

Senate Study Bill 1268 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act amending the deduction from the individual income
2 tax, corporate income tax, and franchise tax of wages
3 paid relating to the employment of an individual with a
4 disability, and including effective date and retroactive and
5 other applicability provisions.
6 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~~ business operated by the taxpayer, an additional
6 deduction shall be allowed in computing the income or loss from
7 the ~~small~~ business if the ~~small~~ business hired for employment
8 in the state during its annual accounting period ending with or
9 during the taxpayer's tax year any of the following:

10 Sec. 2. Section 422.7, subsection 12, paragraph c, Code
11 2015, is amended to read as follows:

12 c. For purposes of this subsection:

13 ~~(1)~~ *Physical, "physical or mental impairment"* means any
14 physiological disorder or condition, cosmetic disfigurement, or
15 anatomical loss affecting one or more of the body systems or
16 any mental or psychological disorder, including intellectual
17 disability, organic brain syndrome, emotional or mental
18 illness, and specific learning disabilities.

19 ~~(2) (a)~~ *"Small 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 ~~(i)~~ It is not an affiliate or subsidiary of a business
24 dominant in its field of operation.

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

29 ~~(iii)~~ It does not include the practice of a profession.

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

34 ~~(c)~~ For purposes of this definition, *"dominant in its field*
35 *of operation"* means having more than twenty full-time equivalent

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

8 Sec. 3. Section 422.7, subsection 12, Code 2015, is amended
9 by adding the following new paragraph:

10 NEW PARAGRAPH. *d.* The department shall develop and
11 distribute information concerning the deduction available for
12 businesses employing persons described in this subsection.

13 Sec. 4. Section 422.7, subsection 12A, Code 2015, is amended
14 by striking the subsection.

15 Sec. 5. Section 422.35, subsection 6, paragraph a,
16 unnumbered paragraph 1, Code 2015, is amended to read as
17 follows:

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

24 Sec. 6. Section 422.35, subsection 6, paragraph c, Code
25 2015, is amended to read as follows:

26 *c.* For purposes of this subsection:

27 ~~(1)~~ *"Physical, "physical or mental impairment"* means any
28 physiological disorder or condition, cosmetic disfigurement, or
29 anatomical loss affecting one or more of the body systems or
30 any mental or psychological disorder, including intellectual
31 disability, organic brain syndrome, emotional or mental
32 illness, and specific learning disabilities.

33 ~~(2) (a)~~ *"Small business"* means a profit or nonprofit
34 business, including but not limited to an individual,
35 partnership, corporation, joint venture, association, or

1 ~~cooperative, to which the following apply:~~

2 ~~(i) It is not an affiliate or subsidiary of a business~~
3 ~~dominant in its field of operation.~~

4 ~~(ii) It has either twenty or fewer full-time equivalent~~
5 ~~positions or not more than the equivalent of three million~~
6 ~~dollars in annual gross revenues as computed for the preceding~~
7 ~~fiscal year or as the average of the three preceding fiscal~~
8 ~~years.~~

9 ~~(iii) It does not include the practice of a profession.~~

10 ~~(b) "Small business" includes an employee-owned business~~
11 ~~which has been an employee-owned business for less than three~~
12 ~~years or which meets the conditions of subparagraph division~~
13 ~~(a), subparagraph subdivisions (i) through (iii).~~

14 ~~(c) For purposes of this definition, "dominant in its field~~
15 ~~of operation" means having more than twenty full-time equivalent~~
16 ~~positions and more than three million dollars in annual gross~~
17 ~~revenues, and "affiliate or subsidiary of a business dominant~~
18 ~~in its field of operation" means a business which is at least~~
19 ~~twenty percent owned by a business dominant in its field of~~
20 ~~operation, or by partners, officers, directors, majority~~
21 ~~stockholders, or their equivalents, of a business dominant in~~
22 ~~that field of operation.~~

23 Sec. 7. Section 422.35, subsection 6, Code 2015, is amended
24 by adding the following new paragraph:

25 NEW PARAGRAPH. *d.* The department shall develop and
26 distribute information concerning the deduction available for
27 businesses employing persons described in this subsection.

28 Sec. 8. Section 422.35, subsection 6A, Code 2015, is amended
29 by striking the subsection.

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

32 Sec. 10. APPLICABILITY. This Act applies to individuals
33 hired on or after the effective date of this Act.

34 Sec. 11. RETROACTIVE APPLICABILITY. This Act applies
35 retroactively to January 1, 2015, for tax years beginning on

1 or after that date.

2

EXPLANATION

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

5 This bill modifies the criteria for claiming the deduction
6 from the individual income tax, corporate income tax, and
7 franchise tax of wages paid relating to the employment of an
8 individual with a disability.

9 Under current law, a small business may claim a deduction
10 equal to 65 percent of the wages paid to an individual with a
11 disability that was hired during the year. "Small business"
12 is defined as a business that has 20 or fewer full-time
13 equivalent employees and not more than \$3 million in annual
14 gross revenues, that is not affiliated with a business
15 dominant in its field of operation, and that does not involve
16 the practice of a profession. The bill removes this small
17 business restriction to provide that any business may claim the
18 deduction.

19 Also under current law, the department of revenue
20 (department) is required to develop and distribute information
21 concerning a similar deduction for wages paid to an individual
22 who is a felon, on parole, on probation, or in a work release
23 program. The bill provides that the department is also
24 required to develop and distribute information concerning the
25 deduction for wages paid to an individual with a disability.

26 The bill takes effect upon enactment and applies to
27 individuals hired on or after that date. The bill applies
28 retroactively to January 1, 2015, for tax years beginning on
29 or after that date.