

Senate File 557 - Introduced

SENATE FILE 557

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A BILL FOR

1 An Act relating to transactions involving covered financial
2 instruments by members of the general assembly, legislative
3 staff, and their immediate family, based on nonpublic
4 information, and providing penalties.

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

unofficial

1 Section 1. NEW SECTION. **68B.40 Definitions.**

2 For purposes of this subchapter:

3 1. a. "*Covered financial instrument*" means any of the
4 following:

5 (1) An investment in a security or security future as each is
6 defined in section 3(a) of the federal Securities Exchange Act of
7 1934.

8 (2) A commodity as defined in section 1a of the federal
9 Commodity Exchange Act.

10 (3) Any economic interest comparable to an instrument
11 described in subparagraph (1) or (2) acquired through synthetic
12 means, such as the use of a derivate, including an option,
13 warrant, or other similar means.

14 b. "*Covered financial instrument*" does not mean any of the
15 following:

16 (1) A diversified mutual fund.

17 (2) A diversified exchange-traded fund.

18 (3) A United States treasury bill, note, or bond.

19 2. "*Ethics committee*" means the senate ethics committee or
20 house ethics committee, as applicable.

21 3. "*Immediate family*" means a spouse or child.

22 Sec. 2. NEW SECTION. **68B.41 Transactions involving covered
23 financial instruments prohibited — exception.**

24 1. A member of the general assembly, a legislative staff
25 person, and the immediate family of either shall not directly
26 or indirectly buy, sell, or otherwise engage in a transaction
27 involving a covered financial instrument if the transaction
28 is based on information derived from the member's position or
29 official duties, that has not been made publicly available, and
30 that could reasonably be expected to affect the market value of
31 the covered financial instrument.

32 2. A transaction involving a covered financial instrument
33 held by a member of the general assembly, a legislative staff
34 person, or the immediate family of either does not violate
35 subsection 1 if the person can demonstrate the transaction

1 was based solely on publicly available information and that no
2 conflict of interest exists.

3 Sec. 3. NEW SECTION. **68B.42 Reporting requirements —**
4 **transactions involving covered financial instruments.**

5 1. A member of the general assembly shall report any
6 transaction involving a covered financial instrument made by the
7 member or the member's immediate family to the board within
8 thirty days after the transaction is completed.

9 2. The report shall be in writing, and may be submitted
10 electronically.

11 3. The report must include all of the following:

12 a. The date of the transaction.

13 b. The type of covered financial instrument involved.

14 c. The number and value of covered financial instruments
15 involved in the transaction.

16 d. The name of the entity that facilitated the transaction.

17 e. A description of any relevant legislative matters,
18 government policies, or actions that may have been the basis for
19 the transaction.

20 Sec. 4. NEW SECTION. **68B.43 Public disclosure of**
21 **transactions.**

22 The board shall post reports filed under section 68B.42 on the
23 board's internet site. The reports shall be available to the
24 public and accessible without undue burden. The board's internet
25 site must present filed reports in a searchable format.

26 Sec. 5. NEW SECTION. **68B.44 Enforcement and oversight.**

27 1. The board shall investigate alleged violations and may
28 refer cases of suspected violations to other appropriate
29 authorities for further investigation and action.

30 2. The board shall submit an annual report to the general
31 assembly including information regarding the effectiveness
32 of this subchapter, the number of transactions reported,
33 any penalties imposed, and any recommendations for further
34 legislative action.

35 Sec. 6. NEW SECTION. **68B.45 Penalties.**

1 1. A violation of this subchapter is a class "C" felony.

2 2. A member of the general assembly, a legislative staff
3 person, and the immediate family of either, as applicable,
4 shall disgorge to the department of revenue any profit from a
5 transaction or holding involving a covered financial instrument
6 that violates this subchapter for deposit in the general fund.

7 3. A loss from a transaction or holding involving a covered
8 financial instrument that violates this subchapter shall not be
9 deducted from the amount of income tax the member of the general
10 assembly, a legislative staff person, or the immediate family of
11 either owes to this state.

12 4. If a member of the general assembly, a legislative staff
13 person, or the immediate family of either holds or conducts a
14 transaction that violates this subchapter, the ethics committee
15 may hold a hearing and the member or legislative staff person may
16 be subject to additional punishment under the applicable code of
17 ethics.

18 5. A penalty imposed under this section does not prohibit
19 a federal authority from imposing additional penalties, if
20 applicable.

21 Sec. 7. Section 422.7, Code 2025, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 45. Add, to the extent excluded, the
24 ordinary or capital loss realized by the taxpayer in a
25 transaction that violates section 68B.41, subsection 1.

26 Sec. 8. CODE EDITOR DIRECTIVE. The Code editor shall
27 designate sections 68B.40 through 68B.45, as enacted in this Act,
28 as a new subchapter in chapter 68B.

29 **EXPLANATION**

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

32 This bill relates to trading transactions involving covered
33 financial instruments by members of the general assembly,
34 legislative staff persons, and the immediate family of either
35 based on nonpublic information.

1 The bill prohibits a member of the general assembly, a
2 legislative staff person, and the immediate family of either from
3 directly or indirectly buying, selling, or otherwise engaging in
4 a transaction involving a covered financial instrument if the
5 transaction is based on information derived from the member's
6 position or official duties, that has not been made publicly
7 available, and that could reasonably be expected to affect the
8 market value of the covered financial instrument, subject to
9 limited exceptions.

10 Current law requires members of, and candidates for, the
11 general assembly to file personal financial disclosure statements
12 with the member's chamber. The bill requires members of
13 the general assembly to report transactions involving covered
14 financial instruments to the Iowa ethics and campaign disclosure
15 board (board). The board must disclose the reports to the public
16 on the board's internet site.

17 The board is required to investigate alleged violations of
18 the bill and may refer cases of suspected violations to other
19 appropriate authorities for further investigation and action.
20 The board must submit an annual report to the general assembly
21 including information regarding the effectiveness of the bill,
22 the number of transactions reported, any penalties imposed, and
23 any recommendations for further legislative action.

24 A violation of the bill is a class "C" felony. A class "C"
25 felony is punishable by confinement for no more than 10 years
26 and a fine of at least \$1,370 but not more than \$13,660. In
27 addition, a person who violates the bill is subject to financial
28 penalties, including disgorgement of any profits resulting from
29 a prohibited transaction, tax liability relating to prohibited
30 transactions, and a member or legislative staff person may face
31 disciplinary action by the applicable ethics committee. The bill
32 does not prohibit a federal authority from imposing additional
33 penalties, if applicable.