

**Senate File 211 - Introduced**

SENATE FILE 211

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**A BILL FOR**

1 An Act creating an exemption from the computation of the state  
2 individual income tax of net capital gains from the sale  
3 of an equity investment in a qualified Iowa business and  
4 including retroactive applicability provisions.

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

1 Section 1. Section 422.7, Code 2015, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 57. *a.* Subtract, to the extent included,  
4 the net capital gains from the sale of an equity investment in  
5 a qualified Iowa business.

6 *b.* In order to be eligible for the deduction in paragraph  
7 "a", the taxpayer must be a resident of this state.

8 *c.* For purposes of this subsection:

9 (1) "*Equity investment*" means an equity interest in a  
10 business which equity interest was received in exchange for  
11 a capital contribution or payment in the form of cash, real  
12 property, or tangible personal property.

13 (2) "*Qualified Iowa business*" means a business whose  
14 commercial domicile, as defined in section 422.32, is  
15 in this state, and includes a sole proprietorship, joint  
16 venture, partnership, limited liability company, corporation,  
17 association, or any other business entity operated for profit.

18 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies  
19 retroactively to January 1, 2015, for tax years beginning on  
20 or after that date.

21 EXPLANATION

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

24 This bill creates an exemption from the computation of  
25 net income for the individual income tax of net capital  
26 gains from the sale of an equity investment in a qualified  
27 Iowa business. "Equity investment" is defined as an equity  
28 interest in a business that was received in exchange for a  
29 capital contribution or payment in the form of cash, real  
30 property, or tangible personal property. "Qualified Iowa  
31 business" is defined as any business operated for profit whose  
32 commercial domicile is in Iowa. In order to be eligible for  
33 this exemption a taxpayer must be a resident of Iowa.

34 The bill applies retroactively to January 1, 2015, for tax  
35 years beginning on or after that date.