

Senate File 2292 - Introduced

SENATE FILE 2292
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3105)

A BILL FOR

1 An Act creating a state corporate income tax deduction for net
2 controlled foreign corporation tested income, and including
3 retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 422.35, subsection 12, Code 2026, is
2 amended to read as follows:

3 12. Subtract, to the extent included, ~~global intangible~~
4 ~~low-taxed~~ income under section 951A of the Internal Revenue Code.
5 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
6 retroactively to January 1, 2026, for tax years beginning on or
7 after that date.

8 EXPLANATION

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

11 This bill creates a state corporate income tax deduction for
12 net controlled foreign corporation tested income (NCTI).

13 Currently, Code section 422.35(12) specifically references
14 global intangible low-taxed income (GILTI) under section 951A of
15 the Internal Revenue Code (IRC) for purposes of a state corporate
16 income tax deduction allowed under that Code section. Recent
17 federal legislation replaced GILTI with NCTI under section 951A
18 of the IRC. NCTI is the aggregate amount of net income subject
19 to federal tax that is earned by a taxpayer from controlled
20 foreign corporations of the taxpayer, and is applied more broadly
21 to foreign income than GILTI.

22 Since the federal legislation replaced GILTI with NCTI in
23 the same section of the IRC (951A), the state corporate income
24 tax deduction no longer applies because Code section 422.35(12)
25 specifically references GILTI income under section 951A of the
26 IRC. The bill strikes the specific reference to GILTI but
27 continues to allow the deduction for income under section 951A
28 of the IRC which is now recharacterized as NCTI.