

**Senate File 2395 - Introduced**

SENATE FILE 2395

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3198)

**A BILL FOR**

1 An Act concerning the apportionment of certain business  
2 income of an airline or a qualified air freight forwarder  
3 for purposes of Iowa corporate income tax, and including  
4 applicability provisions.

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

1 Section 1. Section 422.33, subsection 2, paragraph a,  
2 subparagraph (2), Code 2018, is amended by adding the following  
3 new subparagraph divisions:

4 NEW SUBPARAGRAPH DIVISION. (0f) Notwithstanding  
5 subparagraph division (c), where income is derived by an  
6 airline from transportation operations, the part attributable  
7 to business within the state shall be in the proportion that  
8 the miles of the airline traveled in this state bears to the  
9 total miles of such airline traveled everywhere.

10 NEW SUBPARAGRAPH DIVISION. (00f) (i) Notwithstanding  
11 subparagraph division (c), where income is derived by a  
12 qualified air freight forwarder from transportation operations  
13 through an affiliated airline, such income shall be apportioned  
14 as follows:

15 (A) For tax years beginning during the 2019 calendar year,  
16 eighty percent of such income shall be equitably apportioned  
17 as provided in subparagraph division (c), and of the remaining  
18 twenty percent of such income, the part attributable to  
19 business within the state shall be in the proportion that the  
20 miles of the qualified air freight forwarder's affiliated  
21 airline traveled in this state bears to the total miles of the  
22 affiliated airline traveled everywhere.

23 (B) For tax years beginning during the 2020 calendar year,  
24 sixty percent of such income shall be equitably apportioned as  
25 provided in subparagraph division (c), and of the remaining  
26 forty percent of such income, the part attributable to business  
27 within the state shall be in the proportion that the miles  
28 of the qualified air freight forwarder's affiliated airline  
29 traveled in this state bears to the total miles of the  
30 affiliated airline traveled everywhere.

31 (C) For tax years beginning during the 2021 calendar year,  
32 forty percent of such income shall be equitably apportioned as  
33 provided in subparagraph division (c), and of the remaining  
34 sixty percent of such income, the part attributable to business  
35 within the state shall be in the proportion that the miles

1 of the qualified air freight forwarder's affiliated airline  
2 traveled in this state bears to the total miles of the  
3 affiliated airline traveled everywhere.

4 (D) For tax years beginning during the 2021 calendar year,  
5 twenty percent of such income shall be equitably apportioned  
6 as provided in subparagraph division (c), and of the remaining  
7 eighty percent of such income, the part attributable to  
8 business within the state shall be in the proportion that the  
9 miles of the qualified air freight forwarder's affiliated  
10 airline traveled in this state bears to the total miles of the  
11 affiliated airline traveled everywhere.

12 (E) For tax years beginning on or after January 1, 2022,  
13 the part attributable to business within the state shall be  
14 in the proportion that the miles of the qualified air freight  
15 forwarder's affiliated airline traveled in this state bears to  
16 the total miles of the affiliated airline traveled everywhere.

17 (ii) For purposes of this subparagraph division (00f),  
18 "*qualified air freight forwarder*" means a taxpayer who meets all  
19 of the following requirements:

20 (A) The taxpayer is primarily engaged in the facilitation of  
21 the transportation of property by air.

22 (B) The taxpayer does not itself operate aircraft.

23 (C) The taxpayer is in the same affiliated group as an  
24 airline.

25 Sec. 2. Section 422.33, subsection 2, paragraph a,  
26 subparagraph (2), subparagraph division (g), Code 2018, is  
27 amended to read as follows:

28 (g) Where income consists of more than one class of income  
29 as provided in subparagraph divisions (a) through ~~(e)~~ (00f)  
30 of this subparagraph, it shall be reasonably apportioned by  
31 the business activity ratio provided in rules adopted by the  
32 director.

33 Sec. 3. APPLICABILITY. This Act applies to tax years  
34 beginning on or after January 1, 2019.

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EXPLANATION

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

3       This bill relates to the apportionment of income of an  
4 airline and of a qualified air freight forwarder for purposes  
5 of the Iowa corporate income tax.

6       A corporation doing business both within and without Iowa is  
7 required to apportion its business income among Iowa and the  
8 other states in which it does business. The amount of business  
9 income apportioned to Iowa is generally in the same percentage  
10 as the business's gross sales made within Iowa if the business  
11 involves the manufacture or sale of goods and products, or in  
12 the same percentage as the business's gross receipts earned  
13 within Iowa if the business involves something other than the  
14 manufacture or sale of goods and products. However, airlines  
15 and other specified industries have special rules provided  
16 by administrative rule for apportioning the income of those  
17 industries.

18       Under current law pursuant to 701 Iowa administrative code,  
19 rule 54.7(2), an airline deriving income from transportation  
20 operations is required to apportion its business income to  
21 Iowa in the same proportion that its mileage traveled in Iowa  
22 bears to its total mileage traveled everywhere. The bill  
23 specifies that an airline shall apportion this business income  
24 in the same manner described above as required under 701 Iowa  
25 administrative code, rule 54.7(2).

26       The bill also provides rules for apportioning income derived  
27 by a qualified air freight forwarder from transportation  
28 operations through an affiliated airline. The bill defines  
29 "qualified air freight forwarder" to be a taxpayer that is  
30 primarily engaged in the facilitation of the transportation of  
31 property by air, and that does not itself operate aircraft but  
32 that is in the same affiliated group as an airline.

33       The bill states that the qualified air freight forwarder  
34 income derived from transportation operations shall be  
35 apportioned to Iowa either under the current rules of the

1 director of revenue (current statutory rules), or in the  
2 same proportion that the miles of the qualified air freight  
3 forwarder's affiliated airline traveled in this state bears to  
4 the total miles of the affiliated airline traveled everywhere  
5 (affiliated airline mileage rules), based on increasing  
6 percentages as enumerated in the bill over a number of tax  
7 years.

8 The bill applies to tax years beginning on or after January  
9 1, 2019.