

House File 257 - Introduced

HOUSE FILE 257

BY RIZER, PETTENGILL, HEATON,
HEIN, and STAED

A BILL FOR

1 An Act modifying the criteria for claiming the deduction
2 from the individual income tax, corporate income tax,
3 and franchise tax of certain wages paid relating to the
4 employment of an individual with a disability, and including
5 effective date and retroactive and other applicability
6 provisions.

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

1 Section 1. Section 422.7, subsection 12, paragraph a,
2 unnumbered paragraph 1, Code 2015, is amended to read as
3 follows:

4 If the adjusted gross income includes income or loss from
5 ~~a small~~ an eligible business operated by the taxpayer, an
6 additional deduction shall be allowed in computing the income
7 or loss from the ~~small eligible~~ business if the ~~small eligible~~
8 business hired for employment in the state during its annual
9 accounting period ending with or during the taxpayer's tax year
10 any of the following:

11 Sec. 2. Section 422.7, subsection 12, paragraph c,
12 subparagraph (2), subparagraph division (a), unnumbered
13 paragraph 1, Code 2015, is amended to read as follows:

14 ~~"Small~~ "Eligible business" means a profit or nonprofit
15 business, including but not limited to an individual,
16 partnership, corporation, joint venture, association, or
17 cooperative, to which the following apply:

18 Sec. 3. Section 422.7, subsection 12, paragraph c,
19 subparagraph (2), subparagraph division (a), subparagraph
20 subdivision (ii), Code 2015, is amended to read as follows:

21 (ii) It has ~~twenty~~ twenty five hundred or fewer full-time
22 equivalent positions and not more than the equivalent of ~~three~~
23 twenty-one million dollars in annual gross revenues as computed
24 for the preceding fiscal year or as the average of the three
25 preceding fiscal years.

26 Sec. 4. Section 422.7, subsection 12, paragraph c,
27 subparagraph (2), subparagraph divisions (b) and (c), Code
28 2015, are amended to read as follows:

29 (b) ~~"Small~~ "Eligible business" includes an employee-owned
30 business which has been an employee-owned business for less
31 than three years or which meets the conditions of subparagraph
32 division (a), subparagraph subdivisions (i) through (iii).

33 (c) For purposes of this definition, "dominant in its
34 field of operation" means having more than ~~twenty~~ twenty five hundred
35 full-time equivalent positions and more than ~~three~~ twenty-one

1 million dollars in annual gross revenues, and *"affiliate or
2 subsidiary of a business dominant in its field of operation"*
3 means a business which is at least twenty percent owned
4 by a business dominant in its field of operation, or by
5 partners, officers, directors, majority stockholders, or their
6 equivalents, of a business dominant in that field of operation.

7 Sec. 5. Section 422.35, subsection 6, paragraph a,
8 unnumbered paragraph 1, Code 2015, is amended to read as
9 follows:

10 If the taxpayer is a ~~small~~ an eligible business corporation,
11 subtract an amount equal to sixty-five percent of the wages
12 paid to individuals, but not to exceed twenty thousand dollars
13 per individual, named in subparagraphs (1), (2), and (3) who
14 were hired for the first time by the taxpayer during the tax
15 year for work done in this state:

16 Sec. 6. Section 422.35, subsection 6, paragraph c,
17 subparagraph (2), subparagraph division (a), unnumbered
18 paragraph 1, Code 2015, is amended to read as follows:

19 ~~"Small~~ "Eligible business" means a profit or nonprofit
20 business, including but not limited to an individual,
21 partnership, corporation, joint venture, association, or
22 cooperative, to which the following apply:

23 Sec. 7. Section 422.35, subsection 6, paragraph c,
24 subparagraph (2), subparagraph division (a), subparagraph
25 subdivision (ii), Code 2015, is amended to read as follows:

26 (ii) It has either ~~twenty~~ five hundred or fewer full-time
27 equivalent positions or not more than the equivalent of ~~three~~
28 twenty-one million dollars in annual gross revenues as computed
29 for the preceding fiscal year or as the average of the three
30 preceding fiscal years.

31 Sec. 8. Section 422.35, subsection 6, paragraph c,
32 subparagraph (2), subparagraph divisions (b) and (c), Code
33 2015, are amended to read as follows:

34 (b) ~~"Small~~ "Eligible business" includes an employee-owned
35 business which has been an employee-owned business for less

1 than three years or which meets the conditions of subparagraph
2 division (a), subparagraph subdivisions (i) through (iii).

3 (c) For purposes of this definition, "*dominant in its*
4 *field of operation*" means having more than ~~twenty~~ five-hundred
5 full-time equivalent positions and more than ~~three~~ twenty-one
6 million dollars in annual gross revenues, and "*affiliate or*
7 *subsidiary of a business dominant in its field of operation*"
8 means a business which is at least twenty percent owned
9 by a business dominant in its field of operation, or by
10 partners, officers, directors, majority stockholders, or their
11 equivalents, of a business dominant in that field of operation.

12 Sec. 9. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
13 immediate importance, takes effect upon enactment.

14 Sec. 10. APPLICABILITY. This Act applies to individuals
15 with a disability hired on or after the effective date of this
16 Act.

17 Sec. 11. RETROACTIVE APPLICABILITY. This Act applies
18 retroactively to January 1, 2015, for tax years beginning on
19 or after that date.

20 EXPLANATION

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

23 This bill modifies the criteria for claiming the deduction
24 from the individual income tax, corporate income tax, and
25 franchise tax of certain wages paid relating to the employment
26 of an individual with a disability.

27 Under current law, a business that has 20 or fewer full-time
28 equivalent employees, or that has not more than \$3 million
29 in annual gross revenues, may claim a deduction equal to 65
30 percent of the wages paid to an individual with a disability
31 that was hired during the year. The bill amends these
32 eligibility criteria to provide that a business that has 500
33 or fewer full-time equivalent employees, or that has not more
34 than \$21 million in annual gross revenues, may qualify for the
35 deduction. The bill changes the name of a business meeting the

1 criteria for the deduction from "small business" to "eligible
2 business".

3 Also under current law, the deduction excludes a business
4 that is an affiliate or subsidiary of a business dominant in
5 its field of operation. The bill amends the definition of
6 "dominant in its field of operation" from a business having
7 more than 20 full-time equivalent employees and more than \$3
8 million in annual gross revenues, to a business having more
9 than 500 full-time equivalent employees and more than \$21
10 million in annual gross revenues.

11 The bill takes effect upon enactment and applies to
12 individuals with a disability hired on or after that date. The
13 bill applies retroactively to January 1, 2015, for tax years
14 beginning on or after that date.