

publication in The Record, a newspaper published in Cedar Falls, Iowa, and in the Linn News-Letter, a newspaper published in Central City, Iowa.

Approved February 16, 1978

I hereby certify that the foregoing Act, House File 2037, was published in The Record, Cedar Falls, Iowa on February 28, 1978 and in the Linn News-Letter, Central City, Iowa on March 1, 1978.

MELVIN D. SYNHORST, *Secretary of State*

## CHAPTER 1139 INCOME TAX COMPUTATIONS

S. F. 2210

AN ACT relating to the method of deducting net operating losses and political contributions in computing the income tax liability of individuals and corporations.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section four hundred twenty-two point nine (422.9), subsection two (2), Code 1977, as amended by Acts of the Sixty-seventh General Assembly, 1977 Session, chapter one hundred nineteen (119), sections four (4) and five (5), is amended to read as follows:

2. The total of contributions, interest, taxes, medical expense, nonbusiness losses and miscellaneous expenses deductible for federal income tax purposes under the Internal Revenue Code of 1954, with the following adjustments:

Sec. 2. Section four hundred twenty-two point nine (422.9), subsection two (2), paragraph c, Code 1977, is amended to read as follows:

c. Add the amount donated ~~to-a-political-party-or-parties as-defined-by-section-43-2~~ as a political contribution as defined in section forty-one c (41 (c)) of the Internal Revenue Code of 1954, not to exceed one hundred dollars or two hundred dollars in the case of a married couple filing a joint return.

Sec. 3. Section four hundred twenty-two point nine (422.9), subsection two (2)\*, Code 1977, as amended by Acts of the Sixty-seventh General Assembly, 1977 Session, chapter one hundred nineteen (119), sections four (4) and five (5), is amended by adding the following new subsection:\*

NEW SUBSECTION. If after applying all of the adjustments

\*According to enrolled Act

provided for in section four hundred twenty-two point seven (422.7) of the Code, the allocation provisions of section four hundred twenty-two point eight (422.8) of the Code and the deductions allowable in this section subject to the modifications provided in section one hundred seventy-two d (172(d)) of the Internal Revenue Code of 1954, the taxable income results in a net operating loss, the net operating loss shall be deducted as follows:

a. The Iowa net operating loss shall be carried back three taxable years or to the taxable year in which the individual first earned income in Iowa whichever year is the later.

b. The Iowa net operating loss remaining after being carried back as required in paragraph a of this subsection or if not required to be carried back shall be carried forward seven taxable years.

c. If the election under section one hundred seventy-two b three E (172 (b) (3) (E)) of the Internal Revenue Code of 1954 is made, the Iowa net operating loss shall be carried forward seven taxable years.

d. No portion of a net operating loss which was incurred without the state by a nonresident of this state shall be deducted.

e. Estates and trusts subject to tax under section four hundred twenty-two point six (422.6) of the Code shall be subject to the above net operating loss provisions.

Sec. 4. Section four hundred twenty-two point thirty-five (422.35), unnumbered paragraph one (1), Code 1977, is amended to read as follows:

The term "net income" means the taxable income ~~less~~ before the net operating loss deduction, ~~both~~ as properly computed for federal income tax purposes under the Internal Revenue Code of 1954, with the following adjustments:

Sec. 5. Section four hundred twenty-two point thirty-five (422.35), Code 1977, as amended by House File two thousand thirty-seven (2037), enacted by the Sixty-seventh General Assembly, 1978 Session, section four (4), is amended by adding the following new subsection:

NEW SUBSECTION. If after applying all of the adjustments provided for in this section and the allocation and apportionment provisions of section four hundred twenty-two point thirty-three (422.33) of the Code, the Iowa taxable income results in a net operating loss, such net operating loss shall be deducted as follows:

a. The Iowa net operating loss shall be carried back three taxable years or to the taxable year in which the corporation first commenced doing business in this state, whichever is later.

b. The Iowa net operating loss remaining after being carried back as required in paragraph a of this subsection or if not required to be carried back shall be carried forward seven taxable years.

c. If the election under section one hundred seventy-two b three E (172 (b) (3) (E)) of the Internal Revenue Code of 1954 is made, the Iowa net operating loss shall be carried forward seven taxable years.

d. No portion of a net operating loss which was sustained from that portion of the trade or business carried on outside the state of Iowa shall be deducted.

Sec. 6. The provisions of this Act are retroactive to January 1, 1978 for Iowa net operating losses sustained in tax years beginning on or after January 1, 1978 and to this extent the provisions of this Act are retroactive.

Sec. 7. This Act, being deemed of immediate importance, shall take effect and be in force from and after its publication in The Waterloo Courier, a newspaper published in Waterloo, Iowa, and in the Fayette County Union, a newspaper published in West Union, Iowa.

Approved May 9, 1978

I hereby certify that the foregoing Act, Senate File 2210, was published in The Waterloo Courier, Waterloo, Iowa on May 19, 1978, and in the Fayette County Union, West Union, Iowa on May 18, 1978.

MELVIN D. SYNHORST, *Secretary of State*

## CHAPTER 1140

### INCOME TAX LIMITATIONS

H. F. 2132

AN ACT relating to the period of limitations during which determination of income tax due can be made and refunds can be claimed.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section four hundred twenty-two point twenty-five (422.25), subsection one (1), Code 1977, is amended to read as follows:

1. ~~As-seen-as-practicable-and-in-any-event-within~~ Within three years after the return is filed or within three years