

**House Study Bill 502 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON JUDICIARY BILL BY  
CHAIRPERSON BALTIMORE)

**A BILL FOR**

1 An Act relating to the exclusion from the computation of net  
2 income for the individual income tax of net capital gains  
3 from the sale of a business and including retroactive  
4 applicability provisions.

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

1 Section 1. Section 422.7, subsection 21, paragraph a, Code  
2 2014, is amended to read as follows:

3 a. (1) (a) Net capital gain from the sale of a business or  
4 from the sale of real property used in a business, in which the  
5 taxpayer materially participated for a minimum of ten years,  
6 ~~as defined in section 469(h) of the Internal Revenue Code,~~ and  
7 which has been held for a minimum of ten years, ~~or from the~~  
8 ~~sale of a business, as defined in section 423.1, in which the~~  
9 ~~taxpayer materially participated for ten years, as defined in~~  
10 ~~section 469(h) of the Internal Revenue Code, and which has been~~  
11 ~~held for a minimum of ten years. The sale of a business means~~  
12 ~~the sale of all or substantially all of the tangible personal~~  
13 ~~property or service of the business.~~

14 (b) ~~However, where the business is sold~~ If the sale of the  
15 business in subparagraph division (a) is made to individuals  
16 who are all lineal descendants of the taxpayer, the taxpayer  
17 does not have to have materially participated in the business  
18 in order for the net capital gain from the sale to be excluded  
19 from taxation.

20 (2) ~~However, in~~ In lieu of the net capital gain deduction  
21 in this paragraph and paragraphs "b", "c", and "d", ~~where the~~  
22 ~~business is sold~~ if the sale of the business in subparagraph  
23 (1) is made to individuals who are all lineal descendants of  
24 the taxpayer, the amount of capital gain from each capital  
25 asset may be subtracted in determining net income.

26 ~~(2)~~ (3) For purposes of this paragraph, unless the context  
27 otherwise requires:

28 (a) "Business" means the same as defined in section 423.1.

29 (b) ~~"lineal"~~ "Lineal descendant" means children of the  
30 taxpayer, including legally adopted children and biological  
31 children, stepchildren, grandchildren, great-grandchildren, and  
32 any other lineal descendants of the taxpayer.

33 (c) "Materially participated" means the same as defined in  
34 section 469(h) of the Internal Revenue Code.

35 (d) "Sale of a business" means the sale of all or

