

Senate File 2492 - Introduced

SENATE FILE 2492

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2292)

(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:

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
5 Code.

6 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
7 retroactively to January 1, 2026, for tax years beginning on
8 or after that date.

9 EXPLANATION

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

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

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

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