

Senate File 153 - Introduced

SENATE FILE 153

BY ZAUN

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 2017, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 51. *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, 2017, 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 net
25 income for the individual income tax of net capital gains
26 from the sale of an equity investment in a qualified Iowa
27 business. "Equity investment" is defined as an equity interest
28 in a business that was received in exchange for a capital
29 contribution or payment in the form of cash, real property,
30 or tangible personal property. "Qualified Iowa business" is
31 defined as any business operated for profit whose commercial
32 domicile is in Iowa. In order to be eligible for the exemption
33 a taxpayer must be a resident of Iowa.

34 The bill applies retroactively to January 1, 2017, for tax
35 years beginning on or after that date.