

House Study Bill 649 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON WHEELER)

A BILL FOR

1 An Act creating a recreational-activities business tax credit
2 available for individual and corporate income taxes, and
3 including effective date and retroactive applicability
4 provisions.

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

1 Section 1. NEW SECTION. 422.120 Recreational-activities
2 business tax credit.

3 1. As used in this section:

4 a. "New business" means a business that offers recreational
5 activities to the public that started offering such activities
6 after the effective date of this Act, or is an existing
7 business that offers recreational activities that started
8 less than one year prior to the effective date of this Act.

9 "New business" does not include a business that transfers
10 ownership after the effective date of this Act, changes the
11 organizational structure of the business within one year of
12 the effective date of this Act, or changes the organizational
13 structure of the business after the effective date of this Act.

14 b. "Recreational-activities business" means a business that
15 is directly and primarily engaged in recreational activities,
16 including bowling, go-karts, mini-golf, laser tag, bumper cars,
17 bumper boats, escape rooms, or waterslides.

18 c. "Start-up expenses" means any reasonable expense that is
19 incurred to open the new business.

20 2. The taxes imposed under this division, less the
21 credits allowed under section 422.12, shall be reduced by a
22 recreational-activities business tax credit not to exceed two
23 thousand five hundred dollars of start-up expenses.

24 3. A taxpayer may claim the credit during either the first
25 or second year operating as a new business.

26 4. A taxpayer is eligible to claim the credit one time as
27 provided in subsection 2 in the taxpayer's lifetime.

28 5. Any credit in excess of the tax liability is not
29 refundable but the excess for the tax year may be credited
30 to the tax liability for the following five years or until
31 depleted, whichever is earlier.

32 6. An individual may claim the tax credit allowed a
33 partnership, limited liability company, S corporation, estate,
34 or trust electing to have the income taxed directly to the
35 individual. The amount claimed by the individual shall be

1 based upon the pro rata share of the individual's earnings of
2 the partnership, limited liability company, S corporation,
3 estate, or trust.

4 7. Married taxpayers who file separate returns or file
5 separately on a combined return form must determine the tax
6 credit under subsection 2 based upon their combined net income
7 and allocate the total credit amount to each spouse in the
8 proportion that each spouse's respective net income bears to
9 the total combined net income.

10 8. The department shall adopt rules pursuant to chapter 17A
11 to administer this section.

12 Sec. 2. Section 422.33, Code 2020, is amended by adding the
13 following new subsection:

14 NEW SUBSECTION. 31. The taxes imposed under this division
15 shall be reduced by a recreational-activities business tax
16 credit allowed in section 422.120.

17 Sec. 3. EFFECTIVE DATE. This Act, being deemed of immediate
18 importance, takes effect upon enactment.

19 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
20 retroactively to January 1, 2020, for tax years beginning on
21 or after that date.

22 EXPLANATION

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

25 This bill creates a recreational-activities business tax
26 credit available for individual and corporate income taxes.

27 The credit is available to a taxpayer that operates a
28 business that offers recreational activities that started
29 after the effective date of the bill, or is an existing
30 business that offers recreational business activities that
31 started less than one year prior to the effective date of the
32 bill. "Recreational-activities business" is defined to mean a
33 business that is directly and primarily engaged in recreational
34 activities, including bowling, go-karts, mini-golf, laser tag,
35 bumper cars, bumper boats, escape rooms, or waterslides.

1 The amount of the credit is not to exceed \$2,500 of start-up
2 expenses against the individual or corporate income tax.

3 A taxpayer is eligible to claim the credit one time as
4 provided in the bill in the taxpayer's lifetime.

5 Any credit provided in the bill in excess of the tax
6 liability is not refundable but the excess for the tax year may
7 be credited to the tax liability for the following five years
8 until depleted, whichever is earlier.

9 The bill takes effect upon enactment and applies
10 retroactively to tax years beginning on or after January 1,
11 2020.