
23 listeners.

24 (iii) "*Customer*" means a person who has a direct contractual
25 relationship with a broadcaster from whom the broadcaster
26 derives gross receipts. "*Customer*" includes but is not limited
27 to an advertiser or licensee.

28 (iv) "*Gross receipts from broadcasting*" means gross receipts
29 of a broadcaster from transactions and activities in the
30 regular course of its business, including but not limited to
31 advertising, licensing, and distribution, but excluding gross
32 receipts from the sale of real property or tangible personal
33 property.

34 Sec. 2. Section 422.33, subsection 2, paragraph b,
35 subparagraph (5), Code 2014, is amended to read as follows:

1 (5) Where income consists of more than one class of income
2 as provided in subparagraphs (1) ~~to (4)~~ through (05) of this
3 paragraph, it shall be reasonably apportioned by the business
4 activity ratio provided in rules adopted by the director.

5 Sec. 3. EFFECTIVE DATE. This Act takes effect January 1,
6 2015.

7 Sec. 4. APPLICABILITY. This Act applies to tax years
8 beginning on or after January 1, 2015.

9 EXPLANATION

10 The inclusion of this explanation does not constitute agreement with
11 the explanation's substance by the members of the general assembly.

12 This bill relates to the apportionment of income of a
13 broadcaster for purposes of Iowa corporate income tax.

14 A corporation doing business both within and without Iowa is
15 required to apportion its business income among Iowa and the
16 other states in which it does business. The amount of business
17 income apportioned to Iowa is generally in the same percentage
18 as the business's gross sales made within Iowa if the business
19 involves the manufacture or sale of goods and products, or in
20 the same percentage as the business's gross receipts earned
21 within Iowa if the business involves something other than the
22 manufacture or sale of goods and products.

23 Under current law pursuant to Iowa Administrative Code
24 701-57.7(5), a radio or television company doing business
25 within and without Iowa is required to apportion its business
26 income to Iowa in the same proportion that the Iowa population
27 served by its broadcasting bears to the total population
28 served by its broadcasting. The calculation is made using all
29 residents of the applicable broadcasting area, regardless of
30 whether or not the residents individually elect to receive the
31 broadcasts.

32 The bill specifies that when income is derived by a
33 broadcaster from broadcasting, the business income apportioned
34 to Iowa shall be in the same proportion that the broadcaster's
35 gross receipts from broadcasting derived from customers whose

1 commercial domicile is in Iowa bears to the broadcaster's total
2 gross receipts from broadcasting.

3 "Broadcaster" is defined in the bill as a taxpayer who
4 is engaged in the business of broadcasting. A broadcaster
5 includes but is not limited to a television or radio network,
6 a cable program network, a television or radio station, and
7 a television or radio distribution company. A broadcaster
8 does not include a cable system operator or a direct broadcast
9 satellite system operator.

10 "Broadcasting" is defined in the bill as the transmission
11 of film or radio programming by an electronic or other signal
12 conducted by radio waves, microwaves, wires, lines, coaxial
13 cables, wave guides, fiber optics, satellite transmissions, or
14 through any other means of communication directly or indirectly
15 to viewers and listeners.

16 "Customer" is defined in the bill as a person who has a
17 direct contractual relationship with a broadcaster from whom
18 the broadcaster derives gross receipts.

19 By operation of law, the method of apportioning gross
20 receipts from broadcasting provided in the bill will also
21 apply for purposes of the individual income tax to a resident
22 individual who is an owner of a broadcaster organized for
23 federal tax purposes as an S corporation, and for a nonresident
24 individual who is an owner of a broadcaster organized for
25 federal tax purposes as an S corporation or a partnership.

26 The bill takes effect January 1, 2015, and applies to tax
27 years beginning on or after that date.