

Senate File 2345 - Introduced

SENATE FILE 2345

BY DOTZLER

A BILL FOR

1 An Act concerning 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) Notwithstanding subparagraph division (a) or
11 subparagraph (3), where income is derived by a broadcaster
12 from national or local political advertising that is directed
13 exclusively at one or more markets in this state, all gross
14 receipts from such advertising shall be attributable to
15 business within the state.

16 (c) For purposes of this subparagraph:

17 (i) "*Broadcaster*" means a taxpayer who is engaged in the
18 business of broadcasting. "*Broadcaster*" includes but is not
19 limited to a television or radio network, a cable program
20 network, an Iowa television or radio station, and a television
21 or radio distribution company. "*Broadcaster*" does not include
22 a cable system operator or a direct broadcast satellite system
23 operator.

24 (ii) "*Broadcasting*" means the transmission of film or radio
25 programming by an electronic or other signal conducted by radio
26 waves, microwaves, wires, lines, coaxial cables, wave guides,
27 fiber optics, satellite transmissions, or through any other
28 means of communication directly or indirectly to viewers and
29 listeners.

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

34 (iv) "*Gross receipts from broadcasting*" means gross receipts
35 of a broadcaster from transactions and activities in the

1 regular course of its business, including but not limited to
2 advertising, licensing, and distribution, but excluding gross
3 receipts from the sale of real property or tangible personal
4 property.

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

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

11 Sec. 3. EFFECTIVE DATE. This Act takes effect January 1,
12 2015.

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

15 EXPLANATION

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

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

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

29 Under current law pursuant to Iowa Administrative Code
30 701-57.7(5), a radio or television company doing business
31 within and without Iowa is required to apportion its business
32 income to Iowa in the same proportion that the Iowa population
33 served by its broadcasting bears to the total population
34 served by its broadcasting. The calculation is made using all
35 residents of the applicable broadcasting area, regardless of

1 whether or not the residents individually elect to receive the
2 broadcasts.

3 The bill specifies that when income is derived by a
4 broadcaster from broadcasting, the business income apportioned
5 to Iowa shall be in the same proportion that the broadcaster's
6 gross receipts from broadcasting derived from customers whose
7 commercial domicile is in Iowa bears to the broadcaster's
8 total gross receipts from broadcasting. However, where the
9 income derived by the broadcaster is from national or political
10 advertising directed exclusively at one or more markets in
11 the state, all gross receipts from such advertising shall be
12 apportioned to Iowa.

13 "Broadcaster" is defined in the bill as a taxpayer who
14 is engaged in the business of broadcasting. A broadcaster
15 includes but is not limited to a television or radio network,
16 a cable program network, an Iowa television or radio station,
17 and a television or radio distribution company. A broadcaster
18 does not include a cable system operator or a direct broadcast
19 satellite system operator.

20 "Broadcasting" is defined in the bill as the transmission
21 of film or radio programming by an electronic or other signal
22 conducted by radio waves, microwaves, wires, lines, coaxial
23 cables, wave guides, fiber optics, satellite transmissions, or
24 through any other means of communication directly or indirectly
25 to viewers and listeners.

26 "Customer" is defined in the bill as a person who has a
27 direct contractual relationship with a broadcaster from whom
28 the broadcaster derives gross receipts.

29 By operation of law, the method of apportioning gross
30 receipts from broadcasting provided in the bill will also
31 apply for purposes of the individual income tax to a resident
32 individual who is an owner of a broadcaster organized for
33 federal tax purposes as an S corporation, and for a nonresident
34 individual who is an owner of a broadcaster organized for
35 federal tax purposes as an S corporation or a partnership.

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