January 22, 1951.
Private Corporations.

House File 136
By SLOANE.

Passed House, Date ....
Vote: Ayes...................... Nays......................
Passed Senate, Date ....
Vote: Ayes...................... Nays......................
Approved ....

A BILL FOR

An Act repealing subsections 2(a) and 2(f) of section four hundred twenty-two point eight (422.8), Code 1950, and amending section four hundred twenty-two point four (422.4) and section four hundred twenty-two point eight (422.8) relative to the assessment and collection of income taxes on capital gains.

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

Section 1. That subsection 2(a) and subsection 2(f) of section four hundred twenty-two point eight (422.8), Code 1950, are hereby repealed.

Sec. 2. Section four hundred twenty-two point four (422.4) is hereby amended by adding thereto the following:

"Section 1. Capital Assets. The term "capital assets" means property held by the taxpayer (whether or not connected with his trade or business) but does not include:

"(a) Stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business.

"(b) Property, used in his trade or business, of a character which is subject to an allowance for depreciation, or real property used in his trade or business.

"(c) An obligation of the United States or any of its possessions, or of a State or Territory, or any political subdivision thereof, or of the District of Columbia, issued after January 1, 1951, on a discount basis and payable without interest at a fixed maturity date not exceeding one year from the date of issue.

"Sec. 2. Short term capital gain. The term "short-term capital gain" means the gain from the sale or exchange of a capital assets held for not more than six (6) months, if and to the extent such gain is taken into account in computing net income.

"Sec. 3. Short-term capital loss. The term "short-term capital loss" means loss from the sale or exchange of a capital asset held for not more than six (6) months, if and to the extent such loss is taken into account in computing net income.

"Sec. 4. Long-term capital gain. The term "long-term capital gain" means gain from the sale or exchange of a capital asset held for more than six (6) months, if and to the extent such gain is taken into account in computing net income.

"Sec. 5. Long-term capital loss. The term "long term capital loss" means loss from the sale or exchange of a capital asset held for more than six (6) months, if and to the extent such loss is taken into account in computing net income.

"Sec. 6. Net short term capital gain. The term "net short-term capital gain" means the excess of short-term capital gains for the taxable year over the short-term capital losses for such year.

"Sec. 7. Net short-term capital loss. The term "net short-term capital loss" means the excess of short-term capital losses for the taxable year over the short-term capital gains for such year.

"Sec. 8. Net long-term capital gain. The term "net long-term capital gain" means the excess of long-term capital gains for the taxable year over the long-term capital losses for such year.

"Sec. 9. Net long-term capital loss. The term "net long-term capital loss" means the excess of long-term capital losses for the taxable year over the long-term capital gains for such year.

"Sec. 10. Net capital gain.

"(a) Corporations. In the case of a corporation, the term "net capital gain" means the excess of gains from sales or exchanges of capital assets over losses from such sales or exchanges.

"(b) Other Taxpayers. In the case of a taxpayer other than a corporation, the term "net capital gain" means the excess of the sum of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges.

"Sec. 11. Net capital loss. The term "net capital loss" means the excess of the losses from sales or exchanges of capital assets over the gains from such sales or exchanges."

Sec. 3. That part of Chapter four hundred twenty-two (422) Code 1950, relating to income taxes, is hereby amended by adding thereto the following:

"Section 1. Percentage taken into consideration. Only the following percentage of the gain or loss recognized upon the sale or exchange of a capital asset shall be taken into account in computing net capital gain, net capital loss, and net income:

"100 per centum if the capital asset has been held for less than six months.

"50 per centum if the capital assets has been held for more than six months.

"Sec. 2. Loss from wash sales of stock or securities.

"(a) In the case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that, within a period beginning 30 days after such date the taxpayer has acquired (by purchase or by an exchange upon which the entire amount of gain or loss was recognized by law) or has entered into a contract or option so as to acquire substantially identical stock or securities, then no deduction for the loss shall be allowed unless claim is made by a corporation, a dealer in stocks or securities with respect to a transaction made in the ordinary course of its business.

"(b) If the amount of stock or securities acquired (or covered by the contract or option to acquire) is less than the amount of stock or securities sold or otherwise disposed of, then the particular shares of stock or securities the loss from the sale or other disposition of which is not deductible shall be determined under rules and regulations prescribed by the commission.

"(c) If the amount of stock or securities acquired (or covered by the contract or option to acquire) is not less than the amount of stock or securities sold or otherwise disposed of, then the particular shares of stock or securities the acquistion of which (or the contract or option to acquire which) resulted in the non-deductibility of the loss shall be determined under rules and regulations prescribed by the commission."

EXPLANATION OF H. F. 136

This bill makes the Iowa law conform to the Federal Law regarding assessment and collections of income taxes on capital gains. This, however, is not an exact duplicate of the federal law.